Lycopodium Limited

ABN 83 098 556 159

Interim Financial Report
31 December 2018

Lycopodium Limited ABN 83 098 556 159
ASX Half-year information - 31 December 2018

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
30 June 2018 Annual report

Contents

Results for announcement to the market

				$
Revenue from ordinary activities *(Appendix 4D item 2.1)*	Down	20.1%	to	73,052,736
Profit from ordinary activities after tax attributable to members *(Appendix 4D item 2.2)*	Up	16.4%	to	8,563,858
Net profit for the period attributable to members	Up	16.4%	to	8,563,858

	cents	cents
Dividends / distributions *(Appendix 4D item 2.4)*	Amount per security	Franked amount per security
Final dividend *(Prior year)*	18.0	18.0
Interim dividend recommended but not provided for	15.0	15.0

Key ratios	**2018**	2017
	December	December
Net tangible assets per ordinary shares (cents)	**176**	166

Record date for determining entitlements to the interim dividend is 2 April 2019.

The Directors have recommended the payment of the interim dividend of 15 cents per fully paid ordinary share, fully franked based on a tax paid at 30% to be paid on 12 April 2019.

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the year ended 30 June 2018.

Changes in controlled entities

No changes to control over any material entities during the half year ended 31 December 2018.

Lycopodium Limited ABN 83 098 556 159
Interim Financial Report - 31 December 2018

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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 is to be read in conjunction with the annual report for the year ended 30 June 2018 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 the 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 WA 6004

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 2018.

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	
	2018	2017	**2018**	2017
	$	$	**$**	$
Corporate Services	**14,266,428**	6,779,926	**(777,226)**	(27,429)
Minerals - Asia Pacific	**35,958,119**	49,713,418	**11,599,961**	6,409,555
Minerals - North America	**11,878,089**	6,212,565	**1,499,910**	(210,565)
Minerals - Africa	**17,310,795**	16,054,064	**342,583**	793,788
Project Services - Asia	**2,677,427**	14,673,601	**1,407,525**	1,931,243
Industrial Process	**2,867,658**	3,420,152	**(228,030)**	(11,697)
Other	**10,666,348**	11,112,110	**(1,099,039)**	492,364
Intersegment eliminations	**(22,572,128)**	(16,519,755)		
Unallocated revenue less unallocated expenses			**-**	-
Total revenue / profit before income tax expense	**73,052,736**	91,446,081	**12,745,684**	9,377,259
Income tax expense			**(4,222,767)**	(1,876,229)
Profit for the half-year			**8,522,917**	7,501,030
Less (profit)/loss attributable to non-controlling interests			**40,941**	(141,887)
Profit attributable to owners of Lycopodium Ltd			**8,563,858**	7,359,143

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

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

(c) *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.

Review of operations (continued)

(d) *Industrial Process*
The Process Industries segment consists of engineering and related services provided to the manufacturing and renewable energy facilities throughout Australia and South East Asia.

(e) *Other*
All other operating segments of the group are aggregated on the basis of them being individually immaterial for the purpose of reporting.

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 2018 financial year. The total amount of dividend is $5,959,856 which represents a fully franked dividend of 15 cents per fully paid ordinary share.

With the exceptions of the above, no other matter or circumstance has arisen since 31 December 2018 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 7.

Auditor
Grant Thornton Australia Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

Peter De Leo
Managing Director

Perth
21 February 2019

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Auditor's Independence Declaration

To the Directors of Lycopodium Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Lycopodium Limited for the year ended 31 December 2018, 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.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P W Warr
Partner – Audit & Assurance

