Lycopodium Limited

ABN 83 098 556 159

Annual Report
for the year ended 30 June 2008

Lycopodium Limited ABN 83 098 556 159
Financial statements - 30 June 2008

Contents

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

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

The financial report was authorised for issue by the directors on 22 September 2008. The company has 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

Directors	Michael John Caratti Lawrence William Marshall Rodney Lloyd Leonard Robert Joseph Osmetti Bruno Ruggiero Peter De Leo Mark Bambury Ward
Company Secretary	Keith John Bakker
Principal registered office in Australia	Level 5, 1 Adelaide Terrace East Perth WA 6004 Ph: +61 8 6210 5222 Fax: +61 8 6210 5201 Website: www.lycopodium.com.au
Share register	Computershare Investor Services Pty Ltd Level 2, 45 St Georges Terrace Perth WA 6000 Website: www.computershare.com.au Email: web.queries@computershare.com.au
Auditor	PricewaterhouseCoopers QV1 Building Levels 19 - 21 250 St Georges Terrace Perth WA 6000

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 2008.

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

In addition, Mark Bambury Ward was appointed an executive director on 4 April 2008. On 1 July 2008 Mr Ward was appointed Managing Director after the retirement of Mr Marshall from this position. As of 1 July 2008 Mr Marshall holds office as a non-executive director of Lycopodium Ltd.

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:

	2008 $	2007 $
Final fully franked dividend for the year ended 30 June 2007 of 12.5 cents (2006 - 10 cents) per fully paid share paid on 15 October 2007 (2006 - 15 November 2006)	**4,722,500**	3,768,000
Interim fully franked dividend for the year ended 30 June 2008 of 5 cents (2007 - 5 cents) per fully paid share paid 15 April 2008 (2007 - 13 April 2007)	**1,892,000**	1,886,500
	6,614,500	5,654,500

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 $7,568,000 (20.0 cents per fully paid share) based on shareholdings as at the date of this report, to be paid on 17 October 2008 out of group retained profits at 30 June 2008.

Review of operations
A summary of consolidated revenues and results by significant industry segments is set out below:

	Segment revenues		Segment results	
	2008 $	2007 $	**2008 $**	2007 $
EPCM	**74,817,031**	54,400,170	**17,178,820**	14,812,117
Design & construct (lump sum)	**11,704,849**	26,978,846	**865,240**	1,209,920
Study services	**26,278,720**	13,919,484	**5,374,262**	3,213,311
Project services	**5,854,979**	9,115,378	**1,419,626**	2,393,655
Intersegment eliminations	**-**	(898,310)	**-**	(18,995)
	118,655,579	103,515,568	**24,837,948**	21,610,008
Unallocated revenue	**1,922,837**	1,131,872	**-**	-
	120,578,416	104,647,440	**24,837,948**	21,610,008
Unallocated revenue less unallocated expenses			**(7,173,396)**	(9,203,764)
Profit before income tax expense			**17,664,552**	12,406,244
Income tax expense			**(5,187,734)**	(3,508,581)
Profit for the year			**12,476,818**	8,897,663
Add: Loss attributable to minority interest			**450**	-
Profit attributable to members of Lycopodium Ltd			**12,477,268**	8,897,663

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

(a) *Engineering, Procurement and Construction Management (EPCM)*
This industry segment comprises assignments for delivery of the full suite of project delivery services comprising project management, all disciplines of engineering, drafting, procurement, construction management and commissioning. EPCM services are provided on either hourly rate or fixed fee basis.

(b) *Design and Construct (Lump Sum)*
This industry segment comprises the delivery of turn key projects comprising EPCM services together with supply and installation of the plant and equipment. Turn key projects are provided on a fixed lump sum basis.

(c) *Study Services*
This industry segment comprises the delivery of the services required to prepare project studies. These project studies range from concept studies through to definitive feasibility studies and require delivery of a wide range of services comprising study management, all disciplines of engineering, drafting, procurement, estimating, financial modelling and secretarial. Study services are provided on either hourly rate or fixed fee basis.

(d) *Project Services*
This industry segment comprises the delivery of selected project services required to assist others with the delivery of a project. These project services range from providing superintendent services through to preparation of complete design packages and therefore comprise selected EPCM services. Project services are provided on either hourly rate or fixed fee basis.

Significant changes in the state of affairs
Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

	2008 $
Issue of 110,000 fully paid ordinary shares @ $1.00 each on exercise of options granted during the 2004/2005 financial year	**110,000**

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 2008 financial year. The total amount of the dividend is $7,568,000, which represents a fully franked dividend of 20.0 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.

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). Chairman Executive Director. Age 58.

Experience and expertise
Former Managing Director of Lycopodium Engineering 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
9,046,221 ordinary shares of Lycopodium Limited.

Lawrence William Marshall B.Bus (Acc) CPA. Managing Director. Age 55.
Mr Marshall in his role as the former Chief Executive Officer of Lycopodium Engineering 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 retired as Managing Director of Lycopodium Limited effective 1 July 2008, and will continue as a non-executive director. Mr Marshall was appointed a non-executive director of Lycopodium Engineering Qld Pty Ltd and Process Design and Fabrication Pty Ltd with effect from 1 July 2008.

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. Executive Director. Age 47.

Experience and expertise
Mr Leonard has in excess of 20 years experience in the mineral processing industry and is the Managing Director of Lycopodium Engineering Pty Ltd and a non-executive director of Orway Mineral Consultants (WA) Pty Ltd and Lycopodium Engineering Qld Pty Ltd.

Special responsibilities
Member of the Audit Committee (Resignation effective 1 July 2008).
Member of the Corporate Governance Committee.

Interests in shares and options
2,787,332 ordinary shares of Lycopodium Limited.

Robert Osmetti BE (Civ), MIEAust, CPEng. Executive Director. Age 52.

Experience and expertise
Mr Osmetti has approximately 30 years experience in the project management and construction of minerals, oil refining and manufacturing projects and is the Manager of Projects of Lycopodium Engineering Pty Ltd. Mr Osmetti was an executive director of Lycopodium Engineering Pty Ltd and a non-executive director of Process Design and Fabrication Pty Ltd until he resigned from both on 1 July 2008.

Special responsibilities
Member of the Corporate Governance Committee.

Interests in shares and options
3,142,332 ordinary shares of Lycopodium Limited.

Bruno Ruggiero BE (Mech), Grad Dip Min Sc, MIEAust, MAusIMM. Executive Director. Age 44.

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 Engineering Pty Ltd and was a non-executive director of Process Design and Fabrication Pty Ltd and Orway Mineral Consultants (WA) Pty Ltd until he resigned from both on 1 July 2008.

Special responsibilities
Member of the Audit Committee (Resignation effective 1 July 2008).
Member of the Corporate Governance Committee.

Interests in shares and options
3,142,332 ordinary shares in Lycopodium Limited.

Peter De Leo BE (Civ) CPEng MIEAust. Executive Director. Age 42.

Experience and expertise
Mr De Leo has some 20 years experience in the construction and engineering fields and is the General Manager of Operations of Lycopodium Engineering Pty Ltd. He is an executive director of Lycopodium Engineering Pty Ltd.

Special responsibilities
Member of the Corporate Governance Committee.
Member of the Audit Committee (Appointment effective 1 July 2008).

Interests in shares and options
875,871 ordinary shares of Lycopodium Limited.

Information on directors (continued)
Mark Bambury Ward Pr.Eng, BSc Eng (Civil), EDP, MSAICE. Executive Director. Age 48.

Experience and expertise
Mr Ward is a civil engineer with 25 years experience in the general engineering, industrial, and mining and minerals sectors. Mr Ward has been corporate project director and has been part of, or led, many engineering consultants project steering committees within the minerals sector. He joined the Board as executive director in April 2008 and was appointed Managing Director on 1 July 2008 upon the retirement of Mr Marshall.

Special responsibilities
Member of the Corporate Governance Committee.
Member of the Audit Committee (Appointment effective 1 July 2008).

Interests in shares and options
Mr Ward holds no interests in shares or options of Lycopodium Limited.

Company secretary
The company secretary is Keith John Bakker B.Bus (Acc), FCPA. Age 55
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 2008, and the number of meetings attended by each director were:

			Meetings of committees			
	Full meetings of directors		Audit		Other+	
	A	B	A	B	A	B
Michael Caratti	15	16	*	*	2	2
Lawrence Marshall	16	16	2	2	2	2
Rodney Leonard	14	16	2	2	1	2
Robert Osmetti	13	16	*	*	2	2
Bruno Ruggiero	12	16	2	2	1	2
Peter De Leo	14	16	*	*	2	2
Mark Ward	11	11	*	*	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:

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

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

A 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 is not dependent upon the achievement of performance conditions, and as such there are no variable incentive elements.

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (continued)

Non-executive directors
There were no non-executive directors serving on the board during the financial year.

Directors' fees
No directors' fees were payable for the year ended 30 June 2008.

Executive pay
The executive remuneration and reward framework has two components:

- fixed annual remuneration, including superannuation, 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 annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

Options to acquire shares in Lycopodium Limited were offered to certain staff members in the prospectus dated 8 November 2004. These options were exercisable at $1.00 per share on or before 31 December 2007.

A service bonus is provided to certain senior salaried employees payable annually, at the discretion of the company, commencing from an employee's third anniversary date. Executive directors of the parent entity were excluded from receiving this bonus during the reporting period. The service bonus was introduced in the current reporting period, effective from 1 July 2007.

B 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)* of Lycopodium Limited and the consolidated entity are set out in the following tables.

2008	Short-term employee benefits			Post-employment benefits	
Name	Cash salary and fees $	Service bonus $	Non monetary benefits $	Super-annuation $	Total $
Executive directors					
Michael John Caratti	142,250	-	4,000	100,000	246,250
Lawrence William Marshall	324,488	-	10,198	89,314	424,000
Rodney Lloyd Leonard	389,262	-	4,257	36,000	429,519
Robert Joseph Osmetti	370,675	-	4,000	49,325	424,000
Bruno Ruggiero	357,903	-	4,000	47,525	409,428
Peter De Leo	371,107	-	16,893	36,000	424,000
Mark Bambury Ward*	239,897	-	4,121	39,744	283,762
Other key management personnel (consolidated entity)					
Doug Rogers	217,635	27,500	19,185	74,891	339,211
David Taylor	194,314	27,500	52,611	83,539	357,964
Lou Giura	276,454	30,000	4,000	13,129	323,583
Greg O'Neil	118,995	20,642	10,768	89,519	239,924
Keith Bakker	162,000	22,000	36,167	51,500	271,667
Clive Catlow	167,544	-	23,064	53,971	244,579
Glenn Robertson	185,844	-	-	60,128	245,972
Pankaj Bali	149,286	-	-	28,129	177,415
Ian Yovich**	175,671	-	9,480	90,731	275,882
Brian Putland	198,829	-	4,000	16,432	219,261
Leigh Siddall	174,688	-	21,350	14,307	210,345
Total key management personnel compensation (consolidated entity)	**4,216,842**	**127,642**	**228,094**	**974,184**	**5,546,762**

* Mr Ward was appointed a director on 4 April 2008. Before this appointment he was a key management person. Amounts shown above include all Mr Ward's remuneration during the reporting period, whether as a director or as a key management person. Amounts received in his position as a director amounted to $88,537, made up of cash salary of $70,367, non-monetary benefits of $1,000, and superannuation of $14,170.

** Ian Yovich was appointed a director of Lycopodium Engineering Qld Pty Ltd on 21 August 2007. Amounts shown above represent his remuneration after this appointment.

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

Remuneration report (continued)

B Details of remuneration (continued)

Amounts of remuneration (continued)

2007	Short-term employee benefits		Post-employment benefits	
Name	Cash salary and fees $	Non monetary benefits $	Super-annuation $	Total $
Executive directors				
Michael John Caratti	233,794	7,525	107,781	349,100
Lawrence William Marshall	224,331	24,556	105,113	354,000
Rodney Lloyd Leonard	327,221	8,501	36,924	372,646
Robert Joseph Osmetti	256,969	4,000	105,000	365,969
Bruno Ruggiero	306,832	4,000	42,385	353,217
Peter De Leo****	298,475	53,691	29,515	381,681
Other key management personnel (consolidated entity)				
Doug Rogers	206,039	6,139	56,405	268,583
David Taylor	151,843	19,139	105,113	276,095
Lou Giura*	118,349	4,000	6,343	128,692
Greg O'Neil**	32,007	9,076	62,879	103,962
Keith Bakker	153,667	35,000	27,000	215,667
Clive Catlow	177,716	20,927	32,103	230,746
Glenn Robertson	179,739	-	52,269	232,008
Pankaj Bali***	115,501	7,917	12,946	136,364
Bernard Siddall	60,227	7,570	5,420	73,217
Brian Putland	166,512	-	14,986	181,498
Leigh Siddall	118,597	17,350	42,381	178,328
Total key management personnel compensation (consolidated entity)	**3,127,819**	**229,391**	**844,563**	**4,201,773**

* Lou Giura was appointed a director of Lycopodium Engineering Pty Ltd on 17 January 2007. Amounts shown above do not include Mr Giura's remuneration before his appointment as director as he did not meet the definition of a key management person before this time.

