Lycopodium

Annual Financial Report 2012

Contents

Your Directors present their report on the group consisting of Lycopodium Limited and the entities it controlled at the end of, or during, the year ended 30 June 2012.

Directors

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

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

Principal activities

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

Dividends - Lycopodium Limited

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

	2012	2011
	$	$
Final fully franked dividend for the year ended 30 June 2011 of 20.0 cents (2010: 22.0 cents) per fully paid share paid on 14 October 2011	**7,731,021**	8,504,123
Interim fully franked dividend for the year ended 30 June 2012 of 12.0 cents (2011: 10.0 cents) per fully paid share paid on 16 April 2012	**4,638,612**	3,865,510
	12,369,633	12,369,633

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 $8,138,572 (21.0 cents per fully paid share) to be paid on 15 October 2012 out of retained earnings at 30 June 2012 (2011: $7,731,021 being 20.0 cents per fully paid share). This brings the total dividend declared for the year ended 30 June 2012 to 33.0 cents (2011: 30.0 cents).

Review of operations

The 2011/12 financial year reflected the strong demand for services across the group and a significant portion of the project pipeline progressing from detailed design into construction.

The workload remains spread across a range of commodities, notably copper, gold, nickel and iron ore, and includes both domestic and international projects. Lycopodium has secured a number of feasibility studies and detailed design briefs which hopefully will maintain the project pipeline of opportunities.

Organic growth initiatives have continued to gain momentum during the year with Lycopodium Minerals Canada and OMC Canada both progressively growing their teams and securing new work with Clients. Lycopodium Rail commenced operation to service the heavy rail sector in the Hunter Valley. Additionally the level of interaction amongst the various offices continues to develop in response to the needs of our multi-national Clients.

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

Review of operations (continued)

Full year results

During the financial year ended 30 June 2012, Lycopodium realised record revenues of $232 million, a 37% increase from the $170 million in the previous financial year. Net profit after tax increased to $22 million, as compared to $17 million in the previous financial year, a 31% increase.

Basic earnings per share increased from 44.4 cents for the previous financial year to 57.3 cents and in accordance with the company's dividend policy the Directors have resolved to pay a final dividend of 21.0 cents fully franked.

The total dividend for the year is 33 cents fully franked compared to 30 cents for the previous financial year.

	2012	**2011**	**2010**	**2009**	**2008**	**2007**
Revenue ($ Millions)	232.3	169.8	120.3	146.8	120.5	104.6
NPAT ($ Millions)	22.4	17.1	16.0	14.8	12.4	8.9
Dividend/share (cents)	33.0	30.0	27.0	25.0	25.0	17.5

Outlook

The outlook for Lycopodium's services in 2012/13 will be supported by current major projects under construction. Feasibility studies and replacement projects will be needed during the year to maintain current revenue levels.

At present the overall outlook is more difficult to forecast as compared to the same point in time in the financial year just completed.

On the down side, global economic uncertainty, escalation pressures associated with capital projects and the softening of commodity pricing will potentially result in a reduced pipeline of projects. This will be reflected in the resource services sector through junior mining companies struggling to secure finance for projects and major multi-national companies reining in the scale and/or number of major development projects.

On the up side, efforts by companies to drive operational efficiencies and reduce capital spends will create opportunities in brownfield projects and feasibility studies. Additionally, gold remains a strong commodity and offers potential projects, particularly outside of Australia. Lycopodium remains well placed to service these opportunities.

Given the current uncertainty the company will return to its historical norm of providing a revenue and profit guidance as part of the mid-year results, when there is improved visibility for the overall 2012/13 financial year.

Corporate overview

As reported in the prior year, Lycopodium opened an office in Toronto, Canada for Lycopodium Minerals and for OMC. Since commencement of operations this organic initiative has continued to grow with current staff levels at 65. The office has secured several studies and consulting briefs from major North American clients with projects predominantly in Africa.

Within Australia, Lycopodium Rail was established during the year to service the heavy rail sector in the Hunter Valley. This Newcastle, NSW based team is intended as a small niche consultancy complementing the range of services provided by Lycopodium.

SUPL changed their corporate name to Lycopodium Asset Management during the year to reflect their industry sector. Additionally the group established a presence in Brisbane to service eastern states clients and in Manila to access additional resources.

During the past year there was a high level of capital investment in core infrastructure for the existing operating entities in support of the increased operating levels.

- Lycopodium Minerals in Manila installed a new IT data centre and refreshed its PC fleet.
- Lycopodium Minerals in Toronto expanded its office lease facilities to accommodate the increasing staff levels.

It is planned for continued high levels of capital investment in the business in 2012/13.

Review of operations (continued)

Operational highlights

Provided below is an update on the three major projects previously highlighted. Each of these projects will remain under construction through the 2012/13 financial year.

- The Akyem Project in Ghana West Africa for Newmont is complete from a design and procurement perspective and is now focused on construction. Early infrastructure is complete and operational. The main process plant and balance of the infrastructure are under construction. Within the main process plant the earthworks are complete, concrete and field erected tanks are well advanced and the structural, mechanical and piping installation has commenced.
- The Marandoo Project in Western Australia for Rio Tinto is nearing completion of the detailed design. Early infrastructure is complete and operational. The mine dewatering is well advanced with the initial bores now operational. The main construction phase on the iron ore processing plant and balance of the infrastructure has commenced.
- The Tropicana Project in Western Australia for the Tropicana Joint Venture (AngloGold Ashanti - 70%, Independence Group - 30%) is complete from a design and procurement perspective and is now focussed on construction. The access road, air strip and early infrastructure works are complete and operational. Construction is in progress on the process plant, permanent accommodation village and balance of the infrastructure. Within the main process plant the earthworks are complete, concrete and field erected tanks are in progress and the structural, mechanical and piping contractor is preparing to mobilise to site.

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

- The Tasiast Dump Leach Project in Mauritania for Kinross was completed and handed over to the operations. Additional work has also been completed in relation to expansion of the accommodation facilities. An upgrade to the existing processing plant has progressed through detailed design.
- Ongoing assistance is being provided to the Hidden Valley Operations as part of the debottlenecking and improvement activities. The Hidden Valley Operations in PNG is a joint venture between Newcrest Mining and Harmony Gold.
- Detailed design and procurement were completed for the Bissa Gold Project in Burkina Faso on behalf of Bissa Gold SA. Construction is in progress on site with concrete and field erected tanks nearing completion and structural, mechanical and piping installation commenced.
- Construction and commissioning of the Sabodala Gold Project Upgrade in Senegal on behalf of Sabodala Gold Operations SA was completed.
- Detailed design of the Sentinel Project copper concentrator facilities in Zambia commenced during the year.
- The feasibility study for the Nammuldi Project in Western Australia for Rio Tinto was completed during the year. Lycopodium, in joint venture with URS, was subsequently awarded EPCM services associated with the infrastructure for the project.

Lycopodium Process Industries remained active in the chemicals and manufacturing sectors. Key projects and studies undertaken during the year have included multiple briefs on behalf of Thales in relation to acid handling and gas scrubbing within a chemicals manufacturing plant producing propellants and explosives, detailed design of facilities to enable an alternative feedstock to be processed through a biodiesel facility, and front end engineering design of a gas scrubbing facility for a metal refinery.

Lycopodium Asset Management continued to provide services to long term clients during the year, based on major reliability and maintenance engineering briefs with Woodside in the oil and gas sector and BHP Billiton and Citic Pacific in the minerals sector. The new Brisbane office secured an initial brief in the sugar industry.

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

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

Lycopodium Rail has secured a number of consulting briefs in rail infrastructure management since establishing this past year.

Review of operations (continued)

HSE & Community

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

In 2011/12 there were 8.6 million manhours worked across the Lycopodium managed projects with a LTIFR of 0.82 against a 13.7 construction industry average. Targeted training initiatives were implemented during the year in order to even further enhance the safe working environment across our sites.

On the community side, Lycopodium remains an active sponsor and supporter of The Clontarf Foundation, a charitable not-for-profit organisation improving the education, discipline, self-esteem, life skills and employment prospects of young Aboriginal men. Lycopodium also continues to provide support to a number of universities. The company supports a number of charitable initiatives championed by staff.

Acknowledgement

Lycopodium is extremely proud of the achievements of our personnel over the last year. The Board of Directors acknowledges that the company's ability to continue to deliver world class services to our Clients and to maintain and enhance the company's performance and capability is dependent on the continued commitment and support of our personnel.

The company would also like to thank its Clients for their continued trust in Lycopodium to deliver services to their projects and studies. Lycopodium will as always work hard to maintain these valued relationships.

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

Review of operations (continued)

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

	Segment revenues		Segment results	
	2012	2011	**2012**	2011
	$	$	**$**	$
Corporate Services	**15,598,839**	16,658,193	**(1,374,737)**	(933,655)
Minerals	**203,828,953**	148,721,029	**25,592,506**	22,390,717
Project services - Africa	**29,852,527**	11,809,495	**4,712,856**	995,562
Other	**29,042,949**	24,364,507	**2,605,890**	2,524,997
Intersegment eliminations	**(46,036,286)**	(31,710,308)	**-**	-
Unallocated revenue less unallocated expenses	**-**	-	**235,262**	(69,732)
Total revenue / profit before income tax expense	**232,286,982**	169,842,916	**31,771,777**	24,907,889
Income tax expense			**(9,416,678)**	(7,795,136)
Profit for the year			**22,355,099**	17,112,753
(Profit) / loss attributable to non-controlling interest			**(212,065)**	49,484
Profit attributable to owners of Lycopodium Ltd			**22,143,034**	17,162,237

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 2012 financial year. The total amount of dividend is $8,138,572 which represents a fully franked dividend of 21.0 cents per fully paid ordinary share.

Contributed equity increased by $73,800 (from $18,730,297 to $18,804,097) as the result of the exercise of 100,000 performance rights issued under the Executive Director Performance Rights Plan.

In addition, a claim for damages against the company in relation to project management services has been lodged. Liability is limited to the $175,000 excess payable under the company's insurance cover.

With the exceptions of the above, no other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

a) the group's operations in future financial years, or

b) the results of those operations in future financial years, or

c) the group's state of affairs in future financial years.

Likely developments and expected results of operations

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

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

Environmental regulation

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

Information on directors

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

Michael John Caratti BE (Elec) (Hons). Non-executive Chairman. Age 62.

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

Special responsibilities
Chairman of the Board.

Chairman of the Corporate Governance Committee.

Interests in shares and options
9,104,367 ordinary shares of Lycopodium Limited.

Lawrence William Marshall B.Bus (Acc) CPA. Non-executive Director. Age 59.

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

Special responsibilities
Chairman of the Audit Committee.