Perth, 21 February 2019

	Notes	**Half-year 2018 $**	Half-year 2017 $
Revenue from operations	3	**73,052,736**	91,446,081
Employee benefits expense		**(31,531,069)**	(33,901,167)
Depreciation and amortisation expense		**(689,961)**	(597,303)
Project expenses		**(1,954,198)**	(3,463,033)
Equipment and materials used		**(413,592)**	(15,216,878)
Contractors		**(16,173,808)**	(21,563,418)
Occupancy expense		**(3,956,605)**	(4,190,301)
Profit/(loss) on disposal of asset		**(25,922)**	2,659
Other expenses		**(5,700,590)**	(3,828,329)
Finance costs		**(42,443)**	(87,582)
Share of net profit of associates and joint ventures accounted for using the equity method		**181,136**	776,530
Profit before income tax		**12,745,684**	9,377,259
Income tax expense	4	**(4,222,767)**	(1,876,229)
Profit for the half-year		**8,522,917**	7,501,030
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	8(a)	**(486,117)**	352,147
Total comprehensive income for the half-year		**8,036,800**	7,853,177
Profit for the half-year is attributable to:			
Owners of Lycopodium Limited		**8,563,858**	7,359,143
Non-controlling interests		**(40,941)**	141,887
		8,522,917	7,501,030
Total comprehensive income for the half-year is attributable to:			
Owners of Lycopodium Limited		**8,077,741**	7,711,290
Non-controlling interests		**(40,941)**	141,887
		8,036,800	7,853,177
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**21.6**	18.6
Diluted earnings per share		**21.6**	18.6

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

	Notes	31 December 2018 $	30 June 2018 $
ASSETS			
Current assets			
Cash and cash equivalents		**61,405,423**	74,287,788
Trade and other receivables		**30,579,365**	37,616,637
Inventories		**661,449**	819,844
Current tax receivables		**1,235,418**	1,334,151
Other current assets		**2,701,680**	1,740,851
Total current assets		**96,583,335**	115,799,271
Non-current assets			
Investments in listed equities		**955,893**	1,256,106
Property, plant and equipment		**4,290,484**	3,434,487
Intangible assets		**6,714,323**	6,792,017
Other receivables		**290,056**	332,356
Deferred tax assets		**5,820,604**	8,350,798
Investments accounted for using the equity method	5	**1,273,702**	2,767,690
Total non-current assets		**19,345,062**	22,933,454
Total assets		**115,928,397**	138,732,725
LIABILITIES			
Current liabilities			
Trade and other payables		**28,598,652**	31,749,231
Borrowings		**598,687**	696,905
Derivative financial liabilities		**-**	27,694
Current tax liabilities		**1,045,432**	9,568,881
Provisions	6	**8,276,456**	16,361,009
Total current liabilities		**38,519,227**	58,403,720
Non-current liabilities			
Borrowings		**392,844**	562,066
Provisions		**321,158**	416,531
Total non-current liabilities		**714,002**	978,597
Total liabilities		**39,233,229**	59,382,317
Net assets		**76,695,168**	79,350,408
EQUITY			
Contributed equity	7	**20,823,772**	20,823,772
Reserves	8(a)	**(1,416,744)**	(930,627)
Retained profits	8(b)	**57,652,490**	56,480,343
Parent entity interest		**77,059,518**	76,373,488
Non-controlling interests	9	**(364,350)**	2,976,920
Total equity		**76,695,168**	**79,350,408**

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

	Notes	Contributed equity $	Retained earnings $	Foreign currency translation reserve $	Non-controlling interests $	Total equity $
Balance at 1 July 2017		**20,823,772**	**46,328,446**	**(904,119)**	**2,975,233**	**69,223,332**
Profit for the half-year		-	7,359,143	-	141,887	7,501,030
Other comprehensive loss		-	-	352,147	-	352,147
Total comprehensive income for the half-year		**-**	**7,359,143**	**352,147**	**141,887**	**7,853,177**
Transactions with owners in their capacity as owners:						
Foreign currency translation with non-controlling interest		-	-	-	(160,634)	(160,634)
Dividends provided for or paid	10	-	(3,575,914)	-	-	(3,575,914)
		-	(3,575,914)	-	(160,634)	(3,736,548)
Balance at 31 December 2017		**20,823,772**	**50,111,675**	**(551,972)**	**2,956,486**	**73,339,961**
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 income		-	-	(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	10	-	(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**

