



Interim Financial Report

31 December 2019

Lycopodium Limited | ABN 83 098 556 159

Lycopodium

CORPORATE DIRECTORY

Board of Directors

Michael John Caratti
Non-Executive Chairman

Peter De Leo
Managing Director

Rodney Lloyd Leonard
Non-Executive Director

Robert Joseph Osmetti
Non-Executive Director

Bruno Ruggiero
Executive Director

Peter Anthony Dawson
Executive Director

Lawrence William Marshall
Non-Executive Director

Steven John Micheil Chadwick
Non-Executive Director

Audit Committee

Peter De Leo
Rodney Leonard
Lawrence Marshall

Remuneration Committee

Michael Caratti
Lawrence Marshall
Steven Chadwick

Risk Committee

Peter De Leo
Rodney Leonard
Bruno Ruggiero
Lawrence Marshall

Company Secretary

Justine Campbell

Registered and Principal Office

Level 5, 1 Adelaide Terrace
East Perth, Western Australia 6004
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Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth, Western Australia 6000
+61 (0)8 9323 2000

Lawyers to the Company

Clyde & Co.
Level 28, 197 St Georges Terrace
Perth, Western Australia 6000
+61 (0)8 6145 1700

Auditors

RSM Australia Partners
Level 32, Exchange Tower
2 The Esplanade
Perth, Western Australia 6000
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Principal Banker

Australia and New Zealand Bank
Level 10, 77 St Georges Terrace
Perth, Western Australia 6000

Website

www.lycopodium.com

Lycopodium Limited ABN 83 098 556 159

Interim Financial Report - 31 December 2019

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the
30 June 2019 Annual Report.

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2019 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*.

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

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

Its registered office and principal place of business is:

Lycopodium Limited
Level 5, 1 Adelaide Terrace
East Perth, Western Australia 6004

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Lycopodium Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

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

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

Review of operations

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

	Segment revenues		Segment results	
	2019 \$	2018 \$	2019 \$	2018 \$
Minerals - Asia Pacific	72,012,146	35,958,119	10,860,278	11,599,961
Minerals - North America	18,615,588	11,878,089	(743,989)	1,499,910
Minerals - Africa	19,046,768	17,310,795	(196,734)	342,583
Project Services - Africa	5,320,939	2,677,427	3,440,528	1,407,525
Process Industries	2,625,878	2,867,658	(15,150)	(228,030)
Other	14,488,872	10,666,348	877,712	(1,099,039)
Intersegment eliminations	(34,570,551)	(22,572,128)		
Unallocated	12,747,242	14,266,428	(1,590,573)	(777,226)
Total revenue / profit before income tax expense	110,286,882	73,052,736	12,632,072	12,745,684
Income tax expense			(3,768,665)	(4,222,767)
Profit for the half-year			8,863,407	8,522,917
Less (profit)/loss attributable to non-controlling interests			108,847	40,941
Profit attributable to owners of Lycopodium Ltd			8,972,254	8,563,858

(a) Minerals

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

(b) Project Services - Africa

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

(c) Process Industries

The Process Industries segment consists of engineering and related services provided to manufacturing, food & beverage, speciality chemicals, pharmaceuticals and renewable energy sectors throughout Australia and South East Asia.

(d) Other

All other operating segments of the group are aggregated on the basis of them being individually immaterial for the purpose of reporting.

DIRECTORS' REPORT

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the period.

Matters subsequent to the end of the financial period

Since half-year end the directors have recommended the payment of an interim dividend on ordinary shares in respect of the 2020 financial year. The total amount of dividend is \$5,959,856 which represents a fully franked dividend of 15.0 cents per fully paid ordinary share.

With the exceptions of the above, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

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

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 6.

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



Peter De Leo
Managing Director

Perth, WA
25 February 2020

AUDITOR'S INDEPENDENCE DECLARATION



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As lead auditor for the review of the financial report of Lycopodium Limited for the half year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) Any applicable code of professional conduct in relation to the review.