** Greg O'Neil was appointed a director of Lycopodium Engineering Pty Ltd on 17 January 2007. Amounts shown above do not include Mr O'Neil's remuneration before his appointment as director as he did not meet the definition of a key management person before this time.

*** Pankaj Bali was appointed a director of Process Design and Fabrication Pty Ltd on 1 September 2006. Amounts shown above do not include Mr Bali's remuneration before his appointment as director as he did not meet the definition of a key management person before this time.

**** Peter De Leo was appointed a director on 1 February 2007. Before this appointment he was a key management person. Amounts shown above include all Mr De Leo's remuneration during the reporting period, whether as a director or as a key management person. Amounts received in his position as a director amounted to $91,388, made up of cash salary of $58,042, non-monetary benefits of $12,460, and superannuation of $20,836.

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

C 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, with the exception of the contract with Mark Ward which provides for three month's notice by either party. None of the directors or executives are provided with termination benefits.

Remuneration report (continued)

C Service agreements (continued)

Michael Caratti, *Chairman*

- Fixed daily rate, including superannuation, for the year ended 30 June 2008 of $1,938 to be reviewed by the Remuneration Committee annually from 1 July.

Lawrence Marshall, *Managing Director*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2008 of $424,000 to be reviewed by the Remuneration Committee annually from 1 July.

Rodney Leonard, *Executive Director*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2008 of $424,000, plus allowance for site work, to be reviewed by the Remuneration Committee annually from 1 July.

Robert Osmetti, *Executive Director*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2008 of $424,000, plus allowance for site work, to be reviewed by the Remuneration Committee annually from 1 July.

Bruno Ruggiero, *Executive Director*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2008 of $424,000 to be reviewed by the Remuneration Committee annually from 1 July.

Peter De Leo, *Executive Director*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2008 of $424,000, plus allowance for site work, to be reviewed by the Remuneration Committee annually from 1 July.

Mark Ward, *Executive Director*

- Mark Ward was appointed director of Lycopodium Limited on 4 April 2008. The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2008 of $424,000 to be reviewed by the Remuneration Committee annually from 1 July.

Doug Rogers, *Manager of Process - Lycopodium Engineering Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2007 of $279,000 was reviewed per company policy on 1 December 2007 to $319,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

David Taylor, *Manager of Engineering - Lycopodium Engineering Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2007 of $279,000, plus allowance for site work, was reviewed per company policy on 1 December 2007 to $319,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

Lou Giura, *Director - Lycopodium Engineering Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2007 of $279,000, plus allowance for site work, was reviewed per company policy on 1 December 2007 to $304,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

Greg O'Neil, *Director - Lycopodium Engineering Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2007 of $204,000 was reviewed per company policy on 1 December 2007 to $229,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

Clive Catlow, *Managing Director - Process Design and Fabrication Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2007 of $237,000 was reviewed on 1 December 2007 to $250,000, as per company policy. It is to be reviewed by the Remuneration Committee annually from 1 December.

Glenn Robertson, *Director - Process Design and Fabrication Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2007 of $237,000 was reviewed on 1 December 2007 to $250,000, as per company policy. It is to be reviewed by the Remuneration Committee annually from 1 December.

Remuneration report (continued)

C Service agreements (continued)

Pankaj Bali, *Manager (NSW) and (QLD) - Process Design and Fabrication Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2007 of $165,000 was reviewed on 1 December 2007 to $180,500, as per company policy. It is to be reviewed by the Remuneration Committee annually from 1 December.

Ian Yovich, *Managing Director - Lycopodium Engineering Qld Pty Ltd*

- Ian Yovich was appointed managing director of Lycopodium Engineering Qld Pty Ltd on 21 August 2007. The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year ended 30 June 2008 of $304,000 to be reviewed by the Remuneration Committee annually from 1 July.

Brian Putland, *Managing Director - Orway Mineral Consultants (WA) Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2007 of $200,000, plus allowance for site work, was reviewed on 1 December 2007 as per company policy to $229,000. It is to be reviewed by the Remuneration Committee annually from 1 December.

Leigh Siddall, *Director - Orway Mineral Consultants (WA) Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2007 of $180,000, plus allowance for site work, was reviewed on 1 December 2007 as per company policy to $209,000. It is to be reviewed by the Remuneration Committee annually from 1 December.

Keith Bakker, *Chief Financial Officer*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2007 of $224,000 was reviewed as per company policy on 1 December 2007 to $268,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

D Share-based compensation

Options

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
14 December 2004	Vested at grant date	31 December 2007	$1.00	$0.315

Options were granted to certain staff members as disclosed in the Prospectus dated 8 November 2004. The options entitle the holder to subscribe for one share upon exercise of each option at a price of $1.00 on or before 31 December 2007. The offer was not made to directors of Lycopodium Limited.

The amounts disclosed for executive emoluments relating to options are the difference between the market price of a share on the date of exercise of options and the exercise price.

Shares provided on exercise of options

No options over ordinary shares in the company were exercised during this or the previous financial year by any director of Lycopodium Limited or other key management personnel of the consolidated entity.

Loans to directors and executives

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 32 to the financial statements.

Shares under option

There are no unissued ordinary shares of Lycopodium Ltd under option at the date of this report. The Staff Offer under which the options were granted expired on 31 December 2007.

Shares issued on the exercise of options
The following ordinary shares were issued during the year ended 30 June 2008 and up to the date of this report on the exercise of options granted under the Lycopodium Limited Staff Offer. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
14 December 2004	$1.00	110,000

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 willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

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

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

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

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) 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	
	2008	2007
	$	$
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports	**243,293**	217,514
Related practices of PricewaterhouseCoopers Australian firm	**18,566**	44,122
Fees paid to Grant Thornton for the audit or review of financial reports of Lycopodium Tanzania Limited	**-**	4,083
Total remuneration for audit services	**261,859**	265,719
2. Non-audit services		
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	**69,000**	45,300
Related practices of PricewaterhouseCoopers Australian firm		
Tax compliance services	**5,778**	3,970
Total remuneration for taxation services	**74,778**	49,270
Other Advisory services		
Fees paid to PricewaterhouseCoopers	**28,196**	35,878
Total remuneration for other services	**28,196**	35,878
Total remuneration for non-audit services	**102,974**	85,148

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 13.

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

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

M B Ward
Managing Director

Perth
22 September 2008

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Lycopodium Limited for the year ended 30 June 2008, 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.

Peter Buchholz
Partner
PricewaterhouseCoopers

Perth
22 September 2008

Corporate governance statement

The Board of Directors of Lycopodium Limited is responsible for the overall corporate governance of the company. Details of the Corporate Governance Charter adopted by the Company are available in the company profile section of the Company's website (www.lycopodium.com.au).

Lycopodium Limited has assessed the company's corporate governance practices against the ASX Corporate Governance Council's 'Principles of Good Corporate Governance and Best Practice Recommendations' and has found them to be consistent with the ASX guidelines with any exceptions noted below.

Principle 1
Lay solid foundations for management and oversight
Council Recommendation 1.1:

Formalise and disclose the functions reserved to the board and those delegated to management.

The company complies with this recommendation.

Principle 2
Structure the board to add value
Council Recommendation 2.1:

A majority of the board should be independent directors.

The company does not comply with this recommendation as no director is 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 board intends to reconsider its composition as the company's operations evolve and appoint independent directors as appropriate.

Council Recommendation 2.2:

The chairperson should be an independent director.
The Company does not comply with this recommendation as the Chairperson is not an independent director.

The Board considers that at this stage in the growth of the Company, an independent Chairperson would not add sufficient expertise to the Board to justify the associated cost and any additional information or advice required can be more appropriately and economically obtained from independent external expert consultants.

The Board intends to reconsider the independence of the Chairperson as the Company's operations evolve and may appoint an independent Chairperson when appropriate.

Council Recommendation 2.3:

The roles of the chairperson and chief executive officer should not be exercised by the same individual.

The company complies with this recommendation.
Council Recommendation 2.4:

The board should establish a nomination committee.

The company does not comply with this recommendation as a separate Nomination Committee has not been formed.

The role of the Nomination Committee is carried out by the full Board. The board considers that given its size, no efficiencies or other benefits are gained by establishing a separate Nomination Committee.

The board intends to reconsider the formation of a separate Nomination Committee as the company's operations evolve.

Principle 3
Promote ethical and responsible decision making
Council Recommendation 3.1:

Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

(a) the practices necessary to maintain confidence in the company's integrity,

(b) the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

The company complies with this recommendation.

Council Recommendation 3.2:

Disclose the policy concerning trading in company securities by directors, officers and employees.

The company complies with this recommendation.

Principle 4
Safeguard integrity in financial reporting
Council Recommendation 4.1:

Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The company complies with this recommendation.

Council Recommendation 4.2:

The board should establish an Audit Committee.

The company complies with this recommendation.

Council Recommendation 4.3:

Structure the audit committee so that it consists of:

(a) only non-executive directors;

(b) a majority of independent directors;

(c) an independent chairperson, who is not chairperson of the board;

(d) at least three members.

The company does not comply with this recommendation as the structure of the Audit Committee, while consisting of three directors, does not consist of only non-executive or a majority of independent directors. The Chairperson is not the Chairperson of the Board.

Council Recommendation 4.4:

The Audit Committee should have a formal operating charter.

The company complies with this recommendation.

Principle 5
Make a timely and balanced disclosure
Council Recommendation 5.1:

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The company complies with this recommendation.

Principle 6
Respect the rights of shareholders
Council Recommendation 6.1:

Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

The company complies with this recommendation.

Council Recommendation 6.2:

Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The company complies with this recommendation.

Principle 7
Recognise and manage risk
Council Recommendation 7.1:

The board or appropriate board committee should establish policies on risk oversight and management.

The company complies with this recommendation.

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

(a) all members of the board are responsible for risk management and oversight of internal controls. The day to day responsibilities for risk management and internal controls rest with the Managing Director.

(b) the Managing Director reports on risk management and internal controls, using an exception reporting basis, to the full board as part of a monthly written report to directors.

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

Council Recommendation 7.2:

The chief executive officer and the chief financial officer should state in writing that:

(a) the statement given in accordance with best practice Recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board;
(b) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
The company complies with this recommendation.

Principle 8
Encourage enhanced performance
Council Recommendation 8.1:

Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.
The company complies with this recommendation.

Principle 9
Remunerate fairly and responsibly
Council Recommendation 9.1:

Provide disclosure in relation to the company's remuneration policies to enable investors to understand:

(a) the costs and benefits of those policies; and
(b) the link between remuneration paid to directors and key executives and corporate performance.
The company complies with this recommendation.

Council Recommendation 9.2:

The board should establish a remuneration committee.

The company does not comply with this recommendation as a separate Remuneration Committee has not been formed. The role of the Remuneration Committee is carried out by the full board. The board considers that given its size, no other benefits are gained by establishing a separate Remuneration Committee.
The board intends to reconsider the formation of a separate Remuneration Committee as the company's operations evolve.

Council Recommendation 9.3:

*Clearly distinguish the structure of non-executive directors' remuneration from that of executives.*6.

The company complies with this recommendation however it is noted that there are no non-executive directors on the board.

Council Recommendation 9.4:

Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The company complies with this recommendation.

Principle 10
Recognise the legitimate interests of stakeholders
Council Recommendation 10.1:

Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The company complies with this recommendation.