Member of the Corporate Governance Committee.

Interests in shares and options
1,942,332 ordinary shares of Lycopodium Limited.

Rodney Lloyd Leonard BE (Hons), MSc, MAusIMM. Managing Director. Age 51.

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

Special responsibilities
Member of the Corporate Governance Committee.

Member of the Audit Committee.

Interests in shares and options
2,612,332 ordinary shares of Lycopodium Limited.

217,000 performance rights over ordinary shares of Lycopodium Limited.

Information on directors (continued)

Robert Osmetti BE (Civ), MIEAust, CPEng. Executive Director. Age 56.

Experience and expertise

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

Special responsibilities

Member of the Corporate Governance Committee.

Interests in shares and options

2,141,781 ordinary shares of Lycopodium Limited.

217,000 performance rights over ordinary shares of Lycopodium Limited.

Bruno Ruggiero BE (Mech), Grad Dip Min Sc, Grad Cert Eng Tech, MIEAust, MAusIMM. Executive Director. Age 48.

Experience and expertise

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

Special responsibilities

Member of the Corporate Governance Committee.

Interests in shares and options

3,167,332 ordinary shares in Lycopodium Limited.

217,000 performance rights over ordinary shares of Lycopodium Limited.

Peter De Leo BE (Civ) CPEng FIEAust. Executive Director. Age 46.

Experience and expertise

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

Special responsibilities

Member of the Corporate Governance Committee.

Member of the Audit Committee.

Interests in shares and options

1,254,771 ordinary shares of Lycopodium Limited.

217,000 performance rights over ordinary shares of Lycopodium Limited.

Company Secretary

The company secretary is Keith John Bakker B.Bus (Acc), FCPA. Age 59.

Keith has in excess of 30 years experience in senior finance and company secretarial roles within the airline, human resource consulting and mining services sectors. He is the Chief Financial Officer of Lycopodium Limited.

Meetings of directors

The numbers of meetings of the company's board of Directors and of each board committee held during the year ended 30 June 2012, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of non-executive directors		Meetings of committees			
					Audit		Remuneration	
	A	B	A	B	A	B	A	B
Michael Caratti	13	15	-	-	**	-	1	1
Lawrence Marshall	14	15	-	-	2	2	1	1
Rodney Leonard	15	15	*	-	2	2	1	1
Robert Osmetti	10	15	*	-	**	-	1	1
Bruno Ruggiero	11	15	*	-	**	-	1	1
Peter De Leo	13	15	*	-	2	2	1	1

A = Number of meetings attended

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

* = Not a non-executive Director

** = Not a member of the relevant committee

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

	Number of meetings
Michael Caratti	1
Robert Osmetti	1
Bruno Ruggiero	3
Peter De Leo	1

Remuneration Report

The Directors are pleased to present your company's 2012 remuneration report which sets out remuneration information for Lycopodium Limited's non-executive Directors, executive Directors and other key management personnel.

Directors and key management personnel disclosed in this report

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

Role of the remuneration committee

The remuneration committee comprises all members of the Board. It is primarily responsible for making recommendations on:

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

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

Non-executive director remuneration policy

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

Non-executive directors are also paid an hourly rate for ad hoc services, as required.Non-executive directors do not receive performance-based pay.

Directors' fees

The current base fees were last reviewed with effect 1 July 2012. The fees are inclusive of committee fees. Details on Directors fees are disclosed under service agreements on page 11.

Executive remuneration policy and framework

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the company to attract and retain key talent
- Aligned to the company's strategic and business objectives and the creation of shareholder value
- Transparent, and
- Acceptable to shareholders.

The executive remuneration framework has three components:

- Fixed annual remuneration, including superannuation, and
- Service bonus, and
- Equity.

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

1,450,000 rights were granted to certain executive directors under the Executive Director Performance Rights Plan in the financial year ended 30 June 2009. These rights were granted for nil consideration and are exercisable upon certain performance hurdles and vesting conditions being achieved. This is the only element of remuneration that is linked to company performance. Refer to page 12 for details.

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

Remuneration Report (continued)

Voting and comments made at the company's 2011 Annual General Meeting

The remuneration report for the 2011 financial year was unanimously approved by shareholders during the AGM. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Company performance

The profit after income tax expense and basic earnings per share for the group for the last five years is as follows:

	2012	2011	2010	2009	2008
Revenue ($)	232,286,982	169,842,916	120,334,515	146,835,647	120,578,416
Profit before income tax ($)	31,771,777	24,907,889	18,711,780	20,202,742	17,664,552
Income tax expense ($)	9,416,678	7,795,136	2,653,312	5,425,487	5,187,734
Profit after income tax ($)	22,355,099	17,112,753	16,058,468	14,777,255	12,476,818
Basic EPS (cents)	57.3	44.4	41.6	37.4	33.0
Basic EPS growth, year on year (%)	29.1%	6.7%	11.2%	13.3%	N/A
Fully franked dividends per share (cents)	33.0	30.0	27.0	25.0	25.0
Change in share price * ($)	0.92	2.61	1.77	(3.38)	1.09
Return on equity (%)	40.81%	36.25%	38.03%	40.17%	40.15%

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

Details of remuneration

The following tables show details of the remuneration received by the Directors and the key management personnel of the group for the current and previous financial year.

2012	**Short-term employee benefits**			**Post-employment benefits**	**Share based payments**		
Name	**Cash salary and fees $**	**Cash bonus $**	**Non monetary benefits $**	**Super-annuation $**	**Rights $**	**Total $**	**Perfor-mance related %**
Non-executive directors							
Michael Caratti	108,200	-	8,679	49,750	-	166,629	-
Lawrence Marshall	232,532	-	8,679	49,992	-	291,203	-
Sub-total non executive directors	**340,732**	**-**	**17,358**	**99,742**	**-**	**457,832**	**-**
Executive directors							
Rodney Leonard	673,620	-	8,679	45,000	41,015	768,314	5.3
Robert Osmetti	518,620	-	8,679	50,000	41,015	618,314	6.6
Bruno Ruggiero	523,444	-	8,679	25,000	41,015	598,138	6.9
Peter De Leo	643,620	-	8,679	25,000	50,240	727,539	6.9
Other key management personnel							
Keith Bakker	315,284	36,000	14,105	50,000	-	415,389	-
Total key management personnel compensation (group)	**3,015,320**	**36,000**	**66,179**	**294,742**	**173,285**	**3,585,526**	**4.8**

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

Remuneration Report (continued)

Details of remuneration (continued)

2011	Short-term employee benefits			Post-employment benefits	Share based payments		
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Rights $	Total $	Perfor-mance related %
Non-executive directors							
Michael Caratti	71,214	-	4,766	49,966	-	125,946	-
Lawrence Marshall	146,220	-	4,766	49,992	-	200,978	-
Sub-total non executive directors	**217,434**	**-**	**9,532**	**99,958**	**-**	**326,924**	**-**
Executive directors							
Rodney Leonard	600,000	-	4,766	39,631	26,304	670,701	3.9
Robert Osmetti	524,801	-	4,766	15,199	26,304	571,070	4.6
Bruno Ruggiero	464,538	-	14,048	25,000	26,304	529,890	4.9
Peter De Leo	575,000	-	4,766	25,000	66,279	671,045	9.8
Other key management personnel							
Keith Bakker	296,641	-	9,791	50,000	-	356,432	-
Total key management personnel compensation (group)	**2,678,414**	**-**	**47,669**	**254,788**	**145,191**	**3,126,062**	**4.6**

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

Remuneration Report (continued)

Service Agreements

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

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

	Term of agreement	**Fixed remuneration including superannuation***
Michael Caratti, *Chairman and Non-executive Director*	No fixed term	Directors fee of $157,950 p.a.
Lawrence Marshall *Non-executive Director*	No fixed term	Fixed hourly rate of $301.32 Directors fee of $78,975 p.a.
Rodney Leonard *Managing Director*	No fixed term	$718,620 p.a.
Robert Osmetti *Executive Director*	No fixed term	$568,620 p.a.
Bruno Ruggiero, *Executive Director*	No fixed term	$568,620 p.a.
Peter De Leo, *Executive Director*	No fixed term	$668,620 p.a.
Keith Bakker, *Company Secretary and Chief Financial Officer*	No fixed term	$378,360 p.a.

* Fixed remuneration payable as at 30 June 2012 and reviewed annually by the Remuneration Committee.

Remuneration Report (continued)

Share-based compensation

Executive Director Performance Rights

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

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

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

The above rights were granted for no consideration.

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

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date	Performance achieved	% Vested
24 December 2008	1 July 2011	30 June 2016	$-	$0.74	Achieved	100%
24 December 2008	1 July 2012	30 June 2016	$-	$0.74	Achieved	100%
24 December 2008	1 July 2013	30 June 2016	$-	$0.74	34%	0%
24 December 2008	1 July 2014	30 June 2016	$-	$0.74	Achieved	0%
24 December 2008	1 July 2015	30 June 2016	$-	$0.74	To be determined	n/a

The rights granted carry no dividend or voting rights.

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

Remuneration Report (continued)

Share-based compensation (continued)

Details of remuneration: Executive Directors Performance Rights

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

Shared-based compensation benefits (Options)

Name	Year granted	Vested %	Forfeited %	Financial years in which rights may vest	Maximum total value of grant yet to vest $
Peter De Leo	2009	100	-	30 June 2011	-
	2009	100	-	30 June 2012	-
	2009	-	66	30 June 2013	12,546
	2009	-	-	30 June 2014	36,900
	2009	-	-	30 June 2015	36,900
Robert Osmetti	2009	100	-	30 June 2011	-
	2009	100	-	30 June 2012	-
	2009	-	66	30 June 2013	12,546
	2009	-	-	30 June 2014	36,900
	2009	-	-	30 June 2015	36,900
Bruno Ruggiero	2009	100	-	30 June 2011	-
	2009	100	-	30 June 2012	-
	2009	-	66	30 June 2013	12,546
	2009	-	-	30 June 2014	36,900
	2009	-	-	30 June 2015	36,900
Rodney Leonard	2009	100	-	30 June 2011	-
	2009	100	-	30 June 2012	-
	2009	-	66	30 June 2013	12,546
	2009	-	-	30 June 2014	36,900
	2009	-	-	30 June 2015	36,900

Senior manager share acquisition plan

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

Shares under option

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

Grant date	Expiry date	Issue price of shares	Number under option
24 December 2008*	30 June 2016	$-	868,000
1 October 2011**	30 September 2014	$-	165,000

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

** Included in these options were a total of 55,000 performance rights granted as remuneration to Mark Huddy, Lou Giura and Preben Savik who are among the five most highly remunerated officers of the group who are not key management persons and hence not disclosed in the remuneration report.

