

# **Lycopodium Limited**

## **ASX Half-year information - 31 December 2007**

Lodged with the ASX under Listing Rule 4.2A.  
This information should be read in conjunction with the  
31 December 2007 Interim financial report

### **Contents**

Results for Announcement to the Market  
Interim financial report

Page  
1  
2

**Results for Announcement to the Market**

				\$
<b>Revenue</b> from ordinary activities <i>(Appendix 4D item 2.1)</i>	up	6.8 %	to	55,935,634
<b>Profit / (loss)</b> from ordinary activities after tax attributable to members <i>(Appendix 4D item 2.2)</i>	up	12.4 %	to	4,840,295
<b>Net profit / (loss)</b> for the period attributable to members <i>for the period attributable to members</i>	up	12.4 %	to	4,840,295

<b>Dividends / distributions</b> <i>(Appendix 4D item 2.4)</i>	Amount per security	Franked amount per security
Final dividend <i>(Prior year)</i>	12.5	12.5
Interim dividend recommended but not provided for	5.0	5.0

<b>Key Ratios</b>	<b>2007</b>	<b>2006</b>
	<b>December</b>	<b>December</b>
Net tangible assets per ordinary share (cents)	<b>59</b>	53

**Record date** for determining entitlements to the interim dividend

1 April 2008

**The Directors have recommended the payment of the interim dividend of 5 cents per fully paid ordinary share, fully franked based on a tax paid at 30% to be paid on the 15 April 2008.**

**Lycopodium Limited**  
**Interim financial report**

ABN 83 098 556 159

**for the half-year ended 31 December**  
**2007**

**Lycopodium Limited** ABN 83 098 556 159  
**Interim financial report - 31 December 2007**

**Contents**

	Page
Directors' report	4
Half-year financial report	
Income statement	7
Balance sheet	8
Statement of changes in equity	9
Cash flow statement	10
Notes to the consolidated financial statements	11
Directors' declaration	15
Independent review report to the members	16

## Directors' report

Your directors present their report on the consolidated entity ("the Group") consisting of Lycopodium Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2007.

### 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

### Review of operations

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

	Segment revenues		Segment results	
	2007	2006	2007	2006
	\$	\$	\$	\$
EPCM	31,173,399	25,475,592	6,768,770	4,454,223
Design & construct (lump sum)	9,141,799	15,118,024	872,556	887,722
Study services	10,778,776	5,934,621	2,278,574	1,749,713
Project services	<u>4,069,292</u>	<u>4,972,877</u>	<u>818,271</u>	<u>2,052,108</u>
	<u>55,163,266</u>	<u>51,501,114</u>	<u>10,738,171</u>	<u>9,143,766</u>
Unallocated revenue	<u>772,368</u>	<u>852,737</u>	<u>-</u>	<u>-</u>
	<u>55,935,634</u>	<u>52,353,851</u>	<u>10,738,171</u>	<u>9,143,766</u>
Unallocated revenue less unallocated expenses			<u>(3,647,105)</u>	<u>(2,822,774)</u>
Profit before income tax expense			<u>7,091,066</u>	<u>6,320,992</u>
Income tax expense			<u>(2,352,166)</u>	<u>(2,012,925)</u>
Profit for the year			<u>4,738,900</u>	<u>4,308,067</u>
Less: Loss attributable to minority interest			<u>101,395</u>	<u>-</u>
Profit attributable to members of Lycopodium Limited			<u>4,840,295</u>	<u>4,308,067</u>

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

- (a) *Engineering, Procurement and Construction Management (EPCM)*  
 This industry segment comprises assignments for delivery of the full suite of project delivery services comprising project management, all disciplines of engineering, drafting, procurement, construction management and commissioning. EPCM services are provided on either hourly rates or fixed fee basis.
- (b) *Design and Construct (Lump Sum)*  
 This industry segment comprises the delivery of turn key projects comprising EPCM services together with supply and installation of the plant and equipment. Turn key projects are provided on a fixed lump sum basis.
- (c) *Study Services*  
 This industry segment comprises the delivery of the services required to prepare project studies. These project studies range from concept studies through to definitive feasibility studies and require delivery of a wide range of services comprising study management, all disciplines of engineering, drafting, procurement, estimating, financial modelling and secretarial. Study services are provided on either an hourly rates or fixed fee basis.