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Revenue from operations	5	**120,578,416**	104,647,440	**7,456,893**	9,906,641
Other income	6	**72,124**	51,673	**-**	-
Employee benefits expense		**(49,099,820)**	(34,654,571)	**(1,828,576)**	(1,286,176)
Depreciation and amortisation expense	7	**(1,485,445)**	(1,079,497)	**(572,856)**	(225,116)
Project expenses		**(5,102,515)**	(7,048,887)	**-**	-
Equipment and materials used		**(423,101)**	(146,494)	**-**	-
Contractors		**(35,813,701)**	(42,535,029)	**(30,795)**	(112,850)
Administration and management costs		**(10,880,248)**	(6,726,159)	**(490,399)**	(470,861)
Loss on disposal of asset	7	**(6,665)**	(11,795)	**-**	-
Finance costs	7	**(225,376)**	(186,401)	**(148,175)**	(117,724)
Share of net profits of associates accounted for using the equity method		**50,883**	95,964	**-**	-
Profit before income tax		**17,664,552**	12,406,244	**4,386,092**	7,693,914
Income tax expense	8	**(5,187,734)**	(3,508,581)	**(5,138)**	(121,814)
Profit for the year		**12,476,818**	8,897,663	**4,380,954**	7,572,100
Profit is attributable to:					
Equity holders of Lycopodium Limited		**12,477,268**	8,897,663	**4,380,954**	7,572,100
Profit (loss) attributable to minority interest		**(450)**	-	**-**	
		12,476,818	8,897,663	**4,380,954**	7,572,100

	Notes	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	42	**33.0**	23.6
Diluted earnings per share	42	**32.9**	23.5

The above income statements should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
ASSETS					
Current assets					
Cash and cash equivalents	9	**9,987,106**	13,405,517	**3,715,336**	6,459,234
Trade and other receivables	10	**31,342,277**	22,695,353	**1,502,805**	1,065,574
Inventories	11	**-**	94,914	**-**	-
Other current assets	13	**1,314,998**	1,000,373	**77,561**	13,038
Non-current assets classified as held for sale	12	**2,078,180**	-	**2,078,180**	-
Total current assets		**44,722,561**	37,196,157	**7,373,882**	7,537,846
Non-current assets					
Investments accounted for using the equity method	14	**346,848**	295,965	**200,000**	200,000
Available-for-sale financial assets	15	**99,000**	120,000	**-**	-
Other financial assets	16	**-**	-	**11,650,194**	11,650,089
Property, plant and equipment	17	**3,788,669**	2,414,049	**1,872,140**	1,188,791
Investment properties	18	**-**	975,564	**-**	975,564
Deferred tax assets	19	**2,514,477**	1,828,959	**165,334**	170,472
Intangible assets	20	**5,484,053**	5,908,859	**793,747**	1,072,425
Total non-current assets		**12,233,047**	11,543,396	**14,681,415**	15,257,341
Total assets		**56,955,608**	48,739,553	**22,055,297**	22,795,187
LIABILITIES					
Current liabilities					
Trade and other payables	21	**14,561,054**	15,134,769	**716,318**	375,785
Borrowings	22	**2,113,375**	1,173,133	**1,660,236**	893,926
Current tax liabilities	24	**3,196,357**	1,957,929	**-**	-
Provisions	23	**396,000**	189,290	**-**	-
Total current liabilities		**20,266,786**	18,455,121	**2,376,554**	1,269,711
Non-current liabilities					
Borrowings	25	**2,500,372**	1,754,925	**1,670,972**	1,400,000
Provisions	27	**338,750**	222,639	**9,635**	3,794
Total non-current liabilities		**2,839,122**	1,977,564	**1,680,607**	1,403,794
Total liabilities		**23,105,908**	20,432,685	**4,057,161**	2,673,505
Net assets		**33,849,700**	28,306,868	**17,998,136**	20,121,682
EQUITY					
Contributed equity	28	**17,656,497**	17,546,497	**17,656,497**	17,546,497
Reserves	29(a)	**(718,488)**	(288,967)	**-**	-
Retained profits	29(b)	**16,912,106**	11,049,338	**341,639**	2,575,185
Parent entity interest		**33,850,115**	28,306,868	**17,998,136**	20,121,682
Minority interest	30	**(415)**	-	**-**	-
Total equity		**33,849,700**	28,306,868	**17,998,136**	20,121,682

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

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Total equity at the beginning of the financial year		**28,306,868**	25,259,457	**20,121,682**	18,144,082
Changes in the fair value of available-for-sale financial assets, net of tax	29	**(14,700)**	20,000	**-**	-
Exchange differences on translation of foreign operations	29	**(414,821)**	(275,752)	**-**	-
Net income recognised directly in equity		**(429,521)**	(255,752)	**-**	-
Profit for the year		**12,476,818**	8,897,663	**4,380,954**	7,572,100
Total recognised income and expense for the year		**12,047,297**	8,641,911	**4,380,954**	7,572,100
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	28	**110,000**	60,000	**110,000**	60,000
Dividends provided for or paid	31	**(6,614,500)**	(5,654,500)	**(6,614,500)**	(5,654,500)
Minority interest on acquisition of subsidiary		**35**	-	**-**	-
		(6,504,465)	(5,594,500)	**(6,504,500)**	(5,594,500)
Total equity at the end of the financial year		**33,849,700**	28,306,868	**17,998,136**	20,121,682
Total recognised income and expense for the year is attributable to:					
Equity holders of Lycopodium Limited		**12,047,747**	8,641,911	**4,380,954**	7,572,100
Minority interest		**(450)**	-	**-**	-
		12,047,297	8,641,911	**4,380,954**	7,572,100

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

		Consolidated		Parent	
		2008	2007	**2008**	2007
	Notes	**$**	$	**$**	$
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**117,699,999**	106,529,885	**2,024,361**	1,655,627
Payments to suppliers and employees (inclusive of goods and services tax)		**(108,254,982)**	(96,520,425)	**(2,162,007)**	(1,754,356)
		9,445,017	10,009,460	**(137,646)**	(98,729)
Dividends received		**-**	-	**4,700,000**	7,950,000
Interest received		**752,620**	677,727	**377,090**	343,667
Interest paid		**(175,564)**	(161,226)	**(116,810)**	(105,780)
Income taxes (paid)/received		**(4,628,524)**	(2,966,786)	**-**	-
Net cash inflow from operating activities	40	**5,393,549**	7,559,175	**4,822,634**	8,089,158
Cash flows from investing activities					
Payments for property, plant and equipment		**(383,683)**	(174,732)	**(3,181)**	(11,845)
Proceeds from sale of property, plant and equipment		**38,415**	7,200	**16,472**	-
Payments for intangible assets		**(252,320)**	(907,217)	**(205,422)**	(313,361)
Payments for available-for-sale financial assets		**-**	(28,715)	**-**	-
Payments for purchase of subsidiary		**-**	-	**(105)**	-
Payments for investments accounted for using the equity method		**-**	(200,000)	**-**	(200,000)
Proceeds from sale of intangible assets		**72**	-	**-**	-
Proceeds from sale of available-for-sale financial assets		**-**	72,989	**-**	-
Net cash (outflow) from investing activities		**(597,516)**	(1,230,475)	**(192,236)**	(525,206)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**110,035**	60,000	**110,000**	60,000
Repayment of hire purchase and lease liabilities		**(585,190)**	(538,873)	**(100,002)**	(211,462)
Repayment of borrowings		**(782,092)**	-	**(782,092)**	-
Proceeds of borrowings from related parties		**-**	-	**-**	15,641
Provision of loans to related parties		**-**	-	**(700,000)**	-
Repayment of loans by related parties		**-**	-	**715,256**	-
Repayment of loans to related parties		**-**	-	**(2,958)**	(595,238)
Dividends paid to company's shareholders	31	**(6,614,500)**	(5,654,500)	**(6,614,500)**	(5,654,500)
Net cash (outflow) from financing activities		**(7,871,747)**	(6,133,373)	**(7,374,296)**	(6,385,559)
Net increase (decrease) in cash and cash equivalents		**(3,075,714)**	195,327	**(2,743,898)**	1,178,393
Cash and cash equivalents at the beginning of the financial year		**13,405,517**	13,478,543	**6,459,234**	5,280,841
Effects of exchange rate changes on cash and cash equivalents		**(342,697)**	(268,353)	**-**	-
Cash and cash equivalents at end of year	9	**9,987,106**	13,405,517	**3,715,336**	6,459,234
Non-cash financing and investing activities	41				

The above cash flow statements should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

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

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Lycopodium Limited complies with International Financial Reporting Standards (IFRS).

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.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgment 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 2008 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 those 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the consolidated entity (refer to note 1(h)).

The consolidated entity applies a policy of treating transactions with minority interests as transactions with parties external to the consolidated entity. Disposals to minority interests result in gains and losses for the consolidated entity that are recorded in the income statement.

Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

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.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Lycopodium Limited.

1 Summary of significant accounting policies (continued)

(ii) Associates
Associates are all entities over which the consolidated entity has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and 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 (refer to note 38).

The consolidated entity's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce 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.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(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 income statement.

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.

(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 income statement 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 as a separate component of equity.

1 Summary of significant accounting policies (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. 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 income statement, 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. 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.

(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.

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 reporting date 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 controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

1 Summary of significant accounting policies (continued)

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 balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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 17). 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 income statement 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 35). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(h) Business combinations

The purchase 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. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(p)). If the cost of acquisition is less than the consolidated entity's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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.

(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.

1 Summary of significant accounting policies (continued)

(j) Cash and cash equivalents

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

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less 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.

The amount of the impairment loss is recognised in the income statement 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 income statement.

(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, financial assets, investment property and non-current biological assets that are carried at fair value and contractual rights under insurance contracts, 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.

1 Summary of significant accounting policies (continued)

(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) 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 (note 10).

(ii) 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 management intends to dispose of the investment within 12 months of the reporting date. 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.

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. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. 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 equity are included in the income statement as gains and losses from investment securities.

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

Available-for-sale financial assets are subsequently carried at fair value.

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

Impairment
The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(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 income statement 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

1 Summary of significant accounting policies (continued)

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 income statement. When revalued assets are sold, it is consolidated entity policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(p) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the consolidated entity's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. 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. Each of those cash-generating units represents the consolidated entity's investment in each subsidiary or associate.

(ii) Software
Intangible assets also comprises 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.

(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 income statement 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.

1 Summary of significant accounting policies (continued)

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.

(iii) Retirement benefit obligations
Contributions to the defined contribution fund 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 employees via the Employee Option Plan. Information relating to these schemes is set out in note 43(a).

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

(v) Contributed equity

Ordinary shares are classified as equity.

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

(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.

1 Summary of significant accounting policies (continued)

(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 2008 reporting periods. The consolidated entity's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*
AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 may result in a change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The consolidated entity intends to apply the revised standard from 1 July 2009. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 101 *Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*
A revised AASB 101 was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The consolidated entity intends to apply the revised standard from 1 July 2009.

(iii) Revised AASB 3 *Business Combinations,* AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*
Revised accounting standards for business combinations and consolidated financial statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may be applied earlier. The consolidated entity has not yet decided when it will apply the revised standards. However, the new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the consolidated entity will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application. For example, under the new rules:

- all payments (including contingent consideration) to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments subsequently remeasured at fair value through income
- all transaction cost will be expensed
- the consolidated entity will need to decide whether to continue calculating goodwill based only on the parent's share of net assets or whether to recognise goodwill also in relation to the non-controlling (minority) interest, and
- when control is lost, any continuing ownership interest in the entity will be remeasured to fair value and a gain or loss recognised in profit or loss.

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.

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. 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 and the parent entity hold the following financial instruments:

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Financial assets				
Cash and cash equivalents	**9,987,106**	13,405,517	**3,715,336**	6,459,234
Trade and other receivables	**31,342,277**	22,695,353	**1,502,805**	1,065,574
Other current assets	**1,314,998**	1,000,373	**77,561**	13,038
Available-for-sale financial assets	**99,000**	120,000	**-**	-
Other financial assets	**-**	-	**11,650,194**	11,650,089
	42,743,381	37,221,243	**16,945,896**	19,187,935
Financial liabilities				
Trade and other payables	**14,561,054**	15,134,769	**716,318**	375,785
Borrowings	**4,613,747**	2,928,058	**3,331,208**	2,293,926
	19,174,801	18,062,827	**4,047,526**	2,669,711

(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/GHC) 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 the consolidated entity's foreign exchange risk to be minimal and as such does not hedge itself against this exposure nor has a specified risk management policy for foreign exchange risk.

The parent entity is not exposed to foreign exchange risk.

2 Financial risk management (continued)

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

	30 June 2008			30 June 2007		
	USD **$**	**GHS** **$**	**PHP** **$**	USD $	GHC $	PHP $
Cash and cash equivalents	**159,126**	**56,454**	**47,760**	172,023	74,443	5,001
Trade and other receivables	**19,175**	**10,834**	**-**	592,119	407,820	-
Other current assets	**-**	**-**	**119,980**	-	-	27,783
Trade and other payables	**(6,240)**	**16,871**	**(14,455)**	(117,813)	(10,594)	(20,436)
Net exposure	**172,061**	**84,159**	**153,285**	646,329	471,669	12,348

Group sensitivity
Based on the financial instruments held at 30 June 2008, 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 $17,206 lower/$17,206 higher (2007 - $64,633 lower/$64,633 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 2007 than 2008 because of the increased amount of US dollar denominated receivables.

