

ASX RELEASE

LYCOPODIUM LIMITED 2009/10 RESULTS

23 August 2010

Revenue	:	\$120.3 million, down 18.0% from 2009 result
Profit Before Tax	:	\$18.7 million, down 7.4% from 2009 result
Profit After Tax	:	\$16.0 million, up 13.3% from 2009 result
Earnings Per Share	:	41.6 cents per share, up 11.2% from 2009
Total Dividend	:	27 cents per share, up 8% from 2009
Final Dividend	:	22 cents per share, up 10% from 2009

The Directors of Lycopodium are pleased to be able to report a solid performance for the 2009/10 financial year despite the lingering effects of the global financial crisis. The exceptional efforts of our staff during this period and the continued support from our valued clients have underpinned the current year's results.

During the financial year ended 30 June 2010, Lycopodium realised revenues of \$120 million, an 18% decrease from \$147 million in the previous financial year. However net profit after tax was \$16 million, as compared to \$14.2 million in the previous financial year, a 13% increase. Net profit after tax was favourably impacted by the resolution of the tax dispute in Tanzania, which was highlighted in the previous financial year, as well as the finalisation of a prior year contract which enabled the release of a performance provision. The underlying operating profit before tax was \$16 million, down from \$20 million in the prior year.

In addition to the new segment reporting format in the Appendix 4E report, we are also including our prior segment reporting format.

Basic earnings per share increased from 37.4 cents for the previous financial year to 41.6 cents and in accordance with the lower end of the company's dividend policy the Directors have resolved to pay a final dividend of 22 cents fully franked. The total dividend for the year is 27 cents fully franked.

The market for Lycopodium's services in 2010/11 remains unsettled and difficult to accurately forecast.

The first half of the 2010/11 financial year will see the completion of a number of major feasibility studies. Subject to favourable conditions, there is the prospect of select projects continuing into the execution phase which will provide a forward pipeline of work for the company. In the event that these projects are delayed in approval then the prospects for a material increase in revenues in 2010/11 will be limited. At present the company has adopted the view there will be a modest increase to the company's financial performance in 2010/11, forecasting revenues of \$135 million and profit after tax of \$13.0 million.

Dividend Entitlements

The final dividend of 22.0 cents per share fully franked will be paid to shareholders on 15 October 2010, with a record date of 1 October 2010.

For further information:
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Lycopodium Ltd
Segment reporting
FYE 30 June 2010

	Segment revenues		Segment results	
	Jun-10	Jun-09	Jun-10	Jun-09
EPCM	34,109,503	72,849,440	9,498,627	11,666,321
Design & construct (lump sum)	4,390,655	1,654,157	1,113,718	343,367
Study services	31,959,598	35,181,000	5,019,694	4,176,787
Project services	48,630,280	34,431,369	9,965,890	5,478,699
	<u>119,090,036</u>	<u>144,115,966</u>	<u>25,597,929</u>	<u>21,665,174</u>
Unallocated revenue	1,244,479	2,719,681	0	0
	<u>120,334,514</u>	<u>146,835,647</u>	<u>25,597,929</u>	<u>21,665,174</u>
Unallocated revenue less unallocated expenses			<u>(6,886,151)</u>	<u>(1,462,432)</u>
Profit before income tax expense			18,711,778	20,202,742
Income tax expense			<u>(2,653,312)</u>	<u>(5,425,487)</u>
Profit for the half-year			16,058,466	14,777,255
Less: profit attributable to minority interest			0	(606,837)
Profit attributable to members of Lycopodium Ltd			<u>16,058,466</u>	<u>14,170,418</u>

Lycopodium Limited and Controlled Entities

ABN 83 098 556 159

Appendix 4E - Preliminary final report for the year ended 30 June 2010

Lycopodium Limited and Controlled Entities 83 098 556 159

Appendix 4E - Preliminary final report - 30 June 2010

Lodged with the ASX under listing Rule 4.3A

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Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
For the year ended 30 June 2010