Insurance of officers

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

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

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

Proceedings on behalf of the company

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

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

Non-audit services

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

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

Non-audit services (continued)

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

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

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

	Consolidated	
	2012	2011
	$	$
Taxation services		
PwC's Australian firm:		
Tax compliance services (including income tax returns)	**40,207**	30,025
International tax advice	**2,000**	25,500
Network firm of PwC Australia:		
Tax compliance services (including income tax returns)	**58,606**	32,829
Non-PwC audit firms:		
Tax compliance services (including income tax returns)	**6,867**	-
International tax advice	**11,025**	54,576
Total remuneration for taxation services	**118,705**	142,930
Other services		
PwC's Australian firm:		
Other services	**-**	15,350
Non-PwC audit firms:		
Other services	**4,032**	-
Total remuneration for other services	**4,032**	15,350
Total remuneration for non-audit services	**122,737**	158,280

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

Auditor

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

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

Rodney Lloyd Leonard
Managing Director

Perth
26 September 2012

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Lycopodium Limited for the year ended 30 June 2012, 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.

Pierre Dreyer
Partner
PricewaterhouseCoopers

Perth
26 September 2012

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Corporate Governance Statement

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

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

Principle 1 : Lay solid foundations for management and oversight

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

The Statement of Board and Management functions is contained within the Corporate Governance Charter which is published in the Company's website, www.lycopodium.com.au.

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

Principle 2 : Structure the board to add value

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

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

Name	Position	Term in Office
Mr Michael Caratti	Non-executive Chairman	7 years, 9 months
Mr Lawrence Marshall	Non-executive Director	7 years, 9 months
Mr Rodney Leonard	Managing Director	7 years, 9 months
Mr Robert Osmetti	Executive Director	7 years, 9 months
Mr Bruno Ruggiero	Executive Director	7 years, 9 months
Mr Peter De Leo	Executive Director	5 years, 8 months

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

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

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

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

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

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

Principle 3 : Promote ethical and responsible decision making

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

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

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

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

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

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

	Female	Male
Board	0%	100%
Managers and senior staff	8%	92%
Organisation	30%	70%
	24%	76%

Principle 4 : Safeguard integrity in financial reporting

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

The Committee's members are:

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

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

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

Principle 5 : Make timely and balanced disclosure

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

Principle 6 : Respect the rights of shareholders

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

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

Principle 7 : Recognise and manage risk

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

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

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

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

Principle 8 : Remunerate fairly and responsibly

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

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

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

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

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

	Notes	Consolidated 2012 $	Consolidated 2011 $
Revenue from operations	5	**232,286,982**	169,842,916
Employee benefits expense		**(111,944,909)**	(83,588,572)
Depreciation and amortisation expense	6	**(1,784,442)**	(1,286,219)
Project expenses		**(10,581,901)**	(4,181,481)
Equipment and materials		**(839,435)**	(216,994)
Contractors		**(58,881,655)**	(41,516,936)
Administration and management costs		**(16,431,351)**	(13,866,490)
Loss on disposal of asset		**(1,503)**	(25,503)
Finance costs	6	**(330,272)**	(252,832)
Share of net profit of joint venture accounted for using the equity method		**280,263**	-
Profit before income tax		**31,771,777**	24,907,889
Income tax expense	7	**(9,416,678)**	(7,795,136)
Profit for the year		**22,355,099**	17,112,753
Other comprehensive (expense)/income			
Changes in fair value of available-for-sale financial assets	24(a)	**(23,000)**	(1,000)
Exchange differences on translation of foreign operations	24(a)	**(336,980)**	79,326
Income tax relating to components of other comprehensive income		**6,900**	300
Other comprehensive (expense)/income for the year, net of tax		**(353,080)**	(78,626)
Total comprehensive income for the year		**22,002,019**	17,191,379
Profit for the year is attributable to:			
Owners of Lycopodium Limited		**22,143,034**	17,162,237
Non-controlling interests		**212,065**	(49,484)
		22,355,099	17,112,753
Total comprehensive income for the year is attributable to:			
Owners of Lycopodium Limited		**21,789,954**	17,240,863
Non-controlling interests		**212,065**	(49,484)
		22,002,019	16,053,381

	Notes	**Cents**	Cents
Earnings per share attributable to the ordinary equity holders of the company:			
Basic earnings per share	36	57.3	44.4
Diluted earnings per share	36	56.0	44.1

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

Consolidated Balance Sheet *- As at 30 June 2012*

		Consolidated	
		2012	2011
	Notes	**$**	$
ASSETS			
Current assets			
Cash and cash equivalents	8	**27,768,444**	26,199,742
Trade and other receivables	9	**52,590,370**	39,835,368
Other current assets	10	**3,547,988**	1,639,824
Total current assets		**83,906,802**	67,674,934
Non-current assets			
Investments accounted for using the equity method	12	**280,264**	-
Available-for-sale financial assets	13	**9,000**	32,000
Property, plant and equipment	14	**5,308,394**	4,119,085
Intangible assets	16	**6,113,748**	6,150,895
Other receivables	11	**1,233,835**	1,629,874
Deferred tax assets	15	**4,535,790**	4,273,369
Total non-current assets		**17,481,031**	16,205,223
Total assets		**101,387,833**	83,880,157
LIABILITIES			
Current liabilities			
Trade and other payables	17	**34,158,533**	24,080,951
Borrowings	18	**1,622,503**	909,754
Current tax liabilities		**2,176,954**	6,242,748
Provisions	19	**1,097,956**	316,431
Total current liabilities		**39,055,946**	31,549,884
Non-current liabilities			
Borrowings	20	**1,535,136**	1,781,208
Provisions	22	**917,164**	861,971
Total non-current liabilities		**2,452,300**	2,643,179
Total liabilities		**41,508,246**	34,193,063
Net assets		**59,879,587**	49,687,094
EQUITY			
Contributed equity	23	**18,730,297**	18,730,297
Reserves	24(a)	**294,906**	89,318
Retained earnings	24(b)	**40,689,644**	30,916,243
Parent entity interest		**59,714,847**	49,735,858
Non-controlling interest	25	**164,740**	(48,764)
Total equity		**59,879,587**	49,687,094

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

Consolidated Statement of Changes in Equity *- For the year ended 30 June 2012*

Lycopodium

Consolidated	Notes	Contributed equity $	Retained earnings $	Foreign currency translation reserve $	Available for sale investment revaluation reserve $	Performance rights reserve $	Non controlling interests $	Total equity $
		Attributable to members of Lycopodium Limited						
Balance at 1 July 2010		**18,730,297**	**26,123,639**	**(347,012)**	**(60,900)**	**273,411**	**-**	**44,719,435**
Profit for the year		-	17,162,237	-	-	-	(49,484)	17,112,753
Other comprehensive income		-	-	79,326	(700)	-	-	78,626
Total comprehensive income for the year		**-**	**17,162,237**	**79,326**	**(700)**	**-**	**(49,484)**	**17,191,379**
Transactions with owners in their capacity as owners:								
Non-controlling interest on acquisition of subsidiary	25	-	-	-	-	-	1	1
Foreign currency transactions with non-controlling interests	25	-	-	-	-	-	719	719
Dividends provided for or paid	26	-	(12,369,633)	-	-	-	-	(12,369,633)
Performance rights - value of rights	24	-	-	-	-	145,193	-	145,193
		-	**(12,369,633)**	**-**	**-**	**145,193**	**720**	**(12,223,720)**
Balance at 30 June 2011		**18,730,297**	**30,916,243**	**(267,686)**	**(61,600)**	**418,604**	**(48,764)**	**49,687,094**
Balance at 1 July 2011		18,730,297	30,916,243	(267,686)	(61,600)	418,604	(48,764)	49,687,094
Profit for the year		-	22,143,034	-	-	-	212,065	22,355,099
Other comprehensive income		-	-	(336,980)	(16,100)	-	-	(353,080)
Total comprehensive income for the year		**-**	**22,143,034**	**(336,980)**	**(16,100)**	**-**	**212,065**	**22,002,019**
Transactions with owners in their capacity as owners:								
Non-controlling interest on acquisition of subsidiary	25	-	-	-	-	-	27	27
Foreign currency transactions with non-controlling interests	25	-	-	-	-	-	1,412	1,412
Dividends provided for or paid	26	-	(12,369,633)	-	-	-	-	(12,369,633)
Performance rights - value of rights	24	-	-	-	-	558,668	-	558,668
		-	**(12,369,633)**	**-**	**-**	**558,668**	**1,439**	**(11,809,526)**
Balance at 30 June 2012		**18,730,297**	**40,689,644**	**(604,666)**	**(77,700)**	**977,272**	**164,740**	**59,879,587**

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

Consolidated Statement of Cash Flows *- For the year ended 30 June 2012*

	Notes	Consolidated 2012 $	Consolidated 2011 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**238,619,585**	168,264,767
Payments to suppliers and employees (inclusive of goods and services tax)		**(208,294,894)**	(148,808,765)
		30,324,691	19,456,002
Interest received		**1,174,278**	1,224,656
Interest paid		**(28,528)**	(27,513)
Income taxes paid		**(13,737,993)**	(2,298,113)
Net cash inflow from operating activities	34	**17,732,448**	18,355,032
Cash flows from investing activities			
Payment for purchase of business		**-**	(400,000)
Payments for property, plant and equipment	14	**(1,430,323)**	(1,026,374)
Payments for intangible assets		**(158,656)**	(152,917)
Proceeds from sale of property, plant and equipment		**2,890**	89,596
Net cash outflow from investing activities		**(1,586,089)**	(1,489,695)
Cash flows from financing activities			
Proceeds from borrowings		**240,801**	-
Repayment of borrowings		**(1,137,321)**	(882,872)
Dividends paid to company's shareholders		**(12,369,633)**	(12,369,633)
Repayments of hire purchase and lease liabilities		**(1,372,002)**	(1,116,544)
Repayment of loans provided under the senior manager share acquisition plan		**396,039**	228,641
Net cash outflow from financing activities		**(14,242,116)**	(14,140,408)
Net increase in cash and cash equivalents		**1,904,243**	2,724,929
Cash and cash equivalents at the beginning of the financial year		**26,199,742**	23,395,487
Effects of exchange rate changes on cash and cash equivalents		**(335,541)**	79,326
Cash and cash equivalents at end of year	8	**27,768,444**	26,199,742

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

Lycopodium

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial reports are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report comprises the financial statements for the group consisting of Lycopodium Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Lycopodium Limited is a for-profit entity for the purpose of preparing the financial report.