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

	Notes	Half-year 2018 $	2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**80,880,000**	83,774,598
Payments to suppliers and employees (inclusive of goods and services tax)		**(74,331,476)**	(85,303,051)
Interest received		**1,004,055**	933,433
Interest paid		**(5,182)**	(36,752)
Income taxes paid		**(10,117,290)**	(3,578,053)
Net cash outflow from operating activities		**(2,569,893)**	(4,209,825)
Cash flows from investing activities			
Dividends received from joint ventures and associate		**1,691,075**	64,138
Payments for acquisition of non-controlling interests		**(3,361,932)**	-
Payments for property, plant and equipment		**(1,407,320)**	(659,613)
Proceeds from sale of property, plant and equipment		**2,562**	2,659
Payments for intangible assets		**(27,825)**	(6,317)
Proceeds from sale of available-for-sale financial assets		**691,314**	-
Payment for available-for-sale financial assets		**-**	(75,000)
Net cash outflow from investing activities		**(2,412,126)**	(674,133)
Cash flows from financing activities			
Proceeds from borrowings		**461,841**	1,274,258
Repayments of borrowings		**(503,251)**	(552,728)
Dividends paid to company's shareholders		**(7,151,827)**	(3,575,914)
Repayments of hire purchase and lease liabilities		**(263,292)**	(241,037)
Loans advanced to joint venture		**-**	(784,000)
Proceeds from repayment of loans under the senior manager share acquisition plan		**42,300**	82,061
Net cash outflow from financing activities		**(7,414,229)**	(3,797,360)
Net decrease in cash and cash equivalents		**(12,396,248)**	(8,681,318)
Cash and cash equivalents at the beginning of the financial year		**74,287,788**	85,334,768
Effects of exchange rate changes on cash and cash equivalents		**(486,117)**	352,147
Cash and cash equivalents at end of period		**61,405,423**	77,005,597

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

1 Summary of significant accounting policies

This condensed consolidated interim financial report for the half year reporting period ended 31 December 2018 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 2018 and any public announcements made by Lycopodium Limited during the interim reporting period in accordance with the continous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of preparation

(i) New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the interim financial reports are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018. A number of new or amended standards became applicable for the current reporting period as detailed below.

AASB 9 Financial Instruments

Effective 1 January 2018, AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. The Group has applied AASB9 retrospectively, with the initial application date of 1 July 2018.

(a) Classification and measurement

Under AASB 9, the Group initially measures a financial asset at its fair value plus transaction costs.

Financial assets are subsequently measured at fair value throught profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

For financial assets that are Equity investments which for the Group, are investments in listed shares with quoted market price on stock exchanges, the Group treats fair value gains and losses through profit and loss.

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This includes the Group's trade and other receivables, and deposit under the other current assets.

The assessment of the Group's business models was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was mde based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under AASB 139.

The adoption of AASB 9 only impacted the treatment of Equity investments. Under the superseded standard (AASB 139), unrealised fair value movements in Equity investments were recorded through Other Comprehensive Income. The impact of this change has been applied retrospectively to comparative periods in this financial report.

- an (decrease)/increase in Retained Earnings as at 1 July 2017 of ($83,923) and as at 30 June 2018 of $241,588 with a corresponding increase/(decrease) respectively in Asset Revaluation Reserve.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

- a decrease in Other Comprehensive Income of $177,000 with a corresponding increase in Profit or Loss After Tax for period ended 31 December 2017.

There were no other significant impact on the Group and therefore no further adjustments to Retained Earnings of previous periods presented in this Financial Report.

(b) Impairment

AASB 9 introduces a forward-looking expected credit loss (ECL) approach to account for impairment losses for financial assets. This has replaced AASB 139's incurred loss approach.

AASB 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss (FYPL).

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group takes up a provision for doubtful debts based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancement held by the Group.