Based on the financial instruments held at 30 June 2008, 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 $8,416 lower/$8,416 higher (2007 - $47,167 lower/$47,167 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 2007 than 2008 because of the increased amount of Ghanaian Cedi denominated receivables.

Based on the financial instruments held at 30 June 2008, 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 $15,329 lower/$15,329 higher (2007 - $1,235 lower/$1,235 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 more sensitive to movements in the Australian dollar/Philippine Peso exchange rates in 2008 than 2007 because of the increased amount of Philippine Peso denominated cash and other current assets.

(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 of a high quality and 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.

Neither the consolidated entity nor the parent entity are exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk
The company and the consolidated entity are exposed to interest rate risk arising mainly from borrowings and cash balances held. The risk is considered minimal as the consolidated and parent entity's borrowings, and a majority of the cash balances, are at a fixed rate. 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.

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

Group sensitivity

At 30 June 2008, 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 $5,578 lower/higher (2007: -/+50 basis points: $13,850 lower/higher), as a result of lower/higher interest income from cash and cash equivalents.

Parent entity sensitivity

At 30 June 2008, 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 $1,100 lower/higher (2007: -/+50 basis points: $800 lower/higher), as a result of lower/higher interest income from cash and cash equivalents.

2 Financial risk management (continued)

(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 counter party, 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 34 for details). Such guarantees are only provided in exceptional circumstances.

There are no significant concentrations of credit risk within the consolidated entity.

(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 and the parent entity had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated		**Parent entity**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Insurance premium funding facility	**750,000**	750,000	**-**	-
Leasing facility	**374,373**	108,362	**-**	-
	1,124,373	858,362	**-**	-

2 Financial risk management (continued)

Maturities of financial liabilities

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

Consolidated entity - At 30 June 2008	**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**
	$	$	$	$	$	$
Non-derivatives						
Non-interest bearing	14,561,054	-	-	-	14,561,054	14,561,054
Finance lease liability and hire purchase	775,151	798,959	1,536,206	390,127	3,500,443	3,213,747
Fixed rate bank loan	1,400,000	-	-	-	1,400,000	1,400,000
Total non-derivatives	16,736,205	798,959	1,536,206	390,127	19,461,497	19,174,801
Consolidated entity - At 30 June 2007						
Non-derivatives						
Non-interest bearing	15,134,769	-	-	-	15,134,769	15,134,769
Finance lease liability and hire purchase	420,045	184,394	196,774	-	801,213	745,966
Fixed rate bank loan	-	1,400,000	-	-	1,400,000	1,400,000
Other fixed borrowings	802,739	-	-	-	802,739	782,092
Total non-derivatives	16,357,553	1,584,394	196,774	-	18,138,721	18,062,827
Parent - At 30 June 2008						
Non-derivatives						
Non-interest bearing	716,318	-	-	-	716,318	716,318
Finance lease liability and hire purchase	283,996	311,038	1,122,368	390,127	2,107,529	1,931,208
Fixed rate bank loan	1,400,000	-	-	-	1,400,000	1,400,000
Total non-derivatives	2,400,314	311,038	1,122,368	390,127	4,223,847	4,047,526
Parent - At 30 June 2007						
Non-derivatives						
Non-interest bearing	375,785	-	-	-	375,785	375,785
Finance lease liability and hire purchase	119,089	-	-	-	119,089	111,834
Fixed rate bank loan	-	1,400,000	-	-	1,400,000	1,400,000
Other fixed borrowings	802,739	-	-	-	802,739	782,092
Total non-derivatives	1,297,613	1,400,000	-	-	2,697,613	2,669,711

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 20 for details of these assumptions and the potential impact of changes to the assumptions.

4 Segment information

(a) Description of segments

Business segments
The consolidated entity is organised into the following divisions by product and service type.

Engineering, Procurement and Construction Management (EPCM)
This industry segment comprises assignments for delivery of the full suite of project delivery services comprising project management, all disciplines of engineering, drafting, procurement, construction management and commissioning. EPCM services are provided on either an hourly rates or fixed fee basis.

Design and Construct (Lump Sum)
This industry segment comprises the delivery of turn key projects comprising EPCM services together with supply and installation of the plant and equipment. Turn key projects are provided on a fixed lump sum basis.

Study Services
This industry segment comprises the delivery of the services required to prepare project studies. These project studies range from concept studies through to definitive feasibility studies and require delivery of a wide range of services comprising study management, all disciplines of engineering, drafting, procurement, estimating, financial modelling and secretarial. Study services are provided on either an hourly rate or fixed fee basis.

Project Services
This industry segment comprises the delivery of selected project services required to assist others with the delivery of a project. These project services range from providing superintendent services through to preparation of complete design packages and therefore comprise selected EPCM services. Project services are provided on either an hourly rate or fixed fee basis.

Geographical segments
Australia
The home country of the parent entity and four of its subsidiaries.

Africa
Comprises operations carried on in Africa.

4 Segment information (continued)

(b) Primary reporting format - business segments

2008	EPCM $	Design and Construct (Lump Sum) $	Study Services $	Project Services $	Consolidated $
Segment revenue					
Sales to external customers	74,817,031	11,704,849	26,278,720	5,854,979	118,655,579
Intersegment elimination					-
Unallocated revenue					1,922,837
Consolidated revenue					**120,578,416**
Segment result					
Segment result	**17,178,820**	**865,240**	**5,374,262**	**1,419,626**	**24,837,948**
Intersegment elimination					-
Unallocated revenue less unallocated expenses					(7,173,396)
Profit before income tax					17,664,552
Income tax expense					(5,187,734)
Profit for the year					**12,476,818**
Segment assets and liabilities					
Segment assets	**22,072,194**	**2,546,900**	**6,334,102**	**2,433,981**	**33,387,177**
Intersegment elimination					-
Unallocated assets					23,568,431
Total assets					**56,955,608**
Segment liabilities	**5,198,232**	**1,257,368**	**1,193,293**	**521,570**	**8,170,463**
Intersegment elimination					-
Unallocated liabilities					14,935,445
Total liabilities					**23,105,908**
Other segment information					
Investments in associates and joint venture partnership	-	-	-	346,848	346,848
Share of net profits of associates and joint venture partnership	-	-	-	50,883	50,883
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	1,088,184	72,970	306,002	49,637	1,516,793
Unallocated					2,118,566
Total acquisitions					3,635,359
Depreciation and amortisation expense	612,696	56,718	199,109	35,433	903,956
Unallocated					581,489
Total depreciation and amortisation					1,485,445

4 Segment information (continued)

2007	EPCM $	Design and Construct (Lump Sum) $	Study Services $	Project Services $	Consolidated $
Segment revenue					
Sales to external customers	54,400,170	26,978,846	13,919,484	9,115,378	104,413,878
Intersegment elimination					(898,310)
Unallocated revenue					1,131,872
Consolidated revenue					**104,647,440**
Segment result					
Segment result	**14,812,117**	**1,209,920**	**3,213,311**	**2,393,655**	**21,629,003**
Intersegment elimination					(18,995)
Unallocated revenue less unallocated expenses					(9,203,764)
Profit before income tax					12,406,244
Income tax expense					(3,508,581)
Profit for the year					**8,897,663**
Segment assets and liabilities					
Segment assets	**13,490,949**	**5,136,371**	**4,501,247**	**1,447,200**	**24,575,767**
Intersegment elimination					(373,611)
Unallocated assets					24,537,397
Total assets					**48,739,553**
Segment liabilities	**3,609,136**	**5,427,827**	**913,626**	**1,276,150**	**11,226,739**
Intersegment elimination					(188,000)
Unallocated liabilities					9,393,946
Total liabilities					**20,432,685**
Other segment information					
Investments in associates and joint venture partnership	-	-	-	295,965	295,965
Share of net profits of associates and joint venture partnership	-	-	-	95,964	95,964
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	355,678	23,974	111,244	30,356	521,252
Unallocated					756,087
Total acquisitions					1,277,339
Depreciation and amortisation expense	535,126	68,882	144,465	51,242	799,715
Unallocated					279,782
Total depreciation and amortisation					1,079,497

(c) Secondary reporting format - geographical segments

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	2008 $	2007 $	**2008 $**	2007 $	**2008 $**	2007 $
Australia	**66,124,923**	69,469,379	**18,309,450**	16,066,453	**1,993,622**	847,951
Africa	**52,741,731**	34,193,667	**14,603,753**	7,908,040	**1,590,128**	417,372
Other countries	**1,711,762**	984,394	**473,974**	227,663	**51,609**	12,016
	120,578,416	104,647,440	**33,387,177**	24,202,156	**3,635,359**	1,277,339
Unallocated assets			**23,568,431**	24,537,397		
Total assets			**56,955,608**	48,739,553		

4 Segment information (continued)

(i) Inter-segment transfers
Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arms-length" basis and are eliminated on consolidation.

5 Revenue

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
From operations				
Contract revenue	**119,515,997**	103,657,877	**657,687**	427,181
Other revenue				
Rents and sub-lease rentals	**192,977**	216,886	**192,977**	216,886
Dividends	**-**	-	**4,700,000**	7,950,000
Interest from related parties	**-**	-	**22,093**	-
Bank interest	**752,620**	677,727	**347,133**	355,069
Other revenue	**116,822**	94,950	**53,853**	-
Management fees	**-**	-	**1,483,150**	957,505
	1,062,419	989,563	**6,799,206**	9,479,460
	120,578,416	104,647,440	**7,456,893**	9,906,641

6 Other income

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Net gain on sale of available-for-sale financial assets	**-**	44,274	**-**	-
Foreign exchange gains (net)	**72,124**	7,399	**-**	-
	72,124	51,673	**-**	-

7 Expenses

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	**39,207**	39,206	**39,207**	39,207
Plant and equipment	**432,993**	401,317	**6,877**	6,134
Motor Vehicles	**14,854**	16,236	**-**	230
Total depreciation	**487,054**	456,759	**46,084**	45,571
Amortisation				
Leasehold improvements	**95,096**	62,132	**40,896**	-
Leased plant and equipment	**228,203**	192,421	**1,776**	7,105
Computer software	**675,092**	368,185	**484,100**	172,440
Total amortisation	**998,391**	622,738	**526,772**	179,545
Total depreciation and amortisation	**1,485,445**	1,079,497	**572,856**	225,116
Finance costs				
Interest and finance charges paid/payable	**225,376**	186,401	**148,175**	117,724
Net loss on disposal of property, plant and equipment	**6,665**	11,795	**-**	-
Rental expense relating to operating leases				
Minimum lease payments	**2,106,306**	2,092,053	**-**	-

8 Income tax expense

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
(a) Income tax expense				
Current tax	**6,133,173**	4,051,691	**-**	-
Deferred tax	**(679,218)**	(293,707)	**5,138**	121,814
Adjustments for current tax of prior periods	**(266,221)**	(249,403)	**-**	-
	5,187,734	3,508,581	**5,138**	121,814
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 19)	**(573,288)**	(722,628)	**6,521**	77,586
(Decrease) increase in deferred tax liabilities (note 26)	**(105,930)**	428,921	**(1,383)**	44,228
	(679,218)	(293,707)	**5,138**	121,814

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

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Profit from continuing operations before income tax expense	**17,664,552**	12,406,244	**4,386,092**	7,693,914
Tax at the Australian tax rate of 30% (2007 - 30%)	**5,299,366**	3,721,873	**1,315,828**	2,308,174
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non deductible depreciation and amortisation	**8,703**	8,656	**8,703**	8,656
Sundry items	**202,719**	87,913	**55,874**	49,957
Research and development concessions	**(91,566)**	(200,485)	**-**	-
Tax offset for franked dividends	**-**	-	**(1,410,000)**	(2,385,000)
	5,419,222	3,617,957	**(29,595)**	(18,213)
Adjustments for current tax of prior periods	**(266,221)**	(249,403)	**-**	-
Deferred tax asset not recognised arising from converted excess franking credits	**34,733**	140,027	**34,733**	140,027
Total income tax expense	**5,187,734**	3,508,581	**5,138**	121,814

(c) Amounts recognised directly in equity

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
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 19 and 26)	**(6,300)**	-	**-**	-

(d) Tax losses

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Unused tax losses for which no deferred tax asset has been recognised	**746,229**	630,452	**746,229**	630,452
Potential tax benefit @ 30%	**223,869**	189,136	**223,869**	189,136

All unused tax losses were incurred by Australian entities.

(e) Tax consolidation legislation

Lycopodium Limited and its wholly owned Australian controlled entities have decided not to implement the tax consolidation legislation (see note 1).