(i) Compliance with IFRSs

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

(ii) New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

(iv) Historical cost convention

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

(v) Critical accounting estimates

The preparation of financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial report, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial report incorporate the assets and liabilities of all subsidiaries of Lycopodium Limited ("company" or "parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Lycopodium Limited and its subsidiaries together are referred to in this financial report as the group.

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

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

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

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

(ii) Employee Share Trust

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

1 Summary of significant accounting policies (continued)

(iii) Joint ventures

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

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

(iv) Changes in ownership interests

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

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial report of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial report is presented in Australian dollars, which is Lycopodium Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

1 Summary of significant accounting policies (continued)

(iii) Consolidated entities

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

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

(e) Revenue recognition

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

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Rendering of services

Revenue from consulting services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised under the percentage of completion method, based on the actual service provided as a proportion of the total services to be provided.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(ii) Rental revenue

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

(iii) Interest income

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

(iv) Dividends

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

1 Summary of significant accounting policies (continued)

(f) Income tax

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

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

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

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

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

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

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

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

(g) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 30). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

1 Summary of significant accounting policies (continued)

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

(k) Trade receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the profit and loss within 'administration and management costs'. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against 'administration and management costs' in the profit and loss.

(l) Inventories

Contract work in progress

Contract work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amount is presented under other liabilities.

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

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets

Classification

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

Financial assets - reclassification

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

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

Recognition and derecognition

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

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

Measurement

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

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

1 Summary of significant accounting policies (continued)

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

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

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

Impairment

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

(i) Assets carried at amortised cost

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

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

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

(ii) Assets classified as available-for-sale

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

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

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

1 Summary of significant accounting policies (continued)

(n) Property, plant and equipment

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

(o) Intangible assets

(i) Goodwill

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

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

(ii) Customer contracts

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

(iii) Software

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

(p) Trade and other payables

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

1 Summary of significant accounting policies (continued)

(q) Borrowings

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

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

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

(r) Borrowing costs

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

(s) Provisions

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

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

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

(t) Employee benefits

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

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

(ii) Long service leave

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

(iii) Retirement benefit obligations

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

1 Summary of significant accounting policies (continued)

(iv) Share-based payments

Share-based compensation benefits are provided to certain executive directors and other designated employees via the Performance Rights Plans. Information relating to this scheme is set out in note 37.

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

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

(v) Senior manager share acquisition plan

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

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

A broad outline of the plan is summarised below:

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

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

Share based payment

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

Embedded derivative

The senior manager loan receivable is a loan with an embedded derivative with the senior manager having an option to put back the share to the group in full settlement of the loan after the 3 year period. As the embedded derivative is closely related to the senior manager loan, the financial instrument is measured at fair value through profit or loss.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(v) Dividends

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

1 Summary of significant accounting policies (continued)

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(x) Goods and Services Tax (GST)

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

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

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

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)

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

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

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

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

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

1 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

(iv) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

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

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

(z) Parent entity financial information

The financial information for the parent entity, Lycopodium Limited, disclosed in note 38 has been prepared on the same basis as the consolidated financial report, except as set out below.

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

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

1 Summary of significant accounting policies (continued)

(ii) Share-based payments

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

2 Financial risk management

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

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

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

(i) Fair value estimation

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

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

a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),

b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

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

2 Financial risk management (continued)

(ii) Summary of financial instruments

The group holds the following financial instruments:

	Consolidated	
	2012	2011
	$	$
Financial assets		
Cash and cash equivalents	**27,768,444**	26,199,742
Trade and other receivables	**52,590,370**	39,835,368
Other current assets	**3,547,988**	1,639,824
Available-for-sale financial assets	**9,000**	32,000
Other receivables	**1,233,835**	1,629,874
	85,149,637	69,336,808
Financial liabilities		
Trade and other payables	**23,201,222**	17,991,118
Borrowings	**3,157,639**	2,690,962
	26,358,861	20,682,080

(a) Market risk

(i) Foreign exchange risk

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

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

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

	30 June 2012			30 June 2011		
	USD	**GHS**	**PHP**	USD	GHS	PHP
	$	**$**	**$**	$	$	$
Cash and cash equivalents	**185,588**	**1,414,713**	**63,770**	559,938	322,723	231,597
Trade and other receivables	**-**	**11,592**	**5,596**	-	7,465	4,414
Other current assets	**-**	**-**	**182,108**	-	-	171,074
Trade and other payables	**(29,131)**	**(243,274)**	**(209,128)**	(17,902)	(81,748)	(260,619)
Net exposure	**156,457**	**1,183,031**	**42,346**	542,036	248,440	146,466

Group sensitivity

Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the group's post-tax profit and equity for the year would have been $15,646 higher/$15,646 lower (2011: $54,204 higher/$54,204 lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. Profit is less sensitive to movements in the Australian dollar/US dollar exchange rates in 2012 than 2011 because of the lower amount of US dollar denominated cash and cash equivalents.

2 Financial risk management (continued)

Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened/strengthened by 10% against the Ghanaian Cedi with all other variables held constant, the group's post-tax profit and equity for the year would have been $118,303 higher/$118,303 lower (2011: $24,844 higher/$24,844 lower), mainly as a result of foreign exchange gains/losses on translation of Ghanaian Cedi denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar/Ghanaian Cedi exchange rates in 2012 than 2011 because of the increased amount of Ghanaian Cedi denominated cash and cash equivalents in 2012.

Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened/strengthened by 10% against the Philippine Peso with all other variables held constant, the group's post-tax profit and equity for the year would have been $4,235 higher/$4,235 lower (2011: $14,647 higher/$14,647 lower), mainly as a result of foreign exchange gains/losses on translation of Philippine Peso denominated financial instruments as detailed in the above table. Profit is less sensitive to movements in the Australian dollar/Philippine Peso exchange rates in 2012 than 2011 mainly because of a lower amount of Philippine Peso denominated cash and cash equivalents.

(ii) Price risk

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

The group is not directly exposed to commodity price risk.

(iii) Interest rate risk

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

Group sensitivity

At 30 June 2012, 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 $102,996 lower/higher (2011: -/+50 basis points: $93,314 lower/higher), as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

Credit risk arises from the financial assets of the group, which comprise cash and cash equivalents, trade and other receivables and other current assets. The group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Other receivables comprises of the loan under the senior management share acquisition plan. The group is not exposed to credit risk as the loan is secured under the terms of the loan (note 1(t)).

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

	Consolidated	
	2012	2011
	$	$
Cash and cash equivalents	**27,768,444**	26,199,742
Trade and other receivables	**52,590,370**	39,835,368
Other current assets	**3,547,988**	1,639,824
	83,906,802	67,674,934

2 Financial risk management (continued)

Cash and cash equivalents

The credit risk on cash and cash equivalents is limited because the counterparties are primarily banks with high credit-ratings assigned by international credit-rating agencies.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

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

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

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

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

Other current assets

The credit risk on other current assets is limited as they comprise primarily deposits held with banks with high credit ratings assigned by international credit rating agencies.

(c) Liquidity risk

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

Financing arrangements

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

	Consolidated	
	2012	2011
	$	$
Leasing facility	**2,650,000**	1,000,000

2 Financial risk management (continued)

Maturities of financial liabilities

The following tables detail the group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows. The group had no derivative financial instruments.

Consolidated entity - At 30 June 2012	**1 year or less**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total Contractual Cash Flow**	**Carrying Amount liabilities**
	$	$	$	$	$	$
Non-derivatives						
Trade payables	23,301,222	-	-	-	23,301,222	23,301,222
Finance lease liabilities	1,568,362	1,187,204	377,289	70,010	3,202,865	2,916,859
Total non-derivatives	24,869,884	1,187,204	377,289	70,010	26,504,087	26,218,081
Consolidated entity - At 30 June 2011						
Non-derivatives						
Trade payables	17,991,118	-	-	-	17,991,118	17,991,118
Finance lease liabilities	1,130,085	902,230	734,042	309,531	3,075,888	2,690,962
Total non-derivatives	19,121,203	902,230	734,042	309,531	21,067,006	20,682,080

3 Critical accounting estimates and judgments

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

(a) Critical accounting estimates and assumptions

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

(i) Impairment of goodwill

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

(ii) Service warranties

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

4 Segment information

(a) Description of segments

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

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

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

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

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

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

4 Segment information (continued)

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2012 and 30 June 2011 are as follows:

	Segments				Total
30 June 2012	**Corporate Services**	**Minerals**	**Project Services Africa**	**Other**	
	$	**$**	**$**	**$**	**$**
Total segment revenue	15,598,839	203,828,953	29,852,527	29,042,949	278,323,268
Inter-segment revenue	(15,217,200)	(18,942,790)	(2,559,759)	(9,316,537)	(46,036,286)
Revenue from external customers	**381,639**	**184,886,163**	**27,292,768**	**19,726,412**	**232,286,982**
Profit / (Loss) before tax	**(1,374,737)**	**25,592,506**	**4,712,855**	**2,605,890**	**31,536,514**
Depreciation and amortisation	(457,614)	(809,977)	(11,480)	(505,371)	(1,784,442)
Income tax expense	17,660	(7,202,077)	(1,126,626)	(1,105,635)	(9,416,678)
Total segment assets	**11,049,357**	**65,214,614**	**10,110,613**	**20,837,718**	**107,212,302**
Total assets includes:					
Additions to non-current assets (other than financial assets and deferred tax)	-	1,818,932	1,223	1,118,400	2,938,555
Total segment liabilities	**2,303,240**	**33,004,565**	**6,055,186**	**11,698,960**	**53,061,951**
30 June 2011					
Total segment revenue	16,658,193	148,721,029	11,809,495	24,364,507	201,553,224
Inter-segment revenue	(16,325,746)	(8,333,247)	(1,944,223)	(5,107,092)	(31,710,308)
Revenue from external customers	**332,447**	**140,387,782**	**9,865,272**	**19,257,415**	**169,842,916**
Profit / (Loss) before tax	**(933,655)**	**22,390,717**	**995,562**	**2,524,997**	**24,977,621**
Depreciation and amortisation	(367,075)	(541,141)	(4,472)	(373,531)	(1,286,219)
Income tax expense	175,238	(6,953,135)	(367,919)	(649,320)	(7,795,136)
Total segment assets	**11,677,751**	**51,974,557**	**4,123,850**	**13,295,895**	**81,072,053**
Total assets includes:					
Additions to non-current assets (other than financial assets and deferred tax)	566,419	1,031,155	82,356	873,794	2,553,724
Total segment liabilities	**1,763,516**	**26,075,807**	**3,218,721**	**5,754,615**	**36,812,659**

4 Segment information (continued)

(c) Other segment information

(i) Segment revenue

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

The entity is domiciled in Australia. Revenue from external customers in Australia was $127,697,172 (2011: $102,159,000), and the total of revenue from external customers from other countries is $104,589,810 (2011: $67,684,000). Segment revenues are allocated based on the country in which the customer is located.