RSM AUSTRALIA PARTNERS

James Komninos
Partner

Perth, WA
Dated: 25 February 2020

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2019

	NOTES	31 December 2019	31 December 2018
Revenue from contracts with customers		108,597,280	71,927,979
Interest income		747,670	994,093
Other income		941,932	130,664
Total income	3	110,286,882	73,052,736
Employee benefits expense		(34,113,400)	(31,531,069)
Depreciation and amortisation expense		(4,044,629)	(689,961)
Project expenses		(4,578,486)	(3,131,412)
Equipment and materials		(35,490,566)	(413,592)
Contractors		(16,651,983)	(16,173,808)
Occupancy expense		(541,707)	(3,956,605)
Other expenses		(5,108,647)	(5,726,512)
Warranty provision reversal/(expenses)	6	2,300,000	1,177,214
Finance costs		(347,580)	(42,443)
Share of net profit of associates and joint ventures accounted for using the equity method		922,188	181,136
Profit before income tax		12,632,072	12,745,684
Income tax expense	4	(3,768,665)	(4,222,767)
Profit for the half-year		8,863,407	8,522,917
Profit attributable to:			
Owners of Lycopodium Limited		8,972,254	8,563,858
Non-controlling interests		(108,847)	(40,941)
Profit for the half-year		8,863,407	8,522,917
Other comprehensive income/(loss):			
<i>Item that may be reclassified to profit or loss</i>			
Foreign currency translation	7(b)	222,800	(486,117)
Total comprehensive income for the half-year		9,086,207	8,036,800
Total comprehensive income for the half-year is attributable to:			
Owners of Lycopodium Limited		9,195,054	8,077,741
Non-controlling interests		(108,847)	(40,941)
		9,086,207	8,036,800
Earnings per share for profit attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share		22.6	21.6
Diluted earnings per share		22.5	21.6

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

For the half-year ended 31 December 2019

	NOTES	31 December 2019	30 June 2019
ASSETS			
Current assets			
Cash and cash equivalents		112,826,693	60,451,048
Trade and other receivables		60,723,040	34,394,839
Contract and other assets	3(a)	-	1,497,467
Inventories		964,881	884,337
Current tax receivables		669,331	1,783,966
Other current assets		4,199,190	3,835,651
Total current assets		179,383,135	102,847,308
Non-current assets			
Investments in listed equities		897,140	801,945
Property, plant and equipment		3,693,696	3,768,452
Right-of-use assets		9,077,894	-
Intangible assets		6,754,999	6,737,447
Other receivables		184,520	241,252
Deferred tax assets		2,962,021	4,062,995
Investments accounted for using the equity method	5	1,896,105	1,392,465
Total non-current assets		25,466,375	17,004,556
Total assets		204,849,510	119,851,864
LIABILITIES			
Current liabilities			
Trade and other payables		22,912,173	21,938,776
Contract and other liabilities	3(a)	86,236,441	13,793,241
Borrowings		1,872,762	419,344
Lease liabilities		6,931,595	-
Derivative financial liabilities		74,586	163,044
Current tax liabilities		807,384	494,412
Provisions	6	700,000	3,000,000
Total current liabilities		119,534,941	39,808,817
Non-current liabilities			
Borrowings		199,561	296,216
Provisions		122,497	328,931
Lease liabilities		2,382,193	-
Total non-current liabilities		2,704,251	625,147
Total liabilities		122,239,192	40,433,964
Net assets		82,610,318	79,417,900
EQUITY			
Contributed equity	7	20,823,772	20,823,772
Reserves	7(b)	(314,518)	(602,928)
Retained profits	7(c)	62,648,552	59,636,154
Parent entity interest		83,157,806	79,856,998
Non-controlling interests	8	(547,488)	(439,098)
Total equity		82,610,318	79,417,900