9 Current assets - Cash and cash equivalents

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Cash at bank and in hand	**2,261,935**	4,433,889	**317,850**	228,374
Deposits at call	**7,725,171**	8,971,628	**3,397,486**	6,230,860
	9,987,106	13,405,517	**3,715,336**	6,459,234

(a) Risk exposure

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

10 Current assets - Trade and other receivables

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Trade receivables	**30,583,333**	19,839,121	**683,867**	211,419
Provision for impairment of receivables	**(1,400,157)**	(637,794)	**-**	-
Trade receivable retention	**1,206,317**	1,397,119	**-**	-
	30,389,493	20,598,446	**683,867**	211,419
Related party receivables	**31,270**	31,930	**782,402**	674,110
Provision for impairment of receivables	**(31,270)**	(31,930)	**-**	-
	-	-	**782,402**	674,110
Loans to directors	**3,830**	5,366	**3,384**	3,260
Other receivables	**902,104**	2,029,204	**33,152**	176,785
Cash advanced to employees	**46,850**	62,337	**-**	-
	31,342,277	22,695,353	**1,502,805**	1,065,574

Further information relating to loans to key management personnel is set out in note 32.

(a) Impaired trade receivables

As at 30 June 2008 current trade receivables of the consolidated entity with a value of $1,400,157 (2007 - $637,794) were impaired, with the amounts being fully provided for. There were no impaired trade receivables for the parent in 2008 or 2007.

The ageing of these receivables is as follows:

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
0 to 30 days	**60,861**	37,467	**-**	-
31 to 60 days	**-**	-	**-**	-
61 to 90 days	**-**	-	**-**	-
91 to 120 days	**51,170**	9,603	**-**	-
121 to 210 days	**6,166**	-	**-**	-
211 days or over	**1,281,960**	590,724	**-**	-
	1,400,157	637,794	**-**	-

10 Current assets - Trade and other receivables (continued)

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

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
At 1 July	**637,794**	829,724	**-**	-
Provision for impairment recognised during the year	**809,432**	47,070	**-**	-
Receivables written off during the year as uncollectible	**(30,894)**	-	**-**	-
Unused amount reversed	**(16,175)**	(239,000)	**-**	-
	1,400,157	637,794	**-**	-

The creation and release of the provision for impaired receivables has been included in 'administration and management costs' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Related party receivables, in the consolidated entity, in the amount of $31,270 are considered impaired and have been fully provided for at 30 June 2008 (2007: $31,930). Provision in the amount of $660 was reversed during the year. 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 2008, trade receivables of $5,176,996 (2007 - $6,320,686) 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		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
31 to 60 days	**2,567,772**	4,525,135	**-**	-
61 to 90 days	**1,805,272**	1,480,349	**-**	-
91 to 120 days	**240,880**	72,781	**-**	-
121 to 210 days	**328,918**	163,110	**-**	-
211 days and over	**234,154**	79,311	**-**	-
	5,176,996	6,320,686	**-**	-

(c) Foreign exchange and interest rate risk

Information about the consolidated entity's and the parent 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.

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 - Inventories

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Contract work in progress (amount due from customers for contract work)	**-**	94,914	**-**	-

12 Current assets - Non-current assets classified as held for sale

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Land and buildings	**2,078,180**	-	**2,078,180**	-

The Directors have decided to sell the land and buildings located at Belmont, Western Australia. These assets were previously classified under investment properties and property, plant and equipment in the prior year.

13 Current assets - Other current assets

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Other current asset	**724,924**	59,478	**74,460**	-
Prepayments	**590,074**	940,895	**3,101**	13,038
	1,314,998	1,000,373	**77,561**	13,038

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

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Shares in associates (note 38)	**346,848**	295,965	**200,000**	200,000

(a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

15 Non-current assets - Available-for-sale financial assets

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
At beginning of year	**120,000**	100,000	**-**	-
Revaluation surplus/(deficit) transfer to equity	**(21,000)**	20,000	**-**	-
At end of year	**99,000**	120,000	**-**	-

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Listed securities (note (a))				
Equity securities	**99,000**	120,000	**-**	-
	99,000	120,000	**-**	-

(a) Listed securities

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

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

(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.

16 Non-current assets - Other financial assets

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Shares in subsidiaries (note 37)	**-**	-	**11,650,194**	11,650,089
	-	-	**11,650,194**	11,650,089

These financial assets are carried at cost.

17 Non-current assets - Property, plant and equipment

Consolidated	**Freehold land & buildings $**	**Fixtures and fittings $**	**Motor vehicles $**	**Leasehold improvements $**
At 1 July 2006				
Cost or fair value	1,249,039	2,688,544	207,176	224,033
Accumulated depreciation	(86,691)	(1,743,074)	(113,971)	(98,796)
Net book amount	1,162,348	945,470	93,205	125,237
Year ended 30 June 2007				
Opening net book amount	1,162,348	945,470	93,205	125,237
Additions	-	173,846	-	-
Disposals	-	(6,288)	(12,284)	-
Transfers (to) from computer software	-	(94,795)	-	-
Depreciation charge	(20,525)	(401,317)	(16,236)	(62,132)
Closing net book amount	1,141,823	616,916	64,685	63,105
At 30 June 2007				
Cost or fair value	1,249,039	2,670,832	158,017	224,033
Accumulated depreciation	(107,216)	(2,053,916)	(93,332)	(160,928)
Net book amount	1,141,823	616,916	64,685	63,105

Consolidated	**Leased plant & equipment $**	**Total $**
At 1 July 2006		
Cost or fair value	885,127	5,253,919
Accumulated depreciation	(354,873)	(2,397,405)
Net book amount	530,254	2,856,514
Year ended 30 June 2007		
Opening net book amount	530,254	2,856,514
Additions	196,276	370,122
Disposals	(6,589)	(25,161)
Transfers (to) from computer software	-	(94,795)
Depreciation charge	(192,421)	(692,631)
Closing net book amount	527,520	2,414,049
At 30 June 2007		
Cost or fair value	997,399	5,299,320
Accumulated depreciation	(469,879)	(2,885,271)
Net book amount	527,520	2,414,049

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

Consolidated	**Freehold land & buildings $**	**Fixtures and fittings $**	**Motor vehicles $**	**Leasehold improvements $**
Year ended 30 June 2008				
Opening net book amount	1,141,823	616,916	64,685	63,105
Additions	-	699,352	15,211	1,975,596
Disposals	-	(15,434)	-	-
Transfers to assets held for sale	(1,121,297)	-	-	-
Impairment charge recognised in profit and loss	-	(49,329)	-	-
Transfers (to) from computer software	-	1,963	-	-
Depreciation charge	(20,526)	(432,993)	(14,854)	(95,096)
Closing net book amount	-	820,475	65,042	1,943,605
At 30 June 2008				
Cost or fair value	-	2,803,991	168,186	2,199,629
Accumulated depreciation and impairment	-	(1,983,516)	(103,144)	(256,024)
Net book amount	-	820,475	65,042	1,943,605

Consolidated	**Leased plant & equipment $**	**Total $**
Year ended 30 June 2008		
Opening net book amount	527,520	2,414,049
Additions	691,230	3,381,389
Disposals	(31,000)	(46,434)
Transfers to assets held for sale	-	(1,121,297)
Impairment charge recognised in profit and loss	-	(49,329)
Transfers (to) from computer software	-	1,963
Depreciation charge	(228,203)	(791,672)
Closing net book amount	959,547	3,788,669
At 30 June 2008		
Cost or fair value	1,498,595	6,670,401
Accumulated depreciation and impairment	(539,048)	(2,881,732)
Net book amount	959,547	3,788,669

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

Parent	**Freehold land & buildings $**	**Fixtures and fittings $**	**Motor vehicles $**	**Leasehold improvements $**
At 1 July 2006				
Cost or fair value	1,249,039	38,937	3,392	-
Accumulated depreciation	(86,691)	(15,928)	(936)	-
Net book amount	1,162,348	23,009	2,456	-
Year ended 30 June 2007				
Opening net book amount	1,162,348	23,009	2,456	-
Additions	-	11,846	-	-
Disposals	-	-	(2,226)	-
Depreciation charge	(20,525)	(6,135)	(230)	-
Closing net book amount	1,141,823	28,720	-	-
At 30 June 2007				
Cost or fair value	1,249,039	50,782	-	-
Accumulated depreciation	(107,216)	(22,062)	-	-
Net book amount	1,141,823	28,720	-	-

Parent	**Leased plant & equipment $**	**Total $**
At 1 July 2006		
Cost or fair value	36,602	1,327,970
Accumulated depreciation	(11,249)	(114,804)
Net book amount	25,353	1,213,166
Year ended 30 June 2007		
Opening net book amount	25,353	1,213,166
Additions	-	11,846
Disposals	-	(2,226)
Depreciation charge	(7,105)	(33,995)
Closing net book amount	18,248	1,188,791
At 30 June 2007		
Cost or fair value	36,602	1,336,423
Accumulated depreciation	(18,354)	(147,632)
Net book amount	18,248	1,188,791

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

Parent	Freehold land & buildings $	Fixtures and fittings $	Motor vehicles $	Leasehold improvements $
Year ended 30 June 2008				
Opening net book amount	1,141,823	28,720	-	-
Additions	-	3,181	-	1,888,011
Disposals	-	-	-	-
Transfers to assets held for sale	(1,121,297)	-	-	-
Depreciation charge	(20,526)	(6,876)	-	(40,896)
Closing net book amount	-	25,025	-	1,847,115
At 30 June 2008				
Cost or fair value	-	53,963	-	1,888,011
Accumulated depreciation	-	(28,938)	-	(40,896)
Net book amount	-	25,025	-	1,847,115

Parent	Leased plant & equipment $	Total $
Year ended 30 June 2008		
Opening net book amount	18,248	1,188,791
Additions	-	1,891,192
Disposals	(16,472)	(16,472)
Transfers to assets held for sale	-	(1,121,297)
Depreciation charge	(1,776)	(70,074)
Closing net book amount	-	1,872,140
At 30 June 2008		
Cost or fair value	-	1,941,974
Accumulated depreciation	-	(69,834)
Net book amount	-	1,872,140

(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		Parent	
	2008 $	2007 $	**2008 $**	2007 $
Leasehold improvements				
Cost	**1,888,011**	-	**1,888,011**	-
Accumulated depreciation	**(40,896)**	-	**(40,896)**	-
Net book amount	**1,847,115**	-	**1,847,115**	-

(b) Non-current assets pledged as security

Refer to note 25 for information on non-current assets pledged as security by the parent entity and its controlled entities.

18 Non-current assets - Investment properties

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
At cost				
Opening balance at 1 July	**1,071,235**	1,071,235	**1,071,235**	1,071,235
Accumulated depreciation	**(95,671)**	(76,990)	**(95,671)**	(76,990)
Net book amount	**975,564**	994,245	**975,564**	994,245
Acquisitions	**-**	-	**-**	-
Depreciation	**(18,681)**	(18,681)	**(18,681)**	(18,681)
Transfers to assets held for sale	**(956,883)**	-	**(956,883)**	-
	-	975,564	**-**	975,564
At cost				
Closing balance as at 30 June	**-**	1,071,235	**-**	1,071,235
Accumulated depreciation	**-**	(95,671)	**-**	(95,671)
	-	975,564	**-**	975,564

(a) Amounts recognised in profit and loss for investment property

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Rental income	**192,977**	216,886	**192,977**	216,886
Direct operating expenses from property that generated rental income	**(22,781)**	(23,442)	**(22,781)**	(23,442)
	170,196	193,444	**170,196**	193,444

Investment property is stated at historical cost less accumulated depreciation.

(b) Non-current assets pledged as security

Refer to note 25 for information on non-current assets pledged as security by the parent entity or its controlled entities.