Results for Announcement to the Market
30 June 2010

				\$
Revenue from continuing operations (Appendix 4E item 2.1)	down	18.0 %	to	120,334,515
Profit / (loss) from continuing operations after tax attributable to members (Appendix 4E item 2.2)	up	13.3 %	to	16,058,466
Profit / (loss) for the period attributable to members (Appendix 4E item 2.3)	up	13.3 %	to	16,058,466

Dividends / distributions (Appendix 4E item 2.4)	Amount per security	Franked amount per security
Final dividend (cents)	22.0	22.0

Key Ratios	2010	2009
	June	June
Basic earnings per share (cents)	41.6	37.4
Net tangible assets per share (cents)	100.1	91.6

Record date for determining entitlements to the final dividend

1 October 2010

Lycopodium Limited
Appendix 4E - Preliminary Final Report
Preliminary Statement of Comprehensive Income
For the year ended 30 June 2010

		Consolidated	
		2010	2009
		\$	\$
Revenue from operations	3	120,334,515	146,835,647
Other income	4	466,947	2,900,166
Employee benefits expense		(62,205,327)	(64,927,703)
Depreciation and amortisation expense	5	(1,608,491)	(1,841,544)
Other project expenses		(446,985)	(6,904,017)
Equipment and materials		(417,512)	(626,000)
Contractors		(26,832,329)	(44,206,915)
Administration and management costs		(9,889,072)	(10,745,710)
Loss on disposal of asset		(868)	-
Finance costs	5	(715,142)	(374,678)
Share of net profit of associate accounted for using the equity method		26,042	93,496
Profit before income tax		18,711,778	20,202,742
Income tax expense	6	(2,653,312)	(5,425,487)
Profit for the year		16,058,466	14,777,255
Other comprehensive income			
Changes in fair value of available-for-sale financial assets		(17,000)	(49,000)
Exchange differences on translation of foreign operations		6,813	349,963
Income tax relating to components of other comprehensive income		5,100	14,700
Other comprehensive income for the year, net of tax		(5,087)	315,663
Total comprehensive income for the year		16,053,379	15,092,918
Profit is attributable to:			
Owners of Lycopodium Limited		16,058,466	14,170,418
Profit attributable to minority interest		-	606,837
		16,058,466	14,777,255
Total comprehensive income for the year is attributable to:			
Owners of Lycopodium Limited		16,053,379	14,486,081
Profit attributable to minority interest		-	606,837
		16,053,379	15,092,918
		Cents	Cents
Earnings per share attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share		41.6	37.4
Diluted earnings per share		41.4	37.3

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

Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
Preliminary Balance Sheet
As at 30 June 2010

	Notes	Consolidated 2010 \$	2009 \$
ASSETS			
Current assets			
Cash and cash equivalents		23,395,487	26,362,861
Trade and other receivables		27,665,267	24,100,564
Current tax receivables		1,374,991	-
Other current assets		<u>1,415,739</u>	<u>1,415,308</u>
Total current assets		<u>53,851,484</u>	<u>51,878,733</u>
Non-current assets			
Other receivables		1,858,515	-
Investments accounted for using the equity method		-	440,344
Available-for-sale financial assets		33,000	50,000
Property, plant and equipment		3,147,532	3,548,705
Deferred tax assets		2,152,651	2,921,830
Intangible assets		<u>6,018,211</u>	<u>5,063,182</u>
Total non-current assets		<u>13,209,909</u>	<u>12,024,061</u>
Total assets		<u>67,061,393</u>	<u>63,902,794</u>
LIABILITIES			
Current liabilities			
Trade and other payables		18,994,066	16,344,344
Borrowings		782,003	837,249
Current tax liabilities		-	2,849,913
Provisions		<u>475,000</u>	<u>1,757,267</u>
Total current liabilities		<u>20,251,069</u>	<u>21,788,773</u>
Non-current liabilities			
Borrowings		1,473,918	1,931,273
Provisions		<u>616,973</u>	<u>455,448</u>
Total non-current liabilities		<u>2,090,891</u>	<u>2,386,721</u>
Total liabilities		<u>22,341,960</u>	<u>24,175,494</u>
Net assets		<u>44,719,433</u>	<u>39,727,300</u>
EQUITY			
Contributed equity		18,730,297	17,656,497
Reserves	7(a)	(134,501)	(158,143)
Retained profits	7(b)	<u>26,123,637</u>	<u>21,622,524</u>
Parent entity interest		<u>44,719,433</u>	<u>39,120,878</u>
Non-controlling interest	8	<u>-</u>	<u>606,422</u>
Total equity		<u>44,719,433</u>	<u>39,727,300</u>