Revenues of approximately $137,556,000 (2011: $69,858,000) are derived from the top 3 customers. These revenues are attributable to the Minerals segment.

(ii) Segment profit before tax

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

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

	Consolidated	
	2012	2011
	$	$
Segment profit before tax	**31,536,514**	24,977,621
Amortisation of customer relationships	**(45,000)**	(45,000)
Share of net profit of joint venture accounted for using the equity method	**280,263**	-
Other	**-**	(24,732)
Profit before income tax as per the statement of comprehensive income	**31,771,777**	24,907,889

(iii) Segment assets

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

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

	Consolidated	
	2012	2011
	$	$
Segment assets	**107,212,302**	81,072,053
Intersegment eliminations	**(11,750,223)**	(2,866,979)
Equity accounting for joint venture	**280,264**	-
Intangibles arising on consolidation	**5,699,490**	5,742,583
Deferred tax arising on consolidation	**(54,000)**	(67,500)
Total assets as per the consolidated balance sheet	**101,387,833**	83,880,157

4 Segment information (continued)

(iv) Segment liabilities

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

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

	Consolidated	
	2012	2011
	$	$
Segment liabilities	**53,061,951**	36,812,659
Intersegment eliminations	**(11,553,705)**	(2,619,596)
Total liabilities as per the consolidated balance sheet	**41,508,246**	34,193,063

5 Revenue

	Consolidated	
	2012	2011
	$	$
From operations		
Sales revenue		
Contract revenue	**230,919,074**	168,507,990
Other revenue		
Rents and sub-lease rentals	**84,467**	28,283
Bank interest	**1,222,046**	1,225,791
Other revenue	**61,395**	80,852
	1,367,908	1,334,926
Total revenue from operations	**232,286,982**	169,842,916

6 Expenses

	Consolidated 2012 $	2011 $
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	**457,006**	258,868
Motor vehicles	**25,722**	22,854
Leasehold improvements	**499,983**	443,074
Leased plant and equipment	**589,230**	383,128
Total depreciation	**1,571,941**	1,107,924
Amortisation		
Computer software	**167,501**	133,295
Customer contracts and relationship	**45,000**	45,000
Total amortisation	**212,501**	178,295
Total depreciation and amortisation	**1,784,442**	1,286,219
Finance costs		
Interest and finance charges paid/payable	**330,272**	252,832
Net foreign exchange losses	**5,818**	349,647
Net loss on disposal of property, plant and equipment	**1,503**	25,503
Rental expense relating to operating leases		
Minimum lease payments	**6,358,534**	5,094,450
Earn out right paid to vendors of Sherwood Utilities Pty Ltd	**-**	400,000
Defined contribution superannuation expense	**5,635,245**	4,862,594

7 Income tax expense

	Consolidated	
	2012	2011
	$	$
(a) Income tax expense		
Current tax	**9,994,620**	9,998,353
Deferred tax	**(202,089)**	(2,120,418)
Adjustment for current tax of prior periods	**(375,853)**	20,301
Adjustments for current tax of prior periods - research and development concessions	**-**	(103,100)
	9,416,678	7,795,136
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase) in deferred tax assets (note 15)	**(401,934)**	(1,914,112)
Increase / (decrease) in deferred tax liabilities (note 21)	**199,845**	(206,306)
	(202,089)	(2,120,418)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**31,771,777**	24,907,889
Tax at the Australian tax rate of 30% (2011:30%)	**9,531,533**	7,472,366
Tax effect of amounts which are not deductible in calculating taxable income:		
Share based payment	**167,600**	45,558
Sundry items	**(3,841)**	18,954
Subsidiary acquisition costs	**-**	120,000
Exchange differences on translation	**(72,170)**	-
Non-assessable, non-exempt income and related non-deductible expenses	**9,472**	(118,142)
	9,632,594	7,538,736
Adjustments for current tax of prior periods - overprovision of prior year income tax	**(375,853)**	20,301
Adjustments for current tax of prior periods - research and development concessions	**-**	(103,100)
Difference in overseas tax rates	**(281,968)**	222,255
Previously unrecognised tax losses now recouped to reduce current tax expense	**(7,436)**	(92,661)
Deferred tax asset not recognised	**449,341**	211,605
Total income tax expense	**9,416,678**	7,795,136

7 Income tax expense (continued)

	Consolidated	
	2012	2011
	$	$
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Net deferred tax - debited (credited) directly to equity	**(6,900)**	(300)

	Consolidated	
	2012	2011
	$	$
(d) Tax Losses		
Unused tax losses for which no deferred tax asset has been recognised	**2,538,501**	2,134,860
Potential tax benefit @ 30% (2011: 30%)	**761,550**	640,458

All unused tax losses were incurred by Australian entities.

8 Current assets - Cash and cash equivalents

	Consolidated	
	2012	2011
	$	$
Cash at bank and in hand	**17,830,775**	12,979,040
Deposits at call	**9,937,669**	13,220,702
	27,768,444	26,199,742

(a) Risk exposure

The group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

9 Current assets - Trade and other receivables

	Consolidated	
	2012	2011
	$	$
Trade receivables	**47,494,220**	40,431,992
Provision for impairment of receivables (a)	**(250,467)**	(1,012,685)
Trade receivable retention	**494,360**	14,919
	47,738,113	39,434,226
Loans to joint venture	**999,999**	-
Tax and other receivables	**3,781,513**	348,574
Cash advanced to employees	**70,745**	52,568
	4,852,257	401,142
	52,590,370	39,835,368

(a) Impaired trade receivables

As at 30 June 2012 current trade receivables of the group with the value of $250,467 (2011: $1,012,685) were impaired, with the amounts being fully provided for.

The ageing of these receivables is as follows:

	Consolidated	
	2012	2011
	$	$
91 to 120 days	**11,051**	229,171
121 to 210 days	**117,796**	97,436
211 days or over	**121,620**	686,078
	250,467	1,012,685

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

	Consolidated	
	2012	2011
	$	$
At 1 July	**1,012,685**	651,719
Provision for impairment recognised during the year	**150,485**	460,910
Receivables written off during the year as uncollectible	**-**	(57,923)
Unused amount reversed	**(912,703)**	(42,021)
At 30 June	**250,467**	1,012,685

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

9 Current assets - Trade and other receivables (continued)

(b) Past due but not impaired

As of 30 June 2012, trade receivables of $7,477,962 (2011: $2,409,885) 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	
	2012	2011
	$	$
31 to 60 days	**4,324,186**	1,149,413
61 to 90 days	**2,608,906**	664,492
91 to 120 days	**34,849**	453,296
121 to 210 days	**225,101**	122,401
211 days and over	**284,920**	20,283
	7,477,962	2,409,885

(c) Foreign exchange and interest rate risk

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

(d) Fair value and credit risk

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

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

10 Current assets - Other current assets

	Consolidated	
	2012	2011
	$	$
Other current assets (a)	**2,521,040**	905,919
Prepayments	**1,026,948**	733,905
	3,547,988	1,639,824

(a) Other current assets

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

11 Non-current assets – Other receivables

	Consolidated	
	2012	2011
	$	$
Loans under the senior manager share acquisition plan	**1,233,835**	1,629,874

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

(a) Impaired receivables and receivables past due

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

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

(a) Movements in carrying amounts

	Consolidated	
	2012	2011
	$	$
Carrying amount at the beginning of the financial year	**-**	-
Share of profits after income tax	**280,263**	-
Share capital	**1**	-
Carrying amount at the end of the financial year	**280,264**	-

(b) Summarised financial information of joint venture

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

		Company's share of			
	Ownership Interest %	**Assets $**	**Liabilities $**	**Revenues $**	**Profit $**
2012					
Pilbara EPCM Pty Ltd	50	3,667,418	3,387,154	1,994,317	280,263

The above joint venture was incorporated in Australia in the financial year ended 30 June 2012.

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

	Consolidated	
	2012	2011
	$	$
At beginning of year	**32,000**	33,000
Revaluation deficit transferred to equity	**(23,000)**	(1,000)
Balance at end of year	**9,000**	32,000

	Consolidated	
	2012	2011
	$	$
Listed securities (note (a))		
Equity securities	**9,000**	32,000
	9,000	32,000

(a) Listed securities

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

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

14 Non-current assets – Property, plant and equipment

	Fixtures and fittings $	Motor vehicles $	Leasehold Improve-ments $	Leased plant & equipment $	Total $
At 1 July 2010					
Cost	2,984,855	199,517	2,340,651	1,465,110	6,990,133
Accumulated depreciation	(2,024,111)	(101,119)	(849,242)	(868,129)	(3,842,601)
Net book amount	**960,744**	**98,398**	**1,491,409**	**596,981**	**3,147,532**
Year ended 30 June 2011					
Opening net book amount	960,744	98,398	1,491,409	596,981	3,147,532
Exchange differences	(13,274)	(3,681)	(25,111)	(5,948)	(48,014)
Additions	899,654	69,815	553,027	878,308	2,400,804
Disposals	(33,338)	-	-	(81,761)	(115,099)
Transfers to intangible assets	(158,215)	-	-	-	(158,215)
Depreciation charge	(258,868)	(22,854)	(443,074)	(383,127)	(1,107,923)
Closing net book amount	**1,396,703**	**141,678**	**1,576,251**	**1,004,453**	**4,119,085**
At 30 June 2011					
Cost	3,469,746	262,820	2,848,409	1,860,968	8,441,943
Accumulated depreciation	(2,073,043)	(121,142)	(1,272,158)	(856,515)	(4,322,858)
Net book amount	**1,396,703**	**141,678**	**1,576,251**	**1,004,453**	**4,119,085**
Year ended 30 June 2012					
Opening net book amount	1,396,703	141,678	1,576,251	1,004,453	4,119,085
Exchange differences	6,077	(8,687)	8,184	184	5,758
Additions	1,114,145	-	435,353	1,230,403	2,779,901
Disposals	(211)	(4,163)	-	-	(4,374)
Transfers to intangible assets	(12,771)	-	-	(7,264)	(20,035)
Depreciation charge	(457,006)	(25,722)	(499,983)	(589,230)	(1,571,941)
Closing net book amount	**2,046,937**	**103,106**	**1,519,805**	**1,638,546**	**5,308,394**
At 30 June 2011					
Cost	4,675,467	240,778	3,307,877	2,555,164	10,779,286
Accumulated depreciation	(2,628,530)	(137,672)	(1,788,072)	(916,618)	(5,470,892)
Net book amount	**2,046,937**	**103,106**	**1,519,805**	**1,638,546**	**5,308,394**