The adoption of the ECL requirements of AASB 9 did not result in any change in impairment allowance for the Group's debt financial assets.

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts* with Customers replaces AASB 18 and is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group adopted the new accounting standard in the financial year using the modified retrospective approach. There were no adjustments recognised upon transition.

Management has undertaken a detailed review of AASB 15 together with a detailed review of all material revenue contracts. This review included assessing all contract types for the all revenue streams being (i) Engineering and related services and (ii) Construction Contracts against the 5-step model for recognising revenue outlined in AASB 15. The review considered potential changes in the timing of revenue recognition, measurement of the amount of revenue and note disclosure changes between the current standard, AASB 118, and AASB 15.

It was also determined that no financial statement reclassifications were required.

(ii) Impact of standards issued but not yet applied by the Group

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and some lease-related Interpretations.

In summary, AASB 16:

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet;
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities;
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses; and
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

(iii) Critical accounting estimates and judgements

The critical accounting estimates and judgements are consistent with those applied and disclosed in the 30 June 2018 annual report.

(b) Accounting policies applied from 1 July 2018

The accounting policies and methods of computation applied by the Group in this consolidated interim financial report are the same as those applied by the Group in the financial report for the year ended 30 June 2018, except for the following amended policies for the new accounting standards effective 1 July 2018 outlined in Note 1(a).

Revenue Recognition

The Group recognises revenue predominantly on an "over time" basis as opposed to "at a point in time" basis. This applies to:

- Engineering and related services
- Construction Contracts

The benefits being provided transfers to the customer as the work is performed and as such revenue is recognised over the duration of the project based on the percentage complete. This applies to the contracts that are fixed price in nature. Percentage complete is measured according to the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Where this is the case, stage of completion is measured on a milestone basis.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where recognised revenues exceed progress billings, the surplus is shown in accrued revenue. For contracts where progress billings exceed recognised revenues, the surplus is shown as revenue received in advance. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as revenue received in advance under trade and other payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet, as an asset, under trade and other receivables.

Certain customer contracts are man-hours and expense based. The benefits provided to the customer under these contracts are simultaneously received and consumed by the customer and as such, revenue is recognised over the period the services are provided.

Interest revenue is recognised on an accrual basis.

Dividend income is recognised when the dividend is declared.

1 Summary of significant accounting policies (continued)

(b) Accounting policies applied from 1 July 2018 (continued)

Rental income is recognised on a straight line basis over the term of the operating lease.

Non-derivative financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when its business model for managing those assets changes.

(ii) 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. Measurement of cash and cash equivalents and trade and other receivables remains at amortised cost consistent with the comparative period.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a debt investment that is subsequently measured at FVOCI is recognised in other comprehensive income. None are currently held by the Group.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises. None are currently held by the Group.

1 Summary of significant accounting policies (continued)

(b) Accounting policies applied from 1 July 2018 (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other expenses in the statement of profit or loss as applicable.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and other receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Non-derivative financial liabilities

Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms in the Group's countries of operation.

1 Summary of significant accounting policies (continued)

(b) Accounting policies applied from 1 July 2018 (continued)

Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value recognised in the statement of profit or loss. Where derivative financial instruments qualify for hedge accounting, recognition of changes in fair value depends on the nature of the item being hedged. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting.

The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other expenses.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve in equity. The changes in the time value of the option contracts that relate to the hedged item ('aligned time value') are recognised within other comprehensive income in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve in equity. The change in the forward element of the contract that relates to the hedged item is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of forward and option contracts are ultimately recognised in profit or loss as the hedged item affects profit or loss within expenses.
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance cost'.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss. Hedge ineffectiveness is recognised in profit or loss within other expenses.

Accounting policies for remaining hedges and derivatives are consistent with the comparative period.

2 Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board 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 four (2017: four) 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, 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 the manufacturing and renewable energy facilities 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 consists 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.