**Review of operations (continued)**

(d) *Project Services*

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

**Significant changes in the state of affairs**

During the half-year to 31 December 2007, a new subsidiary (Lycopodium Engineering Qld Pty Ltd) was established by the parent entity, with Lycopodium Limited holding a 75% interest. Lycopodium Engineering Qld Pty Ltd commenced operations on the 6th August 2007 with its operations involving the supply of consulting services within Queensland and the Pacific region.

**Auditors' independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

**Auditor**

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

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



L. W. Marshall  
Managing Director

Perth  
27th February 2008

PricewaterhouseCoopers  
ABN 52 780 433 757

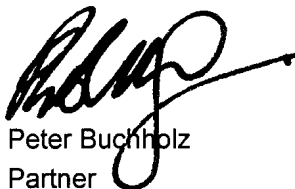
QV1  
250 St Georges Terrace  
PERTH WA 6000  
GPO Box D198  
PERTH WA 6840  
DX 77 Perth  
Australia  
Telephone +61 8 9238 3000  
Facsimile +61 8 9238 3999  
[www.pwc.com/au](http://www.pwc.com/au)

## Auditor's Independence Declaration

As lead auditor for the review of Lycopodium Limited for the half year ended 31 December 2007, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Peter Buchholz  
Partner  
PricewaterhouseCoopers

Perth  
27 February 2008

**Lycopodium Limited**  
**Income statement**  
**For the half-year ended 31 December 2007**

	Half-year ended	
Notes	2007	2006
	\$	\$
<b>Revenue from operations</b>	<b>55,935,634</b>	52,353,851
Other income	56,578	47,952
Employee benefits expense	(21,724,827)	(17,061,778)
Depreciation and amortisation expense	(725,124)	(510,008)
Other project expenses	(1,862,534)	(4,518,131)
Equipment and materials used	(23,953)	(157,021)
Contractors	(18,769,429)	(20,706,483)
Administration and management costs	(5,835,837)	(3,110,160)
Loss on disposal of asset	(115)	(2,111)
Finance costs	(97,143)	(98,177)
Share of net profits of associates and joint venture partnership accounted for using the equity method	<u>137,816</u>	<u>83,058</u>
<b>Profit before income tax</b>	<b><u>7,091,066</u></b>	<b><u>6,320,992</u></b>
Income tax expense	<u>(2,352,166)</u>	<u>(2,012,925)</u>
Profit for the year	<u><b>4,738,900</b></u>	<u><b>4,308,067</b></u>
Loss attributable to minority interest	<u>101,395</u>	<u>-</u>
<b>Profit attributable to members of Lycopodium Limited</b>	<b><u>4,840,295</u></b>	<b><u>4,308,067</u></b>
	<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>		
Basic earnings per share	12.8	11.4
Diluted earnings per share	12.8	11.4

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



**Lycopodium Limited**  
**Balance sheet**  
**As at 31 December 2007**

	31 December 2007	30 June 2007
Notes	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	11,735,548	13,405,517
Trade and other receivables	21,355,667	22,695,353
Inventories	624,827	94,914
Current tax receivables	-	-
Other current assets	<u>565,448</u>	<u>1,000,373</u>
<b>Total current assets</b>	<b><u>34,281,490</u></b>	<b><u>37,196,157</u></b>
<b>Non-current assets</b>		
Investments accounted for using the equity method	433,781	295,965
Available-for-sale financial assets	100,000	120,000
Other financial assets	-	-
Property, plant and equipment	3,324,113	2,414,049
Investment properties	962,174	975,564
Deferred tax assets	2,134,394	1,828,959
Intangible assets	<u>5,785,435</u>	<u>5,908,859</u>
<b>Total non-current assets</b>	<b><u>12,739,897</u></b>	<b><u>11,543,396</u></b>
<b>Total assets</b>	<b><u>47,021,387</u></b>	<b><u>48,739,553</u></b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	13,572,404	15,134,769
Borrowings	1,286,955	1,173,133
Current tax liabilities	1,565,251	1,957,929
Provisions	-	189,290
<b>Total current liabilities</b>	<b><u>16,424,610</u></b>	<b><u>18,455,121</u></b>
<b>Non-current liabilities</b>		
Borrowings	2,015,072	1,754,925
Provisions	<u>336,875</u>	<u>222,639</u>
<b>Total non-current liabilities</b>	<b><u>2,351,947</u></b>	<b><u>1,977,564</u></b>
<b>Total liabilities</b>	<b><u>18,776,557</u></b>	<b><u>20,432,685</u></b>
<b>Net assets</b>	<b><u>28,244,830</u></b>	<b><u>28,306,868</u></b>
<b>EQUITY</b>		
Contributed equity	17,606,497	17,546,497
Reserves	(427,440)	(288,967)
Retained profits	<u>11,167,133</u>	<u>11,049,338</u>
	<b>28,346,190</b>	<b>28,306,868</b>
Minority interest	<u>(101,360)</u>	-
<b>Total equity</b>	<b><u>28,244,830</u></b>	<b><u>28,306,868</u></b>