(c) Leasing arrangements

The investment property was leased to a tenant under operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment property are as follows:

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Minimum lease payments under non-cancellable operating leases of investment property not recognised in the financial statements are receivable as follows:				
Within one year	**83,453**	81,352	**83,453**	81,352
	83,453	81,352	**83,453**	81,352

19 Non-current assets - Deferred tax assets

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
The balance comprises temporary differences attributable to:				
Doubtful debts	**251,858**	196,065	**-**	-
Employee benefits	**1,734,421**	1,226,288	**118,787**	84,864
Accrued expenses	**763,113**	502,798	**21,000**	-
Other provisions	**165,722**	548,607	**32,157**	68,754
Depreciation	**126,704**	101,357	**50,930**	42,227
Finance leases	**273,903**	161,018	**-**	33,550
Total deferred tax assets	**3,315,721**	2,736,133	**222,874**	229,395
Set-off of deferred tax liabilities pursuant to set-off provisions (note 26)	**(801,244)**	(907,174)	**(57,540)**	(58,923)
Net deferred tax assets	**2,514,477**	1,828,959	**165,334**	170,472
Deferred tax assets to be recovered within 12 months	**2,897,709**	2,479,460	**169,054**	186,030
Deferred tax assets to be recovered after more than 12 months	**418,012**	256,673	**53,820**	43,365
	3,315,721	2,736,133	**222,874**	229,395

19 Non-current assets - Deferred tax assets (continued)

Movements - Consolidated	**Doubtful debts $**	**Employee benefits $**	**Accrued expenses $**	**Other provisions $**	**Depreciation $**	**Finance leases $**
At 1 July 2006	248,917	1,038,373	199,745	272,058	46,148	208,264
(Charged)/credited to the income statement	(52,852)	187,915	303,053	276,549	55,209	(47,246)
At 30 June 2007	196,065	1,226,288	502,798	548,607	101,357	161,018

Movements - Consolidated	**Total $**
At 1 July 2006	2,013,505
(Charged)/credited to the income statement	722,628
At 30 June 2007	2,736,133

Movements - Consolidated	**Doubtful debts $**	**Employee benefits $**	**Accrued expenses $**	**Other provisions $**	**Depreciation $**	**Finance leases $**
At 30 June 2007	196,065	1,226,288	502,798	548,607	101,357	161,018
Charged/(credited) to the income statement	55,793	508,133	260,315	(389,185)	25,347	112,885
Charged directly to equity	-	-	-	6,300	-	-
At 30 June 2008	251,858	1,734,421	763,113	165,722	126,704	273,903

Movements - Consolidated	**Total $**
At 30 June 2007	2,736,133
Charged/(credited) to the income statement	573,288
Charged directly to equity	6,300
At 30 June 2008	3,315,721

Movements - Parent entity	**Employee benefits $**	**Other provisions $**	**Accrued expenses $**	**Depreciation $**	**Finance leases $**	**Total $**
At 1 July 2006	83,292	96,711	-	33,572	93,406	306,981
(Charged)/credited to the income statement	1,572	(27,957)	-	8,655	(59,856)	(77,586)
At 30 June 2007	84,864	68,754	-	42,227	33,550	229,395

Movements - Parent entity	**Employee benefits $**	**Other provisions $**	**Accrued expenses $**	**Depreciation $**	**Finance leases $**	**Total $**
At 30 June 2007	84,864	68,754	-	42,227	33,550	229,395
Charged/(credited) to the income statement	33,923	(36,597)	21,000	8,703	(33,550)	(6,521)
At 30 June 2008	118,787	32,157	21,000	50,930	-	222,874

20 Non-current assets - Intangible assets

Consolidated	**Goodwill $**	**Patents, trademarks and other rights $**	**Computer software $**	**Total $**
At 1 July 2006				
Cost	5,325,332	601	1,145,617	6,471,550
Accumulated amortisation and impairment	(819,842)	-	(376,627)	(1,196,469)
Net book amount	4,505,490	601	768,990	5,275,081
Year ended 30 June 2007				
Opening net book amount	4,505,490	601	768,990	5,275,081
Additions	-	952	906,265	907,217
Disposals	-	-	(48)	(48)
Transfers (to) from property, plant and equipment	-	-	94,794	94,794
Amortisation charge **	-	-	(368,185)	(368,185)
Closing net book amount	4,505,490	1,553	1,401,816	5,908,859
At 30 June 2007				
Cost	5,325,332	1,553	2,241,944	7,568,829
Accumulated amortisation and impairment	(819,842)	-	(840,128)	(1,659,970)
Net book amount	4,505,490	1,553	1,401,816	5,908,859
Year ended 30 June 2008				
Opening net book amount	4,505,490	1,553	1,401,816	5,908,859
Additions	-	357	251,963	252,320
Disposals	-	-	(71)	(71)
Transfers (to) from property, plant and equipment	-	-	(1,963)	(1,963)
Amortisation charge **	-	-	(675,092)	(675,092)
Closing net book amount	4,505,490	1,910	976,653	5,484,053
At 30 June 2008				
Cost	5,325,332	1,910	2,486,257	7,813,499
Accumulated amortisation and impairment	(819,842)	-	(1,509,604)	(2,329,446)
Net book amount	4,505,490	1,910	976,653	5,484,053

20 Non-current assets - Intangible assets (continued)

Parent	**Computer software $**	**Total $**
At 1 July 2006		
Cost	531,939	531,939
Accumulated amortisation and impairment	(5,007)	(5,007)
Net book amount	526,932	526,932
Year ended 30 June 2007		
Opening net book amount	526,932	526,932
Additions	717,933	717,933
Amortisation charge **	(172,440)	(172,440)
Closing net book amount	1,072,425	1,072,425
At 30 June 2007		
Cost	1,249,872	1,249,872
Accumulated amortisation and impairment	(177,447)	(177,447)
Net book amount	1,072,425	1,072,425
Year ended 30 June 2008		
Opening net book amount	1,072,425	1,072,425
Additions	205,422	205,422
Amortisation charge **	(484,100)	(484,100)
Closing net book amount	793,747	793,747
At 30 June 2008		
Cost	1,455,294	1,455,294
Accumulated amortisation and impairment	(661,547)	(661,547)
Net book amount	793,747	793,747

** Consolidated entity amortisation of $675,092 (2007: $368,185) is included in depreciation and amortisation expense in the income statement. For the Parent entity amortisation of $484,100 (2007: $172,440) is included in depreciation and amortisation expense in the income statement.

(a) Impairment tests for goodwill

Goodwill is allocated to the consolidated entity's cash-generating units (CGUs) for impairment testing purposes.

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

2008	**Total** $
Lycopodium Engineering Pty Ltd	3,622,991
Process Design and Fabrication Pty Ltd	763,242
Orway Mineral Consultants (WA) Pty Ltd	119,257
	4,505,490

20 Non-current assets - Intangible assets (continued)

2007	**Total** $
Lycopodium Engineering Pty Ltd	3,622,991
Process Design and Fabrication Pty Ltd	763,242
Orway Mineral Consultants (WA) Pty Ltd	119,257
	4,505,490

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

The recoverable amount of each CGU 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 3.0% (2007 - 3.0%). 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 13.0% (2007: 13.0%). The discount rate is a post-tax rate that reflects the current assessment of the time value of money and the overall perceived risk profile of the company.

(c) Impact of possible changes in key assumptions

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

21 Current liabilities - Trade and other payables

	Consolidated		**Parent**	
	2008 **$**	2007 $	**2008** **$**	2007 $
Trade payables	**3,192,275**	5,562,855	**150,074**	41,987
Revenue received in advance	**2,285,287**	1,120,228	**-**	-
Goods and services tax (GST) payable	**560,235**	545,608	**2,125**	3,036
Sundry creditors and accrued expenses(a)	**8,523,257**	7,906,078	**564,119**	330,762
	14,561,054	15,134,769	**716,318**	375,785

(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:

21 Current liabilities - Trade and other payables (continued)

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Annual leave obligation expected to be settled after 12 months	**1,276,619**	976,223	**129,043**	89,080
Long service leave obligation expected to be settled after 12 months	**1,883,284**	1,422,771	**173,822**	132,724
	3,159,903	2,398,994	**302,865**	221,804

(b) Risk exposure

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

22 Current liabilities - Borrowings

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Secured				
Bank loans	**1,400,000**	-	**1,400,000**	-
Lease liabilities	**575,127**	204,745	**260,236**	18,252
Hire purchase	**138,248**	186,296	**-**	93,582
Total secured current borrowings	**2,113,375**	391,041	**1,660,236**	111,834
Unsecured				
Unsecured loan	**-**	782,092	**-**	782,092
Total unsecured current borrowings	**-**	782,092	**-**	782,092
Total current borrowings	**2,113,375**	1,173,133	**1,660,236**	893,926

(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 25.

(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.

23 Current liabilities - Provisions

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Service warranties	**396,000**	189,290	**-**	-

(a) Service warranties

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

23 Current liabilities - Provisions (continued)

(b) Movements in provisions

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

	Service warranties $	**Total $**
Consolidated - 2008		
Current		
Carrying amount at start of year	189,290	189,290
Charged/(credited) to the income statement		
- additional provisions recognised	396,000	396,000
- reductions from remeasurement or settlement without cost	(189,290)	(189,290)
Carrying amount at end of year	396,000	396,000

24 Current liabilities - Current tax liabilities

	Consolidated		**Parent**	
	2008 $	2007 $	**2008 $**	2007 $
Income tax	**3,196,357**	1,957,929	**-**	-

25 Non-current liabilities - Borrowings

	Consolidated		**Parent**	
	2008 $	2007 $	**2008 $**	2007 $
Secured				
Bank loans	**-**	1,400,000	**-**	1,400,000
Lease liabilities	**2,335,503**	337,934	**1,670,972**	-
Hire purchase	**164,869**	16,991	**-**	-
Total secured non-current borrowings	**2,500,372**	1,754,925	**1,670,972**	1,400,000

(a) Secured liabilities and assets pledged as security

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

	Consolidated		**Parent**	
	2008 $	2007 $	**2008 $**	2007 $
Bank loans	**1,400,000**	1,400,000	**1,400,000**	1,400,000
Lease liabilities	**2,910,630**	542,679	**1,931,208**	18,252
Hire purchase	**303,117**	203,287	**-**	93,582
Total secured liabilities	**4,613,747**	2,145,966	**3,331,208**	1,511,834

The bank loan of the parent entity is secured by a registered first mortgage over the freehold land and buildings of the company, classified as held for sale. The loan is interest only at a rate of 6.86% per annum (2007 - 6.86%).

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

25 Non-current liabilities - Borrowings (continued)

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

		Consolidated		Parent	
	Notes	**2008 $**	2007 $	**2008 $**	2007 $
Non-current					
First mortgage					
Freehold land and buildings	17	**-**	1,141,823	**-**	1,141,823
Investment properties	18	**-**	975,564	**-**	975,564
Non current assets classified as held for sale	12	**2,078,180**	-	**2,078,180**	-
		2,078,180	2,117,387	**2,078,180**	2,117,387
Finance lease					
Plant and equipment	17	**959,547**	527,520	**-**	18,248
Leasehold improvements	17	**1,847,115**	-	**1,847,115**	-
		2,806,662	527,520	**1,847,115**	18,248
Total assets pledged as security		**4,884,842**	2,644,907	**3,925,295**	2,135,635

(b) Fair value

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

	At 30 June 2008		At 30 June 2007	
Consolidated entity	**Carrying amount $**	**Fair value $**	Carrying amount $	Fair value $
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**1,400,000**	**1,400,000**	1,400,000	1,400,000
Lease liabilities	**2,910,630**	**2,910,630**	542,679	542,679
Hire purchase	**303,117**	**303,117**	203,287	203,287
	4,613,747	**4,613,747**	2,145,966	2,145,966

	At 30 June 2008		At 30 June 2007	
Parent entity	**Carrying amount $**	**Fair value $**	Carrying amount $	Fair value $
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**1,400,000**	**1,400,000**	1,400,000	1,400,000
Lease liabilities	**1,931,208**	**1,931,208**	18,252	18,252
Hire purchase	**-**	**-**	93,582	93,582
	3,331,208	**3,331,208**	1,511,834	1,511,834

(c) Risk exposures

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

26 Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
The balance comprises temporary differences attributable to:				
Finance leases	**268,281**	128,816	**-**	-
Accrued income - contractors	**295,985**	132,967	**-**	-
Other provisions	**183,469**	623,043	**6,040**	34,153
Depreciation	**53,509**	22,348	**51,500**	24,770
Total deferred tax liabilities	**801,244**	907,174	**57,540**	58,923
Set-off of deferred tax liabilities pursuant to set-off provisions (note 19)	**(801,244)**	(907,174)	**(57,540)**	(58,923)
Net deferred tax liabilities	**-**	-	**-**	-
Deferred tax liabilities to be settled within 12 months	**479,454**	756,010	**6,040**	34,153
Deferred tax liabilities to be settled after more than 12 months	**321,790**	151,164	**51,500**	24,770
	801,244	907,174	**57,540**	58,923

Movements - Consolidated	**Accrued income $**	**Other provisions $**	**Finance leases $**	**Depreciation $**	**Total $**
At 1 July 2006	199,745	155,512	119,832	3,164	478,253
Charged/(credited) to the income statement	(66,778)	467,531	8,984	19,184	428,921
At 30 June 2007	132,967	623,043	128,816	22,348	907,174