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

(a) Leased assets

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

	Consolidated	
	2012	2011
	$	$
Leasehold improvements		
Cost	**2,417,717**	2,417,717
Accumulated depreciation	**(1,452,947)**	(1,032,338)
Net book amount	**964,770**	1,385,379

15 Non-current assets – Deferred tax assets

	Consolidated	
	2012	2011
	$	$
The balance comprises temporary differences attributable to:		
Doubtful debts	**74,899**	299,737
Employee benefits	**3,122,318**	2,803,219
Accrued expenses	**287,626**	269,229
Deferred revenue	**1,160,996**	1,052,671
Other provisions	**396,950**	122,302
Depreciation	**33,277**	9,332
Finance leases	**395,370**	470,833
	5,471,436	5,027,323
Set-off of deferred tax liabilities pursuant to set-off provisions (note 21)	**(935,646)**	(753,954)
Net deferred tax assets	**4,535,790**	4,273,369
Deferred tax assets to be recovered within 12 months	**4,329,391**	4,728,869
Deferred tax assets to be recovered after more than 12 months	**1,142,045**	298,454
	5,471,436	5,027,323

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

Movements	Doubtful debts	Employee benefits	Accrued expenses	Deferred revenue	Other provisions	Depreciation & amortisation	Finance leases	Total
	$	$	$	$	$	$	$	$
At 1 July 2010	161,464	2,077,717	394,286	-	236,337	19,430	223,677	3,112,911
Credited/(charged) - profit or loss	138,273	725,502	(125,057)	1,052,671	(114,335)	(10,098)	247,156	1,914,112
Credited/(charged) - directly to equity	-	-	-	-	300	-	-	300
At 30 June 2011	**299,737**	**2,803,219**	**269,229**	**1,052,671**	**122,302**	**9,332**	**470,833**	**5,027,323**
At 1 July 2011	299,737	2,803,219	269,229	1,052,671	122,302	9,332	470,833	5,027,323
(Charged)/credited - profit or loss	(224,838)	304,683	18,397	108,325	246,884	23,945	(75,463)	401,933
(Charged)/credited - directly to equity	-	-	-	-	6,900	-	-	6,900
Exchange rate differences	-	14,416	-	-	20,864	-	-	35,280
At 30 June 2012	**74,899**	**3,122,318**	**287,626**	**1,160,996**	**396,950**	**33,277**	**395,370**	**5,471,436**

16 Non-current assets - Intangible assets

	Goodwill $	Software $	Customer contracts $	Total $
At 1 July 2010				
Cost	6,420,380	2,527,430	315,000	9,262,810
Accumulated amortisation and impairment	(819,842)	(2,379,757)	(45,000)	(3,244,599)
Net book amount	**5,600,538**	**147,673**	**270,000**	**6,018,211**
Year ended 30 June 2011				
Opening net book amount	5,600,538	147,673	270,000	6,018,211
Exchange differences	-	(154)	-	(154)
Additions	-	152,918	-	152,918
Transfers from property, plant and equipment	-	158,215	-	158,215
Amortisation charge *	-	(133,295)	(45,000)	(178,295)
Closing net book amount	**5,600,538**	**325,357**	**225,000**	**6,150,895**
Cost	6,420,380	2,836,047	315,000	9,571,427
Accumulated amortisation and impairment	(819,842)	(2,510,690)	(90,000)	(3,420,532)
Net book amount	**5,600,538**	**325,357**	**225,000**	**6,150,895**
Year ended 30 June 2012				
Opening net book amount	5,600,538	325,357	225,000	6,150,895
Exchange differences	-	(3,320)	-	(3,320)
Additions	-	158,656	-	158,656
Transfers from property, plant and equipment	-	20,035	-	20,035
Amortisation charge *	-	(167,501)	(45,000)	(212,501)
Disposal	-	(17)	0	(17)
Closing net book amount	**5,600,538**	**333,210**	**180,000**	**6,113,748**
At 30 June 2012				
Cost	6,420,380	2,992,697	315,000	9,593,077
Accumulated amortisation	(819,842)	(2,659,487)	(135,000)	(3,479,329)
Net book amount	**5,600,538**	**333,210**	**180,000**	**6,113,748**

* Group amortisation of $212,501 (2011: $178,295) is included in depreciation and amortisation expense in the statement of comprehensive income.

16 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill

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

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

2012	**Australia**	**Other countries**	**Total**
	$	**$**	**$**
Minerals	3,622,991	-	3,622,991
Other	1,977,547	-	1,977,547
	5,600,538	-	5,600,538

2011	**Australia**	**Other countries**	**Total**
	$	**$**	**$**
Minerals	3,622,991	-	3,622,991
Other	1,977,547	-	1,977,547
	5,600,538	-	5,600,538

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

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

Cash flows

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

Growth rate

The growth rate used to extrapolate the cash flows beyond the three year period is 2.5% (2011: 2.5%). The growth rate represents a steady indexation rate which does not exceed management's expectations of the long term average growth rate for the business in which each CGU operates.

Discount rate

The base discount rate applied to cash flow projections is 16.8% (2011: 15.4%). In performing the value-in-use calculations for each CGU, the group has applied post-discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed above. The discount rate is a pre-tax rate that reflects the current assessment of the time value of money and the overall perceived risk profile of the group.

16 Non-current assets - Intangible assets (continued)

(c) Impact of possible changes in key assumptions

Minerals

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

Other

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

The recoverable amount for the industrial process CGU is estimated to be $2,235,000 (2011: $2,200,000). This exceeds the carrying amount of the process industries CGU at 30 June 2012 by $100,000 (2011: $600,000).

If the pre-tax discount rate applied to the cash flow projections of the process industries CGU was 17.3% instead of 16.8%, the recoverable amount of the process industries CGU would equal its carrying amount. As of 30 June 2011, the calculation of recoverable value of the process industries CGU was not sensitive to reasonable possible changes in the pre-tax discount rate.

If the growth for subsequent years beyond the period covered by the most recent forecast was 2.3% instead of 2.5%, the recoverable amount of the process industries CGU would equal its carrying amount. As of 30 June 2011, the calculation of recoverable value of the process industries CGU was not sensitive to reasonable possible changes in growth rates for subsequent years.

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

17 Current liabilities – Trade and other payables

	Consolidated	
	2012	2011
	$	$
Trade payables	**2,571,533**	2,346,591
Revenue received in advance	**8,400,572**	4,283,643
Goods and services tax (GST) payable	**2,556,739**	1,806,190
Sundry creditors and accrued expenses (a)	**20,629,689**	15,644,527
	34,158,533	24,080,951

Included in the above are financial liabilities of $23,201,222 (2011: $17,991,118).

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

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

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

	Consolidated	
	2012	2011
	$	$
Annual leave obligation expected to be settled after 12 months	**1,444,793**	1,156,107
Long service leave obligation expected to be settled after 12 months	**1,321,115**	1,366,107
	2,765,908	2,522,215

(b) Risk exposure

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

18 Current liabilities - Borrowings

	Consolidated 2012 $	Consolidated 2011 $
Secured		
Lease liabilities (note 30)	**1,328,047**	888,664
Hire purchase	**53,676**	21,090
Total secured current borrowings	**1,381,723**	909,754
Unsecured		
Other loans	**240,780**	-
Total unsecured current borrowings	**240,780**	-
Total current borrowings	**1,622,503**	909,754

(a) Security and fair value disclosures

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

(b) Risk exposures

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

19 Current liabilities – Provisions

	Consolidated 2012 $	Consolidated 2011 $
Service warranties (a)	**1,097,956**	316,431

(a) Service warranties

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

(b) Movements in provisions

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

2012	**Service warranties $**	**Total $**
Carrying amount at start of year	316,431	316,431
Provisions recognised	781,525	781,525
Carrying amount at end of year	**1,097,956**	**1,097,956**

20 Non-current liabilities – Borrowings

	Consolidated	
	2012	2011
	$	$
Secured		
Lease liabilities	**1,535,136**	1,611,408
Hire purchase	**-**	169,800
Total secured non-current borrowings	**1,535,136**	1,781,208

(a) Secured liabilities and assets pledged as security

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

	Consolidated	
	2012	2011
	$	$
Lease liabilities	**2,863,183**	2,500,072
Hire purchase	**53,676**	190,890
Total secured liabilities	**2,916,859**	2,690,962

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

	Consolidated	
	2012	2011
	$	$
Finance lease		
Plant and equipment	**1,638,546**	1,004,453
Leasehold improvements	**964,770**	1,385,579
	2,603,316	2,390,032

(b) Fair value

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

	Consolidated			
	2012		2011	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
On-balance sheet				
Non-traded financial liabilities				
Lease liabilities	2,863,183	2,863,183	2,500,072	2,500,072
Hire purchase	53,676	53,676	190,890	190,890
	2,916,859	**2,916,859**	2,690,962	2,690,962

(c) Risk exposures

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

21 Non-current liabilities - Deferred tax liabilities

	Consolidated 2012 $	Consolidated 2011 $
The balance comprises temporary differences attributable to:		
Accrued income – contractors	**437,985**	208,308
Other provisions	**73,385**	17,907
Depreciation	**424,276**	527,739
	935,646	753,954
Set-off of deferred tax liabilities pursuant to set-off provisions (note 15)	**(935,646)**	(753,954)
Net deferred tax liabilities	**-**	-
Deferred tax liabilities to be settled within 12 months	**511,370**	226,215
Deferred tax liabilities to be settled after more than 12 months	**424,276**	527,739
	935,646	753,954

Movements - Consolidated	**Depreciation & amortisation $**	**Accrued income $**	**Other provisions $**	**Total $**
At 1 July 2010	254,958	567,568	137,734	960,260
Charged/(credited) to the profit or loss	272,781	(359,260)	(119,827)	(206,306)
At 30 June 2011	527,739	208,308	17,907	753,954

Movements - Consolidated	**Depreciation & amortisation $**	**Accrued income $**	**Other provisions $**	**Total $**
At 1 July 2011	527,739	208,308	17,907	753,954
(Credited)/charged to the profit or loss	(103,463)	247,830	55,478	199,845
Exchange rate differences	-	(18,153)	-	(18,153)
At 30 June 2012	**424,276**	**437,985**	**73,385**	**935,646**

22 Non-current liabilities – Provisions

	Consolidated 2012 $	Consolidated 2011 $
Employee benefits - long service leave	**917,164**	861,971

23 Contributed equity

(a) Share capital

	Consolidated		Consolidated	
	2012 Shares	2011 Shares	**2012 $**	2011 $
Ordinary shares				
Fully paid	**38,655,103**	38,655,103	**18,730,297**	18,730,297