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

Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
Preliminary Statement of Changes in Equity
For the year ended 30 June 2010

		Consolidated	
		2010	2009
	Notes	\$	\$
Total equity at the beginning of the financial year		<u>39,727,300</u>	<u>33,849,700</u>
Total comprehensive income for the year		<u>16,053,379</u>	<u>15,092,918</u>
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs		1,073,800	-
Senior Manager Share Acquisition Plan		(1,858,515)	-
Dividends provided for or paid	9	(9,663,775)	(9,460,000)
Director performance share reserve	7	102,529	244,682
Exercise of director performance rights	7	(73,800)	-
Acquisition of minority interests	10	<u>(2,500,000)</u>	<u>-</u>
		<u>(12,919,761)</u>	<u>(9,215,318)</u>
Unreconciled difference		1,858,515	-
Total equity at the end of the financial year		<u>44,719,433</u>	<u>39,727,300</u>
Total recognised income and expense for the year is attributable to:			
Equity holders of Lycopodium Limited		16,053,379	14,486,496
Non-controlling interest		-	606,422
		<u>16,053,379</u>	<u>15,092,918</u>

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

Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
Preliminary Cash Flow Statement
For the year ended 30 June 2010

		Consolidated	
		2010	2009
	Notes	\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		123,545,411	163,250,285
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(105,358,861)</u>	<u>(133,845,811)</u>
		18,186,550	29,404,474
Interest received		632,640	668,168
Interest paid		(470,593)	(104,495)
Loans provided under the senior manager share acquisition plan		(1,858,515)	-
Income taxes paid		<u>(5,172,935)</u>	<u>(6,170,948)</u>
Net cash inflow from operating activities	12	<u>11,317,147</u>	<u>23,797,199</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	10	(870,132)	-
Payment for acquisition of minority interest	10	(1,500,000)	-
Payments for property, plant and equipment		(378,469)	(681,758)
Proceeds from sale of property, plant and equipment		-	5,100,000
Payments for intangible assets		(54,717)	(159,979)
Proceeds from sale of property, plant and equipment		<u>51,144</u>	<u>-</u>
Net cash (outflow) / inflow from investing activities		<u>(2,752,174)</u>	<u>4,258,263</u>
Cash flows from financing activities			
Repayment of hire purchase and lease liabilities		(1,045,577)	(1,072,098)
Repayment of borrowings		(829,223)	(1,400,000)
Dividends paid to company's shareholders	9	<u>(9,663,775)</u>	<u>(9,460,000)</u>
Net cash outflow from financing activities		<u>(11,538,575)</u>	<u>(11,932,098)</u>
Net (decrease) / increase in cash and cash equivalents		(2,973,602)	16,123,364
Cash and cash equivalents at the beginning of the financial year		26,362,861	9,987,106
Effects of exchange rate changes on cash and cash equivalents		<u>6,228</u>	<u>252,391</u>
Cash and cash equivalents at end of year		<u>23,395,487</u>	<u>26,362,861</u>

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

1 Summary of significant accounting policies

(a) Basis of preparation

This preliminary financial report has been prepared in accordance with Australian Securities Exchange Listing Rules as they relate to Appendix 4E and in accordance with the recognition and measurement requirements of the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

As such, this preliminary financial report does not include all the notes of the type included in an annual financial report and accordingly, should be read in conjunction with the annual report for the year ended 30 June 2009 and with any public announcements made by Lycopodium Limited during the period in accordance with the disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year except as set out below.