Movements - Consolidated	**Accrued income $**	**Other provisions $**	**Finance leases $**	**Depreciation $**	**Total $**
At 30 June 2007	132,967	623,043	128,816	22,348	907,174
Charged/(credited) to the income statement	163,018	(439,574)	139,465	31,161	(105,930)
At 30 June 2008	295,985	183,469	268,281	53,509	801,244

26 Non-current liabilities - Deferred tax liabilities (continued)

Movements - Parent	**Other provisions $**	**Depreciation $**	**Total $**
At 1 July 2006	6,010	8,684	14,694
Charged/(credited) to the income statement	28,143	16,086	44,229
At 30 June 2007	34,153	24,770	58,923

Movements - Parent	**Other provisions $**	**Depreciation $**	**Total $**
At 30 June 2007	34,153	24,770	58,923
Charged/(credited) to the income statement	(28,113)	26,730	(1,383)
At 30 June 2008	6,040	51,500	57,540

27 Non-current liabilities - Provisions

	Consolidated		**Parent**	
	2008 $	2007 $	**2008 $**	2007 $
Employee benefits - long service leave	**338,750**	222,639	**9,635**	3,794

28 Contributed equity

	Parent entity		**Parent entity**	
	2008 Shares	2007 Shares	**2008 $**	2007 $
(a) Share capital				
Ordinary shares				
Fully paid	**37,840,000**	37,730,000	**17,656,497**	17,546,497
Total contributed equity - parent entity			**17,656,497**	17,546,497

28 Contributed equity (continued)

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$
1 July 2006	Opening balance	37,670,000		17,486,497
	Exercise of 2004 options			
20 October 2006	Proceeds received	10,000	$1.00	10,000
2 February 2007	Proceeds received	20,000	$1.00	20,000
6 March 2007	Proceeds received	20,000	$1.00	20,000
27 March 2007	Proceeds received	10,000	$1.00	10,000
30 June 2007	Balance	37,730,000		17,546,497
1 July 2007	Opening balance	37,730,000		17,546,497
	Exercise of 2004 options			
25 September 2007	Proceeds received	30,000	$1.00	30,000
27 September 2007	Proceeds received	10,000	$1.00	10,000
28 September 2007	Proceeds received	10,000	$1.00	10,000
19 November 2007	Proceeds received	10,000	$1.00	10,000
31 January 2008	Proceeds received	50,000	$1.00	50,000
30 June 2008	Balance	37,840,000		17,656,497

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

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

Information relating to the Lycopodium Limited Staff Offer, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 43.

(e) Capital risk management

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

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

Consistently with others in the industry, the consolidated entity and the parent entity monitor 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.

28 Contributed equity (continued)

During 2008, the consolidated entity's strategy, which was unchanged from 2007, was to maintain a gearing ratio within 10% to 40%. The gearing ratios at 30 June 2008 and 30 June 2007 were as follows:

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Total borrowings	**19,174,801**	18,062,827	**4,047,526**	2,669,711
Less: cash and cash equivalents (Note: 9)	**(9,987,106)**	(13,405,517)	**(3,715,336)**	(6,459,234)
Net debt	**9,187,695**	4,657,310	**332,190**	(3,789,523)
Total equity	**33,849,700**	28,306,868	**17,998,136**	20,121,682
Total capital	**43,037,395**	32,964,178	**18,330,326**	16,332,159
Gearing ratio	**21 %**	14 %	**2 %**	- %

The increase in the gearing ratio during 2008 resulted primarily from the increase in lease liability borrowings.

29 Reserves and retained profits

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
(a) Reserves				
Foreign currency translation reserve	**(703,788)**	(288,967)	**-**	-
Available-for-sale investments revaluation reserve	**(14,700)**	-	**-**	-
	(718,488)	(288,967)	**-**	-

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Movements:				
Available-for-sale investments revaluation reserve				
Balance 1 July	**-**	(20,000)	**-**	-
Revaluation - gross	**(21,000)**	20,000	**-**	-
Deferred tax	**6,300**	-	**-**	-
Balance 30 June	**(14,700)**	-	**-**	-

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Movements:				
Foreign currency translation reserve				
Balance 1 July	**(288,967)**	(13,215)	**-**	-
Currency translation differences arising during the year	**(414,821)**	(275,752)		
Balance 30 June	**(703,788)**	(288,967)	**-**	-

29 Reserves and retained profits (continued)

(b) Retained profits

Movements in retained profits were as follows:

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Balance 1 July	**11,049,338**	7,806,175	**2,575,185**	657,585
Net profit for the year	**12,477,268**	8,897,663	**4,380,954**	7,572,100
Dividends	**(6,614,500)**	(5,654,500)	**(6,614,500)**	(5,654,500)
Balance 30 June	**16,912,106**	11,049,338	**341,639**	2,575,185

(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) 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.

30 Minority interest

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Interest in:				
Share capital	**35**	-	**-**	-
Retained profits	**(450)**	-	**-**	-
	(415)	-	**-**	-

31 Dividends

	Parent	
	2008	2007
	$	$
(a) Ordinary shares		
Final dividend for the year ended 30 June 2007 of 12.5 cents (2006 - 10 cents) per fully paid share paid on 15 October 2007 (2006 - 15 November 2006)		
Fully franked based on tax paid @ 30%	**4,722,500**	3,768,000
Interim dividend for the year ended 30 June 2008 of 5 cents (2007 - 5 cents) per fully paid share paid 15 April 2008 (2007 - 13 April 2007)		
Fully franked based on tax paid @ 30%	**1,892,000**	1,886,500
Total dividends provided for or paid during the financial year	**6,614,500**	5,654,500

31 Dividends (continued)

	Parent	
	2008	2007
	$	$
(b) Dividends not recognised at year end		
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 (2007 - 12.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 17 October 2008 out of Group retained profits at 30 June 2008, but not recognised as a liability at year end, is	**7,568,000**	4,716,250

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2008 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2008.

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Franking credits available for subsequent financial years based on a tax rate of 30% (2007 - 30%)	**12,260,166**	9,284,460	**435,779**	1,256,279

The above amounts represent the balance of the franking account as at the end of the financial year, 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 $3,243,429 (2007: $2,021,250).

32 Key management personnel disclosures

(a) Directors

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

(i) Chairman
Michael John Caratti BE (Elec) (Hons)

(ii) Executive directors
Lawrence William Marshall CPA B.Bus (Acc), Managing Director
Rodney Lloyd Leonard BE (Hons), MSc, MAusIMM, Executive Director
Robert Joseph Osmetti BE (Civ), MIEAust, CPEng, Executive Director
Bruno Ruggiero BE (Mech), GradDip Min Sc, MIEAust, MAusIMM, Executive Director
Peter De Leo BE (Civ), MIEAust, CPEng, Executive Director
Mark Bambury Ward Pr.Eng. BSc Eng (Civil), EDP, MSAICE, Executive Director

Mr Ward was appointed a director on 4 April 2008 and was appointed as managing director on 1 July 2008 upon the retirement of Mr Marshall. Mr Ward continues in office as the managing director, and Mr Marshall as a non-executive director at the date of this report.

(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:

Name	*Position*	*Employer*
Doug Rogers	Manager of Process	Lycopodium Engineering Pty Ltd
David Taylor	Manager of Engineering	Lycopodium Engineering Pty Ltd
Lou Giura	Director	Lycopodium Engineering Pty Ltd
Greg O'Neil	Director	Lycopodium Engineering Pty Ltd
Clive Catlow	Managing Director	Process Design & Fabrication Pty Ltd
Glenn Robertson	Director	Process Design & Fabrication Pty Ltd
Pankaj Bali	Manager (NSW) and (QLD)	Process Design & Fabrication Pty Ltd
Brian Putland	Managing Director	Orway Mineral Consultants (WA) Pty Ltd
Leigh Siddall	Director	Orway Mineral Consultants (WA) Pty Ltd
Keith Bakker	Chief Financial Officer	Lycopodium Limited
Ian Yovich	Managing Director	Lycopodium Engineering Qld Pty Ltd

All of the above were also key management persons during the year ended 30 June 2007, except for Mr Yovich who was appointed on the 21 August 2007 and continues in office at the date of this report.

(c) Key management personnel compensation

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Short-term employee benefits	**4,572,578**	3,357,210	**2,463,218**	1,938,562
Post-employment benefits	**974,184**	844,563	**449,408**	453,718
	5,546,762	4,201,773	**2,912,626**	2,392,280

Detailed remuneration disclosures are provided in sections A - C of the remuneration report on pages 6 to 10.

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options
Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on page 10

32 Key management personnel disclosures (continued)

(ii) Option holdings
No options over ordinary shares in the company were held during this, or the previous, financial year by any director of Lycopodium Limited or other key management personnel of the consolidated entity, including their personally related parties.

(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.

2008 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
Directors of Lycopodium Limited **Ordinary shares**				
Michael John Caratti	9,046,221	-	-	9,046,221
Lawrence William Marshall	3,142,332	-	(1,000,000)	2,142,332
Rodney Lloyd Leonard	3,142,332	-	(355,000)	2,787,332
Robert Joseph Osmetti	3,142,332	-	-	3,142,332
Bruno Ruggiero	3,142,332	-	-	3,142,332
Peter De Leo	875,871	-	-	875,871
Mark Bambury Ward	-	-	-	-
Other key management personnel of the consolidated entity **Ordinary shares**				
Doug Rogers	38,108	-	2,598	40,706
David Taylor	275,362	-	(265)	275,097
Lou Giura	20,000	-	-	20,000
Greg O'Neil	320,405	-	7,000	327,405
Clive Catlow	207,567	-	(100,000)	107,567
Glenn Robertson	309,997	-	-	309,997
Pankaj Bali	10,000	-	-	10,000
Brian Putland	20,000	-	-	20,000
Leigh Siddall	75,000	-	-	75,000
Keith Bakker	140,000	-	(20,000)	120,000
Ian Yovich	-	-	-	-

32 Key management personnel disclosures (continued)

2007 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
Directors of Lycopodium Limited				
Ordinary shares				
Michael John Caratti	9,046,221	-	-	9,046,221
Lawrence William Marshall	3,142,332	-	-	3,142,332
Rodney Lloyd Leonard	3,142,332	-	-	3,142,332
Robert Joseph Osmetti	3,142,332	-	-	3,142,332
Bruno Ruggiero	3,142,332	-	-	3,142,332
Peter De Leo	907,621	-	(31,750)	875,871
Other key management personnel of the consolidated entity				
Ordinary shares				
Doug Rogers	38,108	-	-	38,108
David Taylor	306,000	-	(30,638)	275,362
Lou Giura	20,000	-	-	20,000
Greg O'Neil	320,405	-	-	320,405
Clive Catlow	207,567	-	-	207,567
Glenn Robertson	309,997	-	-	309,997
Pankaj Bali	10,000	-	-	10,000
Bernard Siddall	20,000	-	-	20,000
Brian Putland	20,000	-	-	20,000
Leigh Siddall	125,000	-	(50,000)	75,000
Keith Bakker	190,000	-	(50,000)	140,000

(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

Consolidated Entity	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
2008	**3,830**	**-**	**-**	**3,830**	**5**
2007	5,366	-	-	5,366	7

33 Remuneration of auditors

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

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
(a) Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports	**243,293**	217,514	**243,293**	217,514
Related practices of PricewaterhouseCoopers Australian firm	**18,566**	44,122	**-**	-
Fees paid to Grant Thornton for the audit or review of financial reports of Lycopodium Tanzania Limited	**-**	4,083	**-**	-
Total remuneration for audit services	**261,859**	265,719	**243,293**	217,514

(b) Non-audit services

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Taxation services				
PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	**69,000**	45,300	**32,500**	-
Related practices of PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	**5,778**	3,970	**-**	-
Total remuneration for taxation services	**74,778**	49,270	**32,500**	-
Other services				
Fees paid to PricewaterhouseCoopers	**28,196**	35,878	**-**	13,992
Total remuneration for other services	**28,196**	35,878	**-**	13,992
Total remuneration for non-audit services	**102,974**	85,148	**32,500**	13,992
	364,833	350,867	**275,793**	231,506

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

34 Contingencies

(a) Contingent liabilities

The parent entity and consolidated entity had contingent liabilities at 30 June 2008 in respect of:

Claims
A claim exists in respect of unfair preference, as advised by the liquidators of a client, with the amount in dispute totalling $361,135. The company has disclaimed liability and will defend any actions brought against it arising from this claim.

A claim for damages against the company in relation to project management services has been lodged. Liability is limited to the $150,000 excess payable under the company's insurance cover which the company has fully expended at the date of this report.

Guarantees
Guarantees are given in respect of a rental bond for $573,301 (2007 - $200,000).