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

**Lycopodium Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2007**

	Half-year	
Notes	2007 \$	2006 \$
<b>Total equity at the beginning of the half-year</b>	<b>28,306,868</b>	<b>25,259,457</b>
Exchange differences on translation of foreign operations	<u>(138,474)</u>	<u>(141,794)</u>
<b>Net income recognised directly in equity</b>	<b>(138,474)</b>	<b>(141,794)</b>
<b>Profit for the half-year</b>	<b>4,738,900</b>	<b>4,308,067</b>
<b>Total recognised income and expense for the year</b>	<b>4,600,426</b>	<b>4,166,273</b>
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	60,000	10,000
Dividends provided for or paid	3	(3,768,000)
Total changes in minority interest	<u>35</u>	<u>-</u>
	<b>(4,662,465)</b>	<b>(3,758,000)</b>
<b>Total equity at the end of the half-year</b>	<b>28,244,830</b>	<b>25,667,730</b>
Total recognised income and expense for the half-year is attributable to:		
Members of Lycopodium Limited	4,701,821	4,166,273
Minority interest	<u>(101,395)</u>	<u>-</u>
	<b>4,600,426</b>	<b>4,166,273</b>

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

**Lycopodium Limited**  
**Cash flow statement**  
**For the half-year ended 31 December 2007**

	Half-year	
Notes	2007	2006
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	60,381,033	48,631,319
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(53,566,601)</u>	<u>(48,772,469)</u>
	6,814,432	(141,150)
Interest received	388,452	344,412
Interest paid	(58,722)	(84,503)
Income taxes (paid)/received	<u>(3,050,279)</u>	<u>(1,765,286)</u>
<b>Net cash (outflow) inflow from operating activities</b>	<u><b>4,093,883</b></u>	<u><b>(1,646,527)</b></u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(801,691)	(89,899)
Proceeds from sale of property, plant and equipment	-	19,482
Payments for intangible assets	(97,345)	(548,233)
Payments for equity accounted investments	-	(200,000)
Payments for available-for-sale financial assets	-	(28,715)
Proceeds from sale of available-for-sale financial assets	<u>-</u>	<u>72,989</u>
<b>Net cash (outflow) inflow from investing activities</b>	<u><b>(899,036)</b></u>	<u><b>(774,376)</b></u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	60,035	10,000
Repayment of hire purchase and lease liabilities	(140,456)	(266,039)
Repayment of borrowings	-	(492,579)
Dividends paid to company's shareholders	<u>(4,722,500)</u>	<u>(3,768,000)</u>
<b>Net cash (outflow)/inflow from financing activities</b>	<u><b>(4,802,921)</b></u>	<u><b>(4,516,618)</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,608,074)</b>	<b>(6,937,521)</b>
Cash and cash equivalents at the beginning of the half-year	13,405,517	13,478,543
Effects of exchange rate changes on cash and cash equivalents	<u>(61,895)</u>	<u>(138,116)</u>
<b>Cash and cash equivalents at end of the half-year</b>	<u><b>11,735,548</b></u>	<u><b>6,402,906</b></u>

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

## 1 Summary of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Lycopodium Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## 2 Segment information