(b) Movements in ordinary share capital

Date	Details	Number of shares	$
1 July 2010	Opening balance	38,655,103	18,730,297
	No movements during the year	-	-
30 June 2011	Closing balance	38,655,103	18,730,297
1 July 2011	Opening balance	38,655,103	18,730,297
	No movements during the year	-	-
30 June 2012	Closing balance	38,655,103	18,730,297

(c) Ordinary shares

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

(d) Capital risk management

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

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

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

During 2012, the group's strategy was to maintain a gearing less than 40%. The gearing ratios at 30 June 2012 and 30 June 2011 were as follows:

	Consolidated	
	2012 $	2011 $
Total borrowings (including payables)	**37,316,171**	26,771,912
Less: cash and cash equivalents	**(27,768,444)**	(26,199,742)
Net debt	**9,547,727**	572,170
Total equity	**59,879,587**	49,687,094
Total capital	**69,427,314**	50,259,264
Gearing ratio	**15.9%**	1.2%

24 Reserves and retained earnings

(a) Reserves

	Consolidated 2012 $	Consolidated 2011 $
Available-for-sale investments revaluation reserve	**(77,700)**	(61,600)
Performance rights reserve	**977,272**	418,604
Foreign currency translation reserve	**(604,666)**	(267,686)
	294,906	89,318

	Consolidated 2012 $	Consolidated 2011 $
Movements:		
Available-for-sale investments revaluation reserve		
Balance 1 July	**(61,600)**	(60,900)
Revaluation - gross	**(23,000)**	(1,000)
Deferred tax	**6,900**	300
Balance 30 June	**(77,700)**	(61,600)

	Consolidated 2012 $	Consolidated 2011 $
Movements:		
Performance rights reserve		
Balance 1 July	**418,604**	273,411
Performance rights plan expense	**558,668**	145,193
Balance 30 June	**977,272**	418,604

	Consolidated 2012 $	Consolidated 2011 $
Movements:		
Foreign currency translation reserve		
Balance 1 July	**(267,686)**	(347,012)
Currency translation differences arising during the year	**(336,980)**	79,326
Balance 30 June	**(604,666)**	(267,686)

24 Reserves and retained profits (continued)

(b) Retained earnings

	Consolidated	
	2012	2011
	$	$
Balance 1 July	**30,916,243**	26,123,639
Net profit for the year	**22,143,034**	17,162,237
Dividends paid or payable	**(12,369,633)**	(12,369,633)
Balance 30 June	**40,689,644**	30,916,243

(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 recognised in other comprehensive income as described in note 1(m) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(ii) Performance rights reserve

The performance rights reserve is used to recognised the fair value of rights issued to certain Directors or employees during the year.

(iii) Foreign currency translation reserve

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

25 Non-controlling interest

	Consolidated	
	2012	2011
	$	$
Interest in:		
Share capital	**28**	1
Reserves	**2,131**	719
Retained earnings / (accumulated losses)	**162,581**	(49,484)
	164,740	(48,764)

26 Dividends

	Parent Entity	
	2012	2011
	$	$
(a) Ordinary shares		
Final dividend for the year ended 30 June 2011 of 20.0 cents (2010: 22.0 cents) per fully paid share paid on 14 October 2011		
Fully franked based on tax paid @ 30% (2010 : 30%)	**7,731,021**	8,504,123
Interim dividend for the year ended 30 June 2012 of 12.0 cents (2011: 10.0 cents) per fully paid share paid on 16 April 2012		
Fully franked based on tax paid @ 30% (2011 : 30%)	**4,638,612**	3,865,510
Total dividends provided for or paid	**12,369,633**	12,369,633

	Parent Entity	
	2012	2011
	$	$
(b) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 21.0 cents per fully paid ordinary share (2011: 20.0 cents), fully franked based on tax paid at 30% (2011: 30%). The aggregate amount of the proposed dividend expected to be paid on 15 October 2012 (2011: 14 October 2011) out of retained earnings at 30 June 2012, but not recognised as a liability at year end, is	**8,138,572**	7,731,021

(c) Franked dividends

	Consolidated	
	2012	2011
	$	$
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2011: 30%)	**18,526,006**	12,047,820

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

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

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

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $3,487,959 (2011: $3,313,295).

27 Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated	
	2012	2011
	$	$
Short-term employee benefits	**3,117,499**	2,726,083
Post-employment benefits	**294,742**	254,788
Share-based payments	**173,285**	145,191
	3,585,526	3,126,062

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

(b) Equity instrument disclosures relating to key management personnel

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

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

(ii) Option holdings

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

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

^ Relates to rights forfeited/gained as a result of actual performance hurdle levels being met.

2011 **Name**	**Balance at start of the year**	**Granted as com-pensation**	**Exercised**	**Other changes^**	**Balance at end of the year**	**Vested and exercisable**	**Unvested**
Directors of Lycopodium Limited							
Rodney Leonard	250,000	-	-	(40,000)	210,000	50,000	160,000
Robert Osmetti	250,000	-	-	(40,000)	210,000	50,000	160,000
Bruno Ruggiero	250,000	-	-	(40,000)	210,000	50,000	160,000
Peter De Leo	350,000	-	-	(40,000)	310,000	100,000	210,000

^ Relates to rights forfeited/gained as a result of actual performance hurdle levels being met.

27 Key management personnel disclosures (continued)

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

(iii) Share holdings

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

2012 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Lycopodium Limited				
Ordinary shares				
Michael Caratti	9,104,367	-	-	9,104,367
Lawrence Marshall	2,142,332	-	(200,000)	1,942,332
Rodney Leonard	2,812,332	-	(200,000)	2,612,332
Robert Osmetti	2,141,781	-	-	2,141,781
Bruno Ruggiero	3,167,332	-	-	3,167,332
Peter De Leo	1,254,771	-	-	1,254,771
Other key management personnel of the consolidated entity				
Ordinary shares				
Keith Bakker	125,000	-	(10,000)	115,000

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

27 Key management personnel disclosures (continued)

(c) Loans to key management personnel

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

(i) Aggregates for key management personnel

	Balance at the start of the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Number in group at the end of the year
	$	$	$	$	
2012	**69,141**	**-**	**-**	**61,057**	**2**
2011	78,631	-	-	69,141	3

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

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

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

28 Remuneration of auditors

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

(a) PwC Australia

	Consolidated	
	2012	2011
	$	$
Audit and other assurance services		
Audit and review of financial reports	**331,042**	315,226
Taxation services		
Tax compliance services (including income tax returns)	**40,207**	30,025
International tax advice	**2,000**	25,500
Total remuneration for taxation services	**42,207**	55,525
Other services		
Other services	**-**	15,350
Total remuneration for PwC Australia	**373,249**	386,101

28 Remuneration of auditors (continued)

(b) Network firms of PwC Australia

	Consolidated	
	2012	2011
	$	$
Audit and other assurance services		
Audit and review of financial statements	**33,852**	14,261
Taxation services		
Tax compliance services (including income tax returns)	**58,606**	32,829
Total remuneration of network firms of PwC Australia	**92,458**	47,090

(c) Non PwC audit firms

	Consolidated	
	2012	2011
	$	$
Audit and other assurance services		
Audit and review of financial statements	**8,009**	11,221
Taxation services		
Tax compliance services (including income tax returns)	**6,867**	-
International tax advice	**11,025**	54,476
Total remuneration for taxation services	**17,892**	54,576
Other services		
Other services	**4,032**	-
Total remuneration for non-PwC audit firms	**29,933**	65,797
Total auditors' remuneration	**495,640**	498,988

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

29 Contingencies

(a) Contingent liabilities

The group had contingent liabilities at 30 June 2012 and 30 June 2011 in respect of:

(i) Guarantees

Guarantees are given in respect of rental bonds for $1,571,021 (2011: $1,039,141).

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

No material losses are anticipated in respect of any of the above contingent liabilities (2011: Nil).

30 Commitments

(a) Capital commitments

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

(b) Lease commitments: group as lessee

(i) Non-cancellable operating leases

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

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

The property under operating lease by Lycopodium (Ghana) Pty Ltd is a non cancellable lease with 24 month term ending 14 September 2012, with an option to renew for a further 24 month term.

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

The property under operating lease by Lycopodium Minerals QLD Pty Ltd is a non cancellable lease with a 60 month term ending 31 August 2012, with the option to renew for a further 60 month term. The option has not been exercised and the premises will be vacated.

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

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

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

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

	Consolidated	
	2012	2011
	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**6,695,835**	4,800,014
Later than one year but not later than five years	**24,787,139**	9,945,982
Later than five years	**21,156,889**	85,000
	52,639,863	14,830,996

30 Commitments (continued)

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

(ii) Finance lease and hire purchase commitments

The group has finance leases and hire purchase contracts for various items of plant and equipment with a carrying amount of $2,603,316 (2011: $2,390,032). These lease contracts expire within 1 to 5 years. Under the terms of the leases, the group has the option to acquire the leased assets.

	Consolidated	
	2012	2011
	$	$
Commitments in relation to finance leases are payable as follows:		
Within one year	**1,568,114**	1,129,837
Later than one year but not later than five years	**1,634,752**	1,946,051
Minimum lease payments	**3,202,866**	3,075,888
Future finance charges	**(286,007)**	(384,926)
Total lease liabilities	**2,916,859**	2,690,962
Representing lease liabilities:		
Current (note 18)	**1,381,723**	909,754
Non current (note 20)	**1,535,136**	1,781,208
	2,916,859	2,690,962

The weighted average interest rate implicit in the leases and hire purchases is 8.64% (2011 : 8.83%).

31 Related party transactions

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 32.

(c) Key management personnel

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

(d) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated	
	2012	2011
	$	$
Sales of goods and services		
Sales to joint venture	**603,958**	-
Purchases of goods and services		
Purchases from joint venture	**160,976**	-

31 Related party transactions (continued)

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

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

	Consolidated	
	2012	2011
	$	$
Current receivables		
Joint venture	**69,649**	-
Current payables		
Joint venture	**332,975**	-

(f) Loans to/from related parties

	Consolidated	
	2012	2011
	$	$
Loans to joint venture		
Beginning of the year	**-**	-
Loans advanced	**1,000,000**	-
Issued capital	**(1)**	-
End of year	**999,999**	-

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

(g) Terms and conditions

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

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

Outstanding balances are unsecured and are repayable in cash.