2 Segment information (continued)

(b) Other segment information

The segment information provided to the Board of Directors for the reportable segments for the half-year ended 31 December 2018 and 2017 are as follows:

Half-year 2018	Corporate Services	Minerals			Project Services - Africa	Industrial Process	Other	Total
		Asia Pacific	North America	Africa				
	$	$	$	$	$	$	$	$
Total segment revenue	14,266,428	35,958,119	11,878,089	17,310,795	2,677,427	2,867,658	10,666,348	95,624,864
Inter-segment revenue	(13,914,839)	(867,696)	(4,810,051)			(41,333)	(2,938,209)	(22,572,128)
Revenue from external customers	**351,589**	**35,090,423**	**7,068,038**	**17,310,795**	**2,677,427**	**2,826,325**	**7,728,139**	**73,052,736**
Profit / (Loss) before tax	**(777,226)**	**11,599,961**	**1,499,910**	**342,583**	**1,407,525**	**(228,030)**	**(1,099,039)**	**12,745,684**
Interest in the profit of equity accounted joint ventures	181,136	-	-	-	-	-	-	181,136
Depreciation and amortisation	(76)	(387,109)	(38,416)	(116,189)	-	(33,387)	(114,784)	(689,961)
Income tax benefit / (expense)	276,336	(3,785,249)	(377,925)	(315,698)	(424,041)	112,739	291,071	(4,222,767)
Total segment assets	**22,453,396**	**44,794,813**	**7,863,997**	**16,364,399**	**6,678,085**	**4,617,593**	**9,888,400**	**112,660,683**

2 Segment information (continued)

(b) Other segment information (continued)

	Corporate Services	Minerals			Project Services - Africa	Industrial Process	Other	
Half-year 2017		Asia Pacific	North America	Africa				Total
	$	$	$	$	$	$	$	$
Total segment revenue	6,779,926	49,713,418	6,212,565	16,054,064	14,673,601	3,420,152	11,112,110	107,965,836
Inter-segment revenue	(6,472,877)	(710,202)	(1,818,374)	-	(2,641,555)	(268,233)	(4,608,514)	(16,519,755)
Revenue from external customers	**307,049**	**49,003,216**	**4,394,191**	**16,054,064**	**12,032,046**	**3,151,919**	**6,503,596**	**91,446,081**
Profit / (Loss) before tax	**(27,429)**	**6,409,555**	**(210,565)**	**793,788**	**1,931,243**	**(11,697)**	**492,364**	**9,377,259**
Interest in the profit of equity accounted joint ventures	360,337	416,193	-	-	-	-	-	776,530
Depreciation and amortisation	(76)	(351,909)	(34,584)	(113,357)	(1,660)	(23,367)	(72,350)	(597,303)
Income tax benefit / (expense)	247,393	(1,972,893)	423,587	(243,065)	(380,914)	(29,940)	79,603	(1,876,229)
Total segment assets as at 30 June 2018	**22,478,193**	**65,123,623**	**9,446,818**	**17,106,363**	**7,641,097**	**5,118,600**	**11,782,914**	**138,697,608**

2 Segment information (continued)

(b) Other segment information (continued)

(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:

	Half-year	
	2018	2017
	$	$
Reportable segment revenue	**95,624,864**	107,965,836
Intersegment eliminations	**(22,572,128)**	(16,519,755)
Revenue as per statement of profit or loss and other comprehensive income	**73,052,736**	91,446,081

(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:

	Half-year	
	2018	2017
	$	$
Reportable segment profit before tax	**12,745,684**	9,377,259
Profit before income tax as per statement of profit or loss and other comprehensive income	**12,745,684**	9,377,259

2 Segment information (continued)

(b) Other segment information (continued)

(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 2018 $	30 June 2018 $
Reportable segment assets	**112,660,683**	138,697,608
Intersegment eliminations	**(2,858,514)**	(6,091,111)
Intangibles arising on consolidation	**6,126,228**	6,126,228
Total assets as per the Consolidated Balance Sheet	**115,928,397**	138,732,725