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

	Share capital \$	Retained earnings \$	Foreign currency translation reserve \$	Performance rights reserve \$	Non-controlling interests \$	Total equity \$
Balance at 1 July 2018	20,823,772	56,480,343	(930,627)	-	2,976,920	79,350,408
Profit for the half-year	-	8,563,858	-	-	(40,941)	8,522,917
Other comprehensive loss	-	-	(486,117)	-	-	(486,117)
Total comprehensive income for the half-year	-	8,563,858	(486,117)	-	(40,941)	8,036,800
Transactions with owners in their capacity as owners:						
Non-controlling interests on acquisition of subsidiary	-	(239,884)	-	-	(3,122,048)	(3,361,932)
Foreign currency translation with non-controlling interest	-	-	-	-	(178,281)	(178,281)
Dividends provided for or paid	-	(7,151,827)	-	-	-	(7,151,827)
	-	(7,391,711)	-	-	(3,300,329)	(10,692,040)
Balance at 31 December 2018	20,823,772	57,652,490	(1,416,744)	-	(364,350)	76,695,168
Balance at 1 July 2019	20,823,772	59,636,154	(602,928)	-	(439,098)	79,417,900
Profit for the half-year	-	8,972,254	-	-	(108,847)	8,863,407
Other comprehensive loss	-	-	222,800	-	-	222,800
Total comprehensive income for the half-year	-	8,972,254	222,800	-	(108,847)	9,086,207
Transactions with owners in their capacity as owners:						
Foreign currency translation with non-controlling interest	-	-	-	-	457	457
Dividends provided for or paid	-	(5,959,856)	-	-	-	(5,959,856)
Performance rights - value of rights	-	(5,959,856)	-	65,610	-	65,610
	-	(5,959,856)	-	65,610	457	(5,893,789)
Balance at 31 December 2019	20,823,772	62,648,552	(380,128)	65,610	(547,488)	82,610,318

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The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2019

	NOTES	31 December 2019	31 December 2018
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		174,351,361	80,880,000
Payments to suppliers and employees (inclusive of GST)		(98,975,404)	(74,331,476)
		75,375,957	6,548,524
Interest paid		(313,814)	(5,182)
Income taxes paid		(1,240,084)	(10,117,290)
Interest received		775,034	1,004,055
Net cash inflow/(outflow) from operating activities		74,597,093	(2,569,893)
Cash flows from investing activities			
Dividends received from joint ventures and associate		417,971	1,691,075
Payments for acquisition of non-controlling interests		-	(3,361,932)
Payments for property, plant and equipment		(366,461)	(1,407,320)
Proceeds from sale of property, plant and equipment		-	2,562
Payments for intangible assets		(129,415)	(27,825)
Proceeds from investments in listed equities		-	691,314
Net cash outflow from investing activities		(77,905)	(2,412,126)
Cash flows from financing activities			
Proceeds from borrowings		2,150,280	461,841
Repayments of borrowings		(754,823)	(503,251)
Dividends paid to company's shareholders		(5,959,856)	(7,151,827)
Repayments of hire purchase and lease liabilities		(210,299)	(263,292)
Reduction of lease liability		(3,051,036)	-
Loans repaid/(advanced) to joint ventures and associates		(14,597,341)	-
Proceeds from repayment of loans under the senior manager share acquisition plan		56,732	42,300
Net cash outflow from financing activities		(22,366,343)	(7,414,229)
Net increase/(decrease) in cash and cash equivalents		52,152,845	(12,396,248)
Cash and cash equivalents at the beginning of the financial year		60,451,048	74,287,788
Effects of exchange rate changes on cash and cash equivalents		222,800	(486,117)
Cash and cash equivalents at end of the half-year ended		112,826,693	61,405,423

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

1. Summary of significant accounting policies

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This condensed consolidated 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 2019 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*.

(a) Basis of preparation

(i) New or amended Accounting Standards and interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated.

	1 July 2019 \$
Operating lease commitments as at 1 July 2019 (AASB 117)	14,664,613
Operating lease commitments discount based on the weighted average incremental borrowing rate of 4.5% (AASB 16)	(898,103)
Items not included in calculation of Right-of-use assets	(1,371,986)
Right-of-use assets as at 1 July 2019 (AASB 16)	12,394,524
Lease liabilities - current as at 1 July 2019 (AASB 16)	(6,856,991)
Lease liabilities - non-current as at 1 July 2019 (AASB 16)	(5,537,533)
	(12,394,524)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(ii) Critical accounting estimates and judgements

The critical accounting estimates and judgements are consistent with those applied and disclosed in the 30 June 2019 annual report.

2. Segment information

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

(a) Description of segments

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

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

The Process Industries segment consists of engineering and related services provided to manufacturing, food & beverage, speciality chemicals, pharmaceuticals and renewable energy sectors throughout Australia and South East Asia.