### (a) Description of segments

#### **Business segments**

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

#### *Engineering, Procurement and Construction Management (EPCM)*

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

#### *Design and Construct (Lump Sum)*

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

#### *Study Services*

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

#### *Project Services*

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

## 2 Segment information (continued)

### (b) Primary reporting format - business segments

Half-year 2007	EPCM \$	Design and Construct (Lump Sum) \$	Study Services \$	Project Services \$	Inter- segment eliminations/ unallocated \$	Consolidated \$
Total segment revenue	31,173,399	9,141,799	10,778,776	4,069,292	-	55,163,266
Share of net profits of associates and joint venture partnership	-	-	-	-	137,816	137,816
Unallocated revenue	-	-	-	-	<u>634,552</u>	<u>634,552</u>
Revenue from operations	<u>31,173,399</u>	<u>9,141,799</u>	<u>10,778,776</u>	<u>4,069,292</u>	<u>772,368</u>	<u>55,935,634</u>
Segment result	<u>6,768,770</u>	<u>872,556</u>	<u>2,278,574</u>	<u>818,271</u>	-	10,738,171
Unallocated revenue less unallocated expenses						<u>(3,647,105)</u>
Profit from operations before related income tax expense						7,091,066
Income tax expense						<u>(2,352,166)</u>
Profit for the year						<u>4,738,900</u>
Half-year 2006	EPCM \$	Design and Construct (Lump Sum) \$	Study Services \$	Project Services \$	Inter- segment eliminations/ unallocated \$	Consolidated \$
Total segment revenue	25,475,592	15,118,024	5,934,621	4,972,877	-	51,501,114
Unallocated revenue	-	-	-	-	<u>852,737</u>	<u>852,737</u>
Revenue from operations	<u>25,475,592</u>	<u>15,118,024</u>	<u>5,934,621</u>	<u>4,972,877</u>	<u>852,737</u>	<u>52,353,851</u>
Segment result	<u>4,454,223</u>	<u>887,722</u>	<u>1,749,713</u>	<u>2,052,108</u>	-	9,143,766
Unallocated revenue less unallocated expenses						<u>(2,822,774)</u>
Profit before income tax						6,320,992
Income tax expense						<u>(2,012,925)</u>
Profit from operations after related income tax expense						<u>4,308,067</u>

### 3 Dividends

	Half-year	
	2007	2006
	\$	\$
<b>(a) Ordinary shares</b>		
Dividends provided for or paid during the half-year	<u>4,722,500</u>	<u>3,768,000</u>
<b>(b) Dividends not recognised at the end of the half-year</b>		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 5 cents per fully paid ordinary share (2006 - 5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 15 April 2008 out of Group retained profits at 31 December 2007, but not recognised as a liability at year end, is	<u>1,892,000</u>	<u>1,886,000</u>

### 4 Contingencies

#### Contingent liabilities

The parent entity and consolidated entity had contingent liabilities at 31 December 2007 in respect of:

#### *Claims*

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

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

#### *Guarantees*

Guarantees are given in respect of a rental bond for \$573,301 (2006 \$200,000).

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

#### *Insurance Bonds*

Insurance bonds are given in respect of contracts amounting to \$330,486 (2006 \$330,486), secured by deed of indemnity and guarantee provided by Lycopodium Limited, Lycopodium Engineering Pty Ltd, Process Design and Fabrication Pty Ltd, Lycopodium (Ghana) Pty Ltd and Lycopodium (Tanzania) Ltd.

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

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

## 5 Events occurring after the balance sheet date

There is no matter or circumstance that has arisen since 31 December 2007, 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 company's state of affairs in the future financial periods.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 14 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2007 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the half-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.

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



L W Marshall  
Managing Director

Perth  
27th February 2008



**INDEPENDENT AUDITOR'S REVIEW REPORT  
to the members of Lycopodium Limited**

**Report on the half year Financial Report**

We have reviewed the accompanying half year financial report of Lycopodium Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration for the Lycopodium Limited Group (the consolidated entity). The consolidated entity comprises both Lycopodium Limited (the company) and the entities it controlled during that half year.

*Directors' Responsibility for the half year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Lycopodium Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

### *Independence*

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

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Lycopodium Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

  
PricewaterhouseCoopers

  
Peter Buchholz  
Partner

Perth  
27 February 2008