3 Revenue

Revenue from contracts with customers for the half-year ended 31 December 2018 and 2017 are as follows:

Half-year 2018	**Asia Pacific**	**North America**	**Africa**	**Total**
	$	$	$	$
Sales revenue	45,189,538	7,056,158	19,682,282	71,927,978
Other Revenue				
- Rent and sub-lease rentals	63,288	-	-	63,288
- Interest income	680,987	7,166	305,940	994,093
- Other income	62,663	4,714	-	67,377
Total other revenue	806,938	11,880	305,940	1,124,758
Total revenue	**45,996,476**	**7,068,038**	**19,988,222**	**73,052,736**

Half-year 2017	Asia Pacific	North America	Africa	Total
	$	$	$	$
Sales revenue	58,381,586	4,388,968	27,664,043	90,434,597
Other Revenue				
- Rent and sub-lease rentals	26,347	-	-	26,347
- Interest income	502,932	3,721	419,691	926,344
- Other income	54,914	1,503	2,376	58,793
Total other revenue	584,193	5,224	422,067	1,011,484
Total revenue	**58,965,779**	**4,394,192**	**28,086,110**	**91,446,081**

4 Income tax expense

(a) Income tax expense

	Half-year 2018 $	2017 $
Current tax	**1,656,091**	2,473,377
Deferred tax	**2,560,126**	(311,422)
Adjustments for current tax of prior periods	**6,550**	(285,726)
	4,222,767	1,876,229

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

	Half-year 2018 $	2017 $
Profit before income tax expense	**12,745,684**	9,377,259
Tax at the Australian tax rate of 30% (2017: 30%)	**3,823,705**	2,813,178
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	**334,768**	65,725
	4,158,473	2,878,903
Adjustments for current tax of prior periods - under/(over) provision of prior year income tax	**6,550**	(285,726)
Difference in overseas tax rates	**(88,597)**	(255,290)
Deferred taxes not recognised	**200,682**	(228,699)
Share of net profit accounted for using the equity method	**(54,341)**	(232,959)
Income tax expense	**4,222,767**	1,876,229

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

	31 December 2018 $	30 June 2018 $
Investment in joint ventures	-	1,274,049
Investment in associate	**1,273,702**	1,493,641
	1,273,702	2,767,690

(a) Details of associates and joint ventures entities

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit after income tax expense	
	31 December 2018 %	31 December 2017 %	**31 December 2018 $**	31 December 2017 $
Pilbara EPCM Pty Ltd	**50**	50	**-**	416,193
ECG Engineering Pty Ltd	**31**	31	**181,136**	360,337
Mondium Pty Ltd	**40**	40	-	-
Total			**181,136**	776,530

6 Current liabilities - Provisions

	31 December 2018 $	30 June 2018 $
Service and equipment warranties	**8,276,456**	16,361,009

(a) Movements in provisions

2018	**Service and equipment warranties $**	**Total $**
Carrying amount at beginning of year	16,361,009	16,361,009
- unused amounts reversed	(8,084,553)	(8,084,553)
Carrying amount at end of period	8,276,456	8,276,456

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

7 Contributed equity

(a) Share capital

	31 December 2018 Shares	30 June 2018 Shares	31 December 2018 $	30 June 2018 $
Ordinary shares				
Fully paid	**39,732,373**	39,732,373	**20,823,772**	20,823,772

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$
1 July 2017	Opening balance	39,732,373		20,823,772
	No movements during the period	-		-
30 June 2017	Closing balance	39,732,373		20,823,772
1 July 2018	Opening balance	39,732,373		20,823,772
	No movements during the period	-		-
31 December 2018	Closing balance	39,732,373		20,823,772

8 Reserves

(a) Reserves

	31 December 2018 $	30 June 2018 $
Foreign currency translation reserve	**(1,416,744)**	(930,627)

	31 December 2018 $	30 June 2018 $
Movements:		
Foreign currency translation reserve		
Balance 1 July	**(930,627)**	(904,119)
Currency translation differences arising during the year	**(486,117)**	(26,508)
Balance 31 December / 30 June	**(1,416,744)**	(930,627)