32 Subsidiaries

(a) Significant investments in subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2012	2011
			%	%
Lycopodium Minerals Pty Ltd	Australia	Ordinary	**100**	100
Orway Mineral Consultants (WA) Pty Ltd	Australia	Ordinary	**100**	100
Lycopodium Process Industries Pty Ltd	Australia	Ordinary	**100**	100
Lycopodium (Ghana) Pty Ltd	Australia	Ordinary	**100**	100
Lycopodium (Ghana) Limited	Ghana	Ordinary	**100**	100
Lycopodium Tanzania Limited	Tanzania	Ordinary	**100**	100
Lycopodium (Philippines) Pty Ltd	Australia	Ordinary	**100**	100
Lycopodium Minerals QLD Pty Ltd	Australia	Ordinary	**100**	100
Lycopodium Infrastructure Pty Ltd	Australia	Ordinary	**100**	100
Lycopodium Asset Management Pty Ltd	Australia	Ordinary	**100**	100
SUPL Pty Ltd	Australia	Ordinary	**100**	100
Lycopodium Share Plan Pty Ltd	Australia	Ordinary	**100**	100
Lycopodium Mauritius	Mauritius	Ordinary	**100**	100
Lycopodium Mauritania SARL	Mauritania	Ordinary	**100**	100
Lycopodium Americas Pty Ltd	Australia	Ordinary	**85**	85
Lycopodium Minerals U.S.A Inc.	U.S.A	Ordinary	**100**	100
Lycopodium Minerals Canada Ltd	Canada	Ordinary	**100**	100
Orway Mineral Consultants Americas Pty Ltd	Australia	Ordinary	**85**	85
Orway Mineral Consultants Canada Ltd	Canada	Ordinary	**100**	100
Lycopodium PNG Ltd	Papua New Guinea	Ordinary	**100**	100
Lycopodium Rail Pty Ltd (i)	Australia	Ordinary	**75**	-
Lycopodium Burkina Faso (ii)	Burkina Faso	Ordinary	**100**	-
Lycopodium Ghana Infrastructure Ltd (iii)	Ghana	Ordinary	**100**	-

(i) Lycopodium Rail Pty Ltd was incorporated on 10 August 2011.

(ii) Lycopodium Burkina Faso was incorporated on 1 September 2011.

(iii) Lycopodium Ghana Infrastructure Ltd was incorporated on 8 December 2011.

33 Events occurring after the reporting period

Since year end the directors have recommended the payment of a final dividend on ordinary shares in respect of the 2012 financial year. The total amount of the dividend is $8,138,572 (2011: $7,731,021), which represents a fully franked dividend of 21.0 (2011: 20.0) cents per fully paid ordinary share.

Contributed equity increased by $73,800 (from $18,730,297 to $18,804,097) as the result of the exercise of 100,000 performance rights issued under the Executive Director Performance Rights Plan.

In addition, a claim for damages against the company in relation to project management services has been lodged. Liability is limited to the $175,000 excess payable under the company's insurance cover.

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

(a) the group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the group's state of affairs in future financial years.

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

	Consolidated	
	2012	2011
	$	$
Profit for the year	**22,355,099**	17,112,753
Depreciation and amortisation	**1,784,442**	1,286,219
Non-cash employee benefits expense – share-based payments	**558,668**	145,193
Net loss on sale of non-current assets	**1,503**	25,503
Purchase on business expensed	**-**	400,000
Share of profits of joint venture partnership	**(280,263)**	-
Net exchange differences	**-**	1,022
Interest relating to financing activities	**301,743**	225,319
Change in operating assets and liabilities		
Increase in trade debtors and other receivables	**(12,755,002)**	(12,170,100)
Increase in deferred tax assets	**(255,521)**	(2,120,716)
(Increase) / decrease in other operating assets	**(826,727)**	658,788
Increase in trade creditors	**10,077,582**	5,086,883
(Decrease) / increase in provision for income taxes payable	**(4,065,794)**	7,617,739
Increase in other provisions	**836,718**	86,429
Net cash inflow from operating activities	**17,732,448**	18,355,032

35 Non-cash investing and financing activities

	Consolidated	
	2012	2011
	$	$
Acquisition of plant and equipment by means of finance leases or hire purchase arrangements	**1,352,041**	1,408,014

36 Earnings per share

	Consolidated	
	2012	2011
	Cents	Cents
(a) Basic earnings per share		
Basic earnings per share attributable to the ordinary equity holders of the company	**57.3**	44.4
(b) Diluted earnings per share		
Diluted earnings per share attributable to the ordinary equity holders of the company	**56.0**	44.1

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

	Consolidated	
	2012	2011
	$	$
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**22,143,034**	17,162,237
Diluted earnings per share		
Used in calculating diluted earnings per share	**22,143,034**	17,162,237

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

	Consolidated	
	2012	2011
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**38,655,103**	38,655,103
Adjustments for calculation of diluted earnings per share:		
Performance rights	**906,370**	280,092
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**39,561,473**	38,935,195

37 Share-based payments

(a) Executive director performance rights plan

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

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

(i) Tranche 1 - On 1 July 2011 if EPS for 30 June 2009 exceeds EPS for 30 June 2008 by 10%

(ii) Tranche 2 - On 1 July 2012 if EPS for 30 June 2010 exceeds EPS for 30 June 2009 by 10%

(iii) Tranche 3 - On 1 July 2013 if EPS for 30 June 2011 exceeds EPS for 30 June 2010 by 10%

(iv) Tranche 4 - On 1 July 2014 if EPS for 30 June 2012 exceeds EPS for 30 June 2011 by 10%

(v) Tranche 5 - On 1 July 2015 if EPS for 30 June 2013 exceeds EPS for 30 June 2012 by 10%

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

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

Fair value of rights granted

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

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

(i) exercise price: Nil

(ii) grant date: 27 November 2008

(iii) expiry date: 30 June 2016

(iv) share price at grant date: $1.95

(v) expected price volatility of the company's shares: 45.6%

(vi) expected dividend yield: 12.8%

(vii) risk-free interest rate: 5.25%

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

The total number of rights issued under this plan to participating Directors for the financial year ended 30 June 2012 was Nil (2011: Nil).

(b) Employee performance rights plan

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

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

37 Share-based payments (continued)

(b) Employee performance rights plan (continued)

Fair value of rights granted

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

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

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

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

The total number of rights issued under this plan to eligible participating employees for the financial year ended 30 June 2012 was 165,000 (2011: Nil).

(c) Senior manager share acquisition plan

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

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

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

(d) Expenses arising from share-based payment transactions

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

	Consolidated	
	2012	2011
	$	$
Rights issued under the Director Performance Rights plan	**173,285**	145,193
Rights issued under the Employee Performance Rights Plan	**385,383**	-
	558,668	145,193

38 Parent entity financial information

(a) Summary financial information

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

	Parent	
	2012	2011
	$	$
Balance sheet		
Current assets	**8,522,626**	8,315,029
Non-current assets	**18,743,957**	19,579,874
Total assets	**27,266,583**	27,894,903
Current liabilities	**1,688,708**	640,076
Non-current liabilities	**614,532**	1,123,441
Total liabilities	**2,303,240**	1,763,517
Net assets	**24,963,343**	26,131,386
Shareholders' equity		
Contributed equity	**18,730,297**	18,730,297
Share-based payments reserve	**977,272**	418,604
Retained earnings	**5,255,774**	6,982,485
	24,963,343	26,131,386
Profit or loss for the year	**10,642,923**	12,846,390
Total comprehensive income	**10,642,923**	12,991,583

(b) Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees as at 30 June 2012 or 30 June 2011.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2012 or 30 June 2011.

In the directors' opinion:

(a) the financial statements and notes set out on pages 21 to 78 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the group's financial position as at 30 June 2012 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

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

Rodney Lloyd Leonard
Managing Director

Perth
26 September 2012

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 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Lycopodium Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

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pwc

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

Auditor's opinion

In our opinion:

(a) the financial report of Lycopodium Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 14 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Lycopodium Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Pierre Dreyer
Partner

Perth
26 September 2012

Shareholder Information

The shareholder information set out below was applicable as at 20 September 2012.

A. Distribution of equity securities

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

	Class of equity security	
	Shares	Rights
1 – 1,000	542	-
1,001 – 5,000	853	8
5,001 – 10,000	221	4
10,001 – 100,000	192	5
100,001 and over	27	4
	1,835	21

There were 76 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

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

Name	Ordinary shares	
	Number held	% of issued shares
Reesh Pty Ltd	9,104,637	23.49
HSBC Custody Nominees (Australia) Pty Ltd	3,503,776	9.04
Luala Pty Ltd	3,167,332	8.17
Caddy Fox Pty Ltd	2,612,332	6.74
Selso Pty Ltd	2,141,781	5.53
Accede Pty Ltd	1,942,332	5.01
JP Morgan Nominees Australia Limited	885,599	2.28
National Nominees Limited	816,597	2.11
Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	764,475	1.97
Mr Peter De Leo	572,466	1.48
Lycopodium Share Plan Pty Ltd	510,000	1.32
JP Morgan Nominees Australia Limited	511,972	1.32
De Leo Nominees Pty Ltd	407,900	1.05
Mirrabooka Investments Limited	325,000	0.84
Mr Glenn Robertson	309,997	0.80
Botech Pty Ltd	305,405	0.79
Mr David James Taylor	236,754	0.61
Dr Gregory O'Neil	233,434	0.60
Mr Peter De Leo & Mrs Tiana De Leo	216,405	0.56
Mr Ian Yovich & Ms Kay Somerville	200,103	0.52
	28,768,297	74.23

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	% of issued shares
Ordinary shares		
Reesh Pty Ltd	9,104,637	23.49
HSBC Custody Nominees (Australia) Pty Ltd	3,503,776	9.04
Luala Pty Ltd	3,167,332	8.17
Caddy Fox Pty Ltd	2,612,332	6.74
Selso Pty Ltd	2,141,781	5.53
Accede Pty Ltd	1,942,332	5.01

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.

Corporate Directory

Lycopodium

Directors

Michael (Mick) John Caratti
Rodney (Rod) Lloyd Leonard
Robert (Bob) Joseph Osmetti
Bruno Ruggiero
Peter De Leo
Lawrence (Laurie) William Marshall

Company Secretary

Keith Bakker

Registered and Principal Office

Level 5, 1 Adelaide Terrace
East Perth WA 6004
T: + 61 (0)8 6210 5222
E: limited@lycopodium.com.au
www.lycopodium.com.au

Share Registry

Computershare Investor Services Pty Limited
Level 2, 45 St George's Terrace, Perth WA 6000
T: +61 (0)3 9415 4267
Direct line for Investors: 1300 764 130
www.computershare.com.au

Lawyers to the Company

Hardy Bowen
Level 1, 28 Ord Street
West Perth WA 6005
T: +61 (0)8 9211 3600
www.hardybowen.com

Auditor

PricewaterhouseCoopers
QV1 Building, Levels 19 - 21
250 St George's Terrace
Perth WA 6000
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