These guarantees may give rise to liabilities in the event that the company defaults on its obligations under the terms of the lease agreement for its premises at 1 Adelaide Terrace, East Perth and 163 Wharf Street, Spring Hill.

Insurance Bonds
Insurance bonds were given in respect of contracts amounting to $330,486 (2007 - $330,486), secured by deed of indemnity and guarantee provided by Lycopodium Limited, Lycopodium Engineering Pty Ltd, Process Design and Fabrication Pty Ltd, Lycopodium (Ghana) Pty Ltd and Lycopodium (Tanzania) Ltd.

These insurance bonds may give rise to liabilities in the event the company fails to provide professional services to rectify defects during the performance and maintenance phases of certain contracts subject to these guarantees.

These insurance bonds have since been returned and cancelled by the issuer, subsequent to year-end.

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

35 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Property, plant and equipment				
Payable:				
Within one year	**-**	322,530	**-**	322,530
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	-	322,530	**-**	322,530

(b) Lease commitments : Consolidated Entity as lessee

(i) Operating leases
The property under operating lease by Lycopodium Engineering 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.

Process Design and Fabrication Pty Ltd leases two premises under non cancellable operating leases. The terms of the leases are as follows:

- Non cancellable lease with a 36 month term ending 31 May 2009. Minimum lease payments are increased annually by 3.5% on the anniversary of the commencement date during the term of the lease. The lease allows for sub letting of all lease areas, subject to consent of the landlord.

35 Commitments (continued)

- Non cancellable lease with a 12 month term ending 31 March 2009. Minimum lease payments are contingent upon both CPI-based and market-based annual reviews during the term of the lease. The lease allows for sub letting of all lease areas, subject to consent of the landlord.

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. No option exists to renew the lease at the end of the 60 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 2011, with the option to renew for a further 36 month term. The rental agreement provides for an increase in the rental payments by 5% per annum and an increase in the general leasing expenses by 10% per annum.

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**2,490,642**	2,390,045	**-**	-
Later than one year but not later than five years	**8,679,793**	10,295,048	**-**	-
Later than five years	**-**	3,976,735	**-**	-
	11,170,435	16,661,828	**-**	-

(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 $3,072,849 (2007 - $940,489). 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.

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Commitments in relation to finance leases and hire purchases are payable as follows:				
Within one year	**969,326**	427,352	**422,640**	121,149
Later than one year but not later than five years	**2,607,223**	396,444	**1,690,558**	-
Later than five years	**370,833**	-	**370,833**	-
Minimum lease payments	**3,947,382**	823,796	**2,484,031**	121,149
Future finance charges	**(733,635)**	(77,830)	**(552,823)**	(9,315)
Recognised as a liability	**3,213,747**	745,966	**1,931,208**	111,834
Total lease and hire purchase liabilities	**3,213,747**	745,966	**1,931,208**	111,834
Representing lease and hire purchase liabilities:				
Current (note 22)	**713,375**	391,041	**260,236**	111,834
Non-current (note 25)	**2,500,372**	354,925	**1,670,972**	-
	3,213,747	745,966	**1,931,208**	111,834

The weighted average interest rate implicit in the leases is 8.92% (2007 - 7.41%).

36 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 37.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 32.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Sales of goods and services				
Sales provided to subsidiaries	**-**	-	**644,570**	426,823
Sales provided to associates	**22,131**	12,157	**13,117**	-
Purchases of goods and services				
Purchases supplied from subsidiaries	**-**	-	**-**	9,492
Purchases supplied from associates	**33,090**	29,478	**-**	-
Dividend revenue				
Subsidiaries	**-**	-	**4,700,000**	7,950,000
Other transactions				
Management fee revenue	**-**	-	**1,483,150**	957,505

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

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

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Current receivables (sales of goods and services)				
Subsidiaries	**-**	-	**664,977**	274,671
Associates	**1,760**	300	**1,760**	-
Current receivables (loans)				
Subsidiaries	**-**	-	**700,000**	-
Associates	**31,270**	31,930	**-**	-
Current receivables (other receivables)				
Subsidiaries	**-**	-	**82,402**	674,110
Current payables (purchases of goods)				
Subsidiaries	**-**	-	**2,562**	1,960
Associates	**-**	503	**-**	-

36 Related party transactions (continued)

(f) Loans to/from related parties

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Loans to subsidiaries				
Beginning of the year	**-**	-	**-**	-
Loans advanced	**-**	-	**700,000**	-
End of year	**-**	-	**700,000**	-
Loans from subsidiaries				
Beginning of the year	**-**	-	**-**	197,935
Loans advanced	**-**	-	**-**	397,303
Loan repayments made	**-**	-	**-**	(595,238)
End of year	**-**	-	**-**	-
Loans to associates				
Beginning of the year	**-**	31,930	**-**	-
Loan repayments received	**(660)**	-	**-**	-
Provision for doubtful receivables	**660**	(31,930)	**-**	-
End of year	**-**	-	**-**	-

A provision for doubtful debts of $31,270 (2007: $31,930) has been raised in relation to the outstanding associate loan to MLH Management Pty Ltd, with $660 of the provision being reversed this year.

37 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**	
			2008	2007
			%	%
Lycopodium Engineering Pty Ltd	Australia	Ordinary	**100**	100
Orway Mineral Consultants (WA) Pty Ltd	Australia	Ordinary	**100**	100
Process Design and Fabrication 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 Engineering Qld Pty Ltd*	Australia	Ordinary	**75**	100

* Lycopodium Engineering Qld Pty Ltd was incorporated on 3 April 2007.

38 Investments in associates

	Consolidated	
	2008	2007
	$	$
(a) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**295,965**	1
Acquisitions of associates	**-**	200,000
Share of profits after income tax	**50,883**	95,964
Carrying amount at the end of the financial year	**346,848**	295,965

(b) Summarised financial information of associates

The consolidated entity's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	Ownership Interest %	Assets $	Liabilities $	Revenues $	Profit $
2008					
MLH Management Pty Ltd	33	-	-	-	-
Sherwood Utilities Pty Ltd	40	477,013	207,094	1,623,127	50,883
		477,013	207,094	1,623,127	50,883
2007					
MLH Management Pty Ltd	33	128,191	154,466	-	-
Sherwood Utilities Pty Ltd	40	280,974	61,938	826,597	95,964
		409,165	216,404	826,597	95,964

39 Events occurring after the balance sheet date

Since year end the directors have recommended the payment of a final dividend on ordinary shares in respect of the 2008 financial year. The total amount of the dividend is $7,568,000, which represents a fully franked dividend of 20.0 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.

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

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Profit for the year	**12,476,818**	8,897,663	**4,380,954**	7,572,100
Depreciation and amortisation	**1,485,445**	1,079,497	**572,856**	225,116
Write off of assets	**49,329**	-	**-**	-
Net loss on sale of non-current assets	**6,665**	11,795	**-**	-
Net gain on sale of available-for-sale financial assets	**-**	(44,274)	**-**	-
Share of profits of associates not received as dividends or distributions	**(50,883)**	(95,964)	**-**	-
Net exchange differences	**(72,124)**	(7,399)	**-**	-
Non cash interest expense	**49,810**	25,175	**31,365**	11,944
Change in operating assets and liabilities				
(Increase) in trade debtors and other receivables	**(8,646,924)**	(5,243,742)	**(449,530)**	(759,304)
Decrease in inventories	**94,914**	403,427	**-**	-
(Increase) decrease in deferred tax assets	**(573,289)**	(722,628)	**6,521**	77,586
(Increase) decrease in other operating assets	**(314,625)**	(650,976)	**(64,523)**	49,818
Increase (decrease) in trade creditors and other payables	**(573,715)**	1,803,694	**340,533**	105,525
Increase in other operating liabilities	**6,808**	782,092	**-**	782,093
Increase in provision for income taxes payable	**1,238,428**	835,502	**-**	-
Increase (decrease) in deferred tax liabilities	**(105,929)**	428,921	**(1,383)**	44,228
Increase (decrease) in other provisions	**322,821**	56,392	**5,841**	(19,948)
Net cash inflow from operating activities	**5,393,549**	7,559,175	**4,822,634**	8,089,158

41 Non-cash investing and financing activities

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Acquisition of plant and equipment by means of finance leases or hire purchase arrangements	**2,996,351**	195,390	**1,888,011**	-
Acquisition of intangible assets by means of a related party liability	**-**	-	**-**	404,573
	2,996,351	195,390	**1,888,011**	404,573

42 Earnings per share

	Consolidated	
	2008	2007
	Cents	Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the company	**33.0**	23.6
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company	**32.9**	23.5

42 Earnings per share (continued)

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

	Consolidated 2008 $	2007 $
Basic earnings per share		
Profit from operations	**12,476,818**	8,897,663
Loss from operations attributable to minority interests	**450**	-
Profit from operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**12,477,268**	8,897,663
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**12,477,268**	8,897,663
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**12,477,268**	8,897,663

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

	Consolidated 2008 Number	2007 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**37,795,027**	37,694,164
Adjustments for calculation of diluted earnings per share:		
Options	**34,212**	100,246
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**37,829,239**	37,794,410

(e) Information concerning the classification of securities

(i) Options

Options granted to employees under the Staff Offer are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 43.

43 Share-based payments

(a) Employee Option Plan

On the 14 December 2004 Lycopodium Limited issued 1,100,000 options to staff ('Staff Offer'). Options were granted under the plan for no consideration and are exercisable for $1.00 per share prior to 31 December 2007. The Staff Offer was made at the discretion of the Directors, though none were granted to Directors.

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

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Exercised during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and parent - 2008						
14 December 2004	31 December 2007	$1.00	110,000	(110,000)	-	-
Total			110,000	(110,000)	-	-
Weighted average exercise price			$1.00	$1.00	$-	$-
Consolidated and parent - 2007						
14 December 2004	31 December 2007	$1.00	170,000	(60,000)	110,000	110,000
Total			170,000	(60,000)	110,000	110,000
Weighted average exercise price			$1.00	$1.00	$1.00	$1.00

No options expired during the periods covered by the above tables.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2008 was $4.04 (2007 - $3.21).

In the directors' opinion:

(a) the financial statements and notes set out on pages 18 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 company's and consolidated entity's financial position as at 30 June 2008 and of their 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.

The directors have been given the declarations by the chief executive officer 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.

M B Ward
Managing Director

Perth
22 September 2008

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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 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Lycopodium Limited and 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

PRICEWATERHOUSECOOPERS

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 company's and consolidated entity's financial position as at 30 June 2008 and of their 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 6 to 10 of the directors' report for the year ended 30 June 2008. 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 Ltd for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Lycopodium Limited (the company) for the year ended 30 June 2008 included on Lycopodium Limited web site. The company's directors are responsible for the integrity of the Lycopodium Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

Peter Buchholz
Partner

Perth
22 September 2008

The shareholder information set out below was applicable as at 10 September 2008.

A. Distribution of equity securities

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

			Ordinary shares
1	-	1000	223
1,001	-	5,000	487
5,001	-	10,000	170
10,001	-	100,000	155
100,001	and over		23
			1,058

There were 12 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:

Name	Ordinary shares	
	Number held	Percentage of issued shares
Reesh Pty Ltd	9,046,221	23.91
Luala Pty Ltd	3,142,332	8.30
Selso Pty Ltd	3,142,332	8.30
Caddy Fox Pty Ltd	2,787,332	7.37
Invia Custodian Pty Limited	2,590,418	6.85
Accede Pty Ltd	2,142,332	5.66
Equity Trustees Limited	1,349,038	3.57
National Nominees Limited	954,934	2.52
HSBC Custody Nominees (Australia) Limited	654,859	1.73
Peter De Leo	622,466	1.64
ANZ Nominees Limited	565,050	1.49
JDV Limited	517,469	1.37
UBS Nominees Pty Ltd	506,325	1.34
Citicorp Nominees Pty Limited <Cfsil Cwlth Small Co 7 A/c>	477,912	1.26
Citicorp Nominees Pty Limited <Cfsil Cwlth Sml Cos 1 A/c>	345,113	0.91
Glenn Robertson	309,997	0.82
Claw Pty Ltd	300,000	0.79
Botech Pty Ltd	225,405	0.60
Fadmoor Pty Ltd	225,000	0.59
Peter De Leo & Tiana De Leo	215,405	0.57
	30,119,940	79.59

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Reesh Pty Ltd	9,046,221	23.91 %
Luala Pty Ltd	3,142,332	8.30 %
Selso Pty Ltd	3,142,332	8.30 %
Caddy Fox Pty Ltd	2,787,332	7.37 %
Invia Custodian Pty Limited	2,590,418	6.85 %
Accede Pty Ltd	2,142,332	5.66 %

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.