8 Reserves (continued)

(b) Retained earnings

Movements in retained earnings were as follows:

	31 December 2018 $	30 June 2018 $
Balance 1 July	**56,480,343**	46,328,446
Net profit for the half-year / year	**8,563,858**	18,495,695
Dividends paid or payable	**(7,151,827)**	(8,343,798)
Acquisition of non-controlling interests (Note 13(a))	**(3,361,932)**	-
Transfer from non-controlling interests (Note 13(a))	**3,122,048**	-
Balance 31 December / 30 June	**57,652,490**	56,480,343

9 Non-controlling interests

	31 December 2018 $	30 June 2018 $
Interest in:		
Share capital	**14,937**	14,937
Reserves	**3,824**	(1,986)
Retained earnings	**2,738,937**	2,963,969
Transfer to retained earnings (Note 13(a))	**(3,122,048)**	-
	(364,350)	2,976,920

10 Dividends

(a) Ordinary shares

	Half-year	
	31 December 2018 $	31 December 2017 $
Final dividend for the year ended 30 June 2018 of 18.0 cents (2017: 9.0 cents) per fully paid share paid on 12 October 2018 (2017: 13 October 2017)		
Fully franked based on tax paid @ 30% (2017: 30%)	**7,151,827**	3,575,914

10 Dividends (continued)

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

	Half-year	
	31 December 2018 $	31 December 2017 $
Since half-year end the Directors have recommended the payment of an interim dividend of 15 cents per fully paid ordinary share (2017: 12.0 cents), fully franked based on tax paid at 30% (2017: 30%). The aggregate amount of the proposed dividend expected to be paid on 12 April 2019 out of Group retained earnings at 31 December 2018, but not recognised as a liability at period end, is	**5,959,856**	4,767,885

11 Contingencies

(a) Contingent liabilities

(i) Guarantees
Guarantees are given in respect of rental bonds of $1,830,584 (2017: $1,910,888).

No material losses are anticipated in respect of any of the above contingent liabilities (2017: Nil).

12 Related party transactions

(a) Transactions with other related parties

The following transactions occurred with related parties:

	Half-year	
	31 December 2018 $	31 December 2017 $
Sales of goods and services		
Sales to associates and joint ventures	**1,215,855**	426,232
Purchases of goods and services		
Purchases from associates and joint ventures	**3,039,286**	3,603,619

12 Related party transactions (continued)

(b) Loans to/from related parties

	31 December 2018 $	30 June 2018 $
Loans to associates and joint ventures		
Beginning of the year	**1,220,000**	723,500
Loan advanced	**-**	884,000
Loan repayments received	**-**	(387,500)
End of period	**1,220,000**	1,220,000

(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 at arms-length.

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

Loans advanced to the joint ventures attract interest at Bill Rate Swap Bid Rate (BBSY) + 2%.

Outstanding balances are unsecured and are repayable in cash.

13 Business combination and acquisition of non-controlling interests

(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:

	2018 $
Cash consideration paid to non-controlling shareholders	**3,361,932**
Carrying value of the additional interest in ADP	**(3,122,048)**
Difference recognised in retained earnings	**239,884**

14 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 2018 financial year. The total amount of dividend is $5,959,856 which represents a fully franked dividend of 15 cents per fully paid ordinary share.

With the exceptions of the above, no other matter or circumstance that has arisen since 31 December 2018 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.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 8 to 28 are in accordance with the *Corporations Act 2001*, including:
  (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 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
21 February 2019

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Independent Auditor's Review Report

To the Members of Lycopodium Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Lycopodium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Lycopodium Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

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 gives a true and fair view and 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 Group's financial position as at 31 December 2018 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.*

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P W Warr
Partner – Audit & Assurance

Perth, 21 February 2019