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

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

The remaining operating segments that are not reportable consist of:

Infrastructure:

Asset Management, engineering, architectural and project delivery services to a wide range of private and public clients across Australia.

Metallurgical:

Metallurgical consulting providing a range of services to the mineral processing community, primarily in the field of comminution, hydrometallurgy and mineral processing design.

Project Services Asia:

Provision of drafting services for offshore Lycopodium entities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

(b) Other segment information

The segment information provided to the Board of Directors for the reportable segments for the half-year ended 31 December 2019 and 2018 are as follows:

Half-year 2019	Minerals			Project Services - Africa	Process Industries	Other	Total
	Asia Pacific	North America	Africa				
Total segment revenue	72,012,146	18,615,588	19,046,768	5,320,939	2,625,878	14,488,871	132,110,190
Inter-segment revenue	(3,904,640)	(13,240,529)	-	-	(813,333)	(4,156,300)	(22,114,802)
Revenue from external customers	68,107,506	5,375,059	19,046,768	5,320,939	1,812,545	10,332,571	109,995,388
Profit / (Loss) before tax	10,860,278	(743,989)	(196,734)	3,440,528	(15,150)	877,712	14,222,645
Interest in the profit of equity accounted joint ventures	-	-	-	-	-	-	-
Depreciation and amortisation	2,643,029	180,301	410,460	-	119,498	686,633	4,039,921
Income tax benefit / (expense)	(3,754,619)	382,300	63,862	(940,753)	3,715	(201,553)	(4,447,048)
Total segment assets	138,641,464	9,178,901	17,578,591	6,912,572	3,950,891	13,669,856	189,932,275
Half-year 2018	Minerals			Project Services - Africa	Process Industries	Other	Total
	Asia Pacific	North America	Africa				
Total segment revenue	35,958,119	11,878,089	17,310,795	2,677,427	2,867,658	10,666,348	81,358,436
Inter-segment revenue	(867,696)	(4,810,051)	-	-	(41,333)	(2,938,209)	(8,657,289)
Revenue from external customers	35,090,423	7,068,038	17,310,795	2,677,427	2,826,325	7,728,139	72,701,147
Profit / (Loss) before tax	11,599,961	1,499,910	342,583	1,407,525	(228,030)	(1,099,039)	13,522,910
Interest in the profit of equity accounted joint ventures	-	-	-	-	-	-	-
Depreciation and amortisation	387,109	38,416	116,189	-	33,387	114,782	689,883
Income tax benefit / (expense)	(3,785,249)	(377,925)	(315,698)	(424,041)	112,739	291,072	(4,499,102)
Total segment assets as at 30 June 2019	47,337,497	10,695,072	17,504,999	6,919,620	3,976,347	11,301,005	97,734,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

(i) Segment revenue

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

Segment revenue reconciles to revenue from operations as per the statement of profit or loss and other comprehensive income as follows:

	31 December 2019 \$	31 December 2018 \$
Reportable segment revenue	109,995,388	72,701,147
Unallocated	291,494	351,589
Revenue as per statement of profit or loss and other comprehensive income	110,286,882	73,052,736

(ii) Segment profit before tax

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

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

	31 December 2019 \$	31 December 2018 \$
Segment profit before tax	14,222,645	13,522,910
Unallocated	(1,590,573)	(777,226)
Profit before income tax as per statement of profit or loss and other comprehensive income	12,632,072	12,745,684

(iii) Segment assets

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

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

	31 December 2019 \$	30 June 2019 \$
Reportable segment assets	189,932,275	97,734,540
Intersegment eliminations	(8,316,661)	(4,786,796)
Intangibles arising on consolidation	6,126,228	6,126,228
Deferred tax arising on consolidation	(193,376)	-
Unallocated	17,301,044	20,777,892
Total assets as per the Consolidated Balance Sheet	204,849,510	119,851,864

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. Revenue

Revenue from contracts with customers for the half-year ended 31 December 2019 and 2018 are as follows:

	2019			2018		
	Engineering & related services \$	Construction contracts \$	Total \$	Engineering & related services \$	Construction contracts \$	Total \$
Minerals	48,666,794	43,862,539	92,529,333	59,239,910	229,346	59,469,256
Project Services - Africa	5,320,939	-	5,320,939	2,677,427	-	2,677,427
Process Industries	1,812,545	-	1,812,545	2,826,325	-	2,826,325
Other	10,624,065	-	10,624,065	8,079,728	-	8,079,728
Total revenue	66,424,343	43,862,539	110,286,882	72,823,390	229,346	73,052,736

(a) Assets and liabilities related to contracts with customers

	31 December 2019 \$	30 June 2019 \$
Asset recognised for costs incurred to fulfil a contract	-	1,497,467
Total contract assets	-	1,497,467
Advances received for construction contract work	79,235,102	7,910,455
Deferred services income	7,001,339	5,882,786
Total contract liabilities	86,236,441	13,793,241

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

4. Income tax expense

(a) Income tax expense

	31 December 2019 \$	31 December 2018 \$
Current tax on profits for the year	2,552,332	1,656,091
Deferred tax on profits for the year	1,125,728	2,560,126
Adjustments for current tax of prior periods	90,605	6,550
	3,768,665	4,222,767

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

	31 December 2019 \$	31 December 2018 \$
Profit before income tax expense	12,632,072	12,745,684
Tax at the Australian tax rate of 30% (2018: 30%)	3,789,622	3,823,705
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payment	19,683	-
Sundry items	115,527	334,768
	3,924,832	4,158,473
Adjustments for current tax of prior periods - under/(over) provision of prior year		
income tax	90,605	6,550
Difference in overseas tax rates	(45,044)	(88,597)
Deferred taxes not recognised	60,448	200,682
Share of net profit accounted for using the equity method	(262,176)	(54,341)
Income tax expense	3,768,665	4,222,767

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

5. Non-current assets - Investments accounted for using the equity method

	31 December 2019 \$	30 June 2019 \$
Investment in joint ventures	357,021	-
Investment in associates	1,539,084	1,392,465
	1,896,105	1,392,465

(a) Investment in Joint Ventures

Name of Joint Venture	Country of Incorporation & Principal Place of Business	Principal Activities	Proportion of Ownership Interest Held by the Group	
			31 December 2019	31 December 2018
Pilbara EPCM Pty Ltd ('PEPL') Deregistered in December 2019	Australia	Engineering, procurement, construction management services	-	50%
Mondium Pty Ltd ('Mondium')	Australia	Engineering and construction services	40%	40%
Orway IQ Pty Ltd ('OIQ') Incorporated in July 2019	Australia	Remote optimisation consulting services	50%	-

The Group's share of the results of its principal joint ventures:

	31 December 2019 \$	31 December 2019 \$
Profit from continuing operations	357,021	-
Other comprehensive income	-	-
Total comprehensive income	357,021	-

(b) Investment in Associates

Name of Associate	Country of Incorporation & Principal Place of Business	Principal Activities	Proportion of Ownership Interest Held by the Group	
			31 December 2019	31 December 2018
ECG Engineering Pty Ltd	Australia	Electrical engineering services	31%	31%
Kholo Marine & Minerals (Pty) Ltd Incorporated July 2019	South Africa	Engineering and consulting services	49%	-

The Group's share of the results of its principal associates:

	31 December 2019 \$	31 December 2019 \$
Profit from continuing operations	565,167	181,136
Other comprehensive income	-	-
Total comprehensive income	565,167	181,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

6. Current liabilities - Provisions

	31 December 2019 \$	30 June 2019 \$
Service and equipment warranties	700,000	3,000,000

(a) Movements in provisions

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

Consolidated entity	Service and equipment warranties \$	Total \$
Carrying amount at 1 July 2019	3,000,000	3,000,000
Charged/(credited) to profit or loss	(2,300,000)	(2,300,000)
Carrying amount at 31 December 2019	700,000	700,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

7. Contributed equity

(a) Share capital

	31 December 2019 Shares	30 June 2019 Shares	31 December 2019 \$	30 June 2019 \$
Ordinary shares				
Fully paid	39,732,373	39,732,373	20,823,772	20,823,772

(i) Movements in ordinary shares:

No movement in ordinary share capital during the half-year ending 31 December 2019.

(b) Reserves

	31 December 2019 \$	30 June 2019 \$
Performance rights reserve	65,610	-
Foreign currency translation reserve	(380,128)	(602,928)
	(314,518)	(602,928)
Movements:		
<i>Performance rights reserve</i>		
Balance 1 July	-	-
Performance rights plan expense	65,610	-
Balance 31 December / 30 June	65,610	-
<i>Foreign currency translation reserve</i>		
Balance 1 July	(602,928)	(930,627)
Currency translation differences arising during the year	222,800	327,699
Balance 31 December / 30 June	(380,128)	(602,928)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

7. Contributed equity (continued)

(c) Retained earnings

	NOTES	31 December 2019 \$	30 June 2019 \$
Balance 1 July		59,636,154	56,480,343
Net profit for the half-year / year		8,972,254	16,507,378
Dividends paid or payable		(5,959,856)	(13,111,683)
Acquisition of non-controlling interests	12(a)	-	(3,361,932)
Transfer from non-controlling interests	(12a)	-	3,122,048
Balance 31 December / 30 June		62,648,552	59,636,154

8. Non-controlling interests

		31 December 2019 \$	30 June 2019 \$
Interest in:			
Share capital		14,937	14,937
Reserves		4,377	4,377
Retained earnings		(566,802)	2,663,636
Transfer to retained earnings	12(a)	-	(3,122,048)
		(547,488)	(439,098)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

9. Dividends

(a) Ordinary shares

Final dividend for the year ended 30 June 2019 of 15.0 cents (2018: 18.0 cents) per fully paid share paid on 11 October 2019 (2018: 12 October 2018)

Fully franked based on tax paid @ 30% (2018: 30%)

31 December 2019 \$	31 December 2018 \$
5,959,856	7,151,827

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

Since half-year end the Directors have recommended the payment of an interim dividend of 15.0 cents per fully paid ordinary share (2018: 15.0 cents), fully franked based on tax paid at 30% (2018: 30%). The aggregate amount of the proposed dividend expected to be paid on 9 April 2020 out of Group retained earnings at 31 December 2019, but not recognised as a liability at period end, is

31 December 2019 \$	31 December 2018 \$
5,959,856	5,959,856

10. Contingencies

(a) Contingent liabilities

(i) Guarantees

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

Insurance bonds of \$18,137,214 are provided in respect of performance and defects warranty on contracts as at 31 December 2019 (2018: Nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

11. Related party transactions

(a) Loans to/from related parties

	31 December 2019 \$	30 June 2019 \$
<i>Loans to associates and joint ventures</i>		
Beginning of the year	840,000	1,220,000
Loan advanced	15,017,341	20,000
Loan repayments received	(420,000)	(400,000)
End of period	15,437,341	840,000

(b) Transactions with other related parties

The following transactions occurred with related parties:

	31 December 2019 \$	31 December 2018 \$
<i>Sales of goods and services</i>		
Sales to associates and joint ventures	7,062,252	1,215,855
<i>Purchases of goods and services</i>		
Purchases from associates and joint ventures	3,440,195	3,039,286

(c) Terms and conditions

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

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

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

Outstanding balances are unsecured and are repayable in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

12. Business combination

There were no business combinations during the half-year ended 31 December 2019.

(a) Acquisition of additional interest in ADP Holdings (Pty) Ltd

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

Following is a schedule of additional interest acquired in ADP:

	31 December 2018 \$
Cash consideration paid to non-controlling shareholders	3,361,932
Carrying value of the additional interest in ADP	(3,122,048)
<i>Difference recognised in retained earnings</i>	<u>239,884</u>

13. Events occurring after the reporting period

Since half-year end the directors have recommended the payment of an interim dividend on ordinary shares in respect of the 2020 financial year. The total amount of dividend is \$5,959,856 which represents a fully franked dividend of 15.0 cents per fully paid ordinary share.

With the exception of the above, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected or may significantly affect:

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

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 23 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance 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.



Peter De Leo
Managing Director

Perth
25 February 2020

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LYCOPODIUM LIMITED



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Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lycopodium Limited, which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 half-year 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 2019 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. 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Lycopodium Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LYCOPODIUM LIMITED



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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 2019 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*.

RSM AUSTRALIA PARTNERS

James Komninos
Partner

Perth, WA
Dated: 25 February 2020

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