Changes in accounting policy

Lycopodium Limited had to change some of its accounting policies as the result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards are:

- Principles of consolidation - revised AASB 127 *Consolidated and Separate Financial Statements* and changes made by AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Business combinations - revised AASB 3 *Business Combinations*
- Segments - new AASB 8 *Operating Segments*

Principles of consolidation

AASB 127 (revised) requires the effects of all transactions with non controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the Group's previous accounting policy where transactions with minority interests were treated as transactions with parties external to the group.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must now be remeasured to fair value and a gain or loss is recognised in profit or loss. This is consistent with the entity's previous accounting policy if significant influence is not retained.

The Group will in future allocate losses to the non controlling interest in its subsidiaries even if the accumulated losses should exceed the non controlling interest in the subsidiary's equity. Under the previous policy, excess losses were allocated to the parent entity.

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the entity's previous policy, these dividends would have been deducted from the cost of the investment.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period as none of the non controlling interests have a deficit balance. There have also been no transactions whereby an interest in an entity is retained after the loss of control of that entity, no transactions with non controlling interests and no dividends paid out of pre acquisition profits.

Business combinations

AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes.

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the profit and loss. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Non-controlling interests in an acquiree are now recognised either at fair value or at the non controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition by acquisition basis. Under the previous policy, the non controlling interest was always recognised at its share of the acquiree's net assets.

If the Group recognises acquired deferred tax assets after the initial acquisition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 July 2009 and affected the accounting for the acquisition of Sherwood Utilities Pty Ltd as disclosed in Note 10.

Segment reporting

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a decrease in the number of reportable segments presented, as the previously reported segments have now been adjusted to adhere to the requirements of AASB 8.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors that makes strategic decisions.

2 Segment information

(a) Description of segments

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

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

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

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

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.

2 Segment information (continued)

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2010 and 2009 are as follows:

2010				Total
	Corporate Services	Minerals	Other	
	\$	\$	\$	\$
Total segment revenue	8,563,387	111,868,242	22,286,590	142,718,219
Inter-segment revenue	(8,251,717)	(8,670,996)	(5,460,991)	(22,383,704)
Revenue from external customers	<u>311,670</u>	<u>103,197,246</u>	<u>16,825,599</u>	<u>120,334,515</u>
Segment net profit before tax	<u>(530,956)</u>	<u>16,409,671</u>	<u>2,821,301</u>	<u>18,700,016</u>
Depreciation and amortisation	(631,943)	(619,259)	(312,288)	(1,563,490)
Income tax expense	(10,750)	(2,036,351)	(619,710)	(2,666,811)
Share of profit of associate	26,042	-	-	26,042
Total segment assets	<u>11,429,478</u>	<u>38,130,396</u>	<u>14,360,016</u>	<u>63,919,890</u>
Additions to non-current assets (other than financial assets and deferred tax)	-	462,855	241,595	704,450
Total segment liabilities	<u>(2,282,391)</u>	<u>(14,419,380)</u>	<u>(7,917,089)</u>	<u>(24,618,860)</u>

2 Segment information (continued)

(b) Segment information provided to the Board of Directors (continued)

2009	Corporate Services	Minerals	Other	Total
	\$	\$	\$	\$
Total segment revenue	21,402,228	138,184,500	21,676,779	181,263,507
Inter-segment revenue	(21,033,247)	(6,824,131)	(6,570,482)	(34,427,860)
Revenue from external customers	<u>368,981</u>	<u>131,360,369</u>	<u>15,106,297</u>	<u>146,835,647</u>
Segment net profit before tax	<u>1,312,347</u>	<u>17,745,701</u>	<u>1,051,200</u>	<u>20,109,248</u>
Depreciation and amortisation	(827,282)	(681,880)	(332,382)	(1,841,544)
Income tax expense	(252,974)	(4,850,083)	(322,430)	(5,425,487)
Share of profit of associate	93,496	-	-	93,496
Total segment assets	<u>19,419,884</u>	<u>35,226,748</u>	<u>9,611,990</u>	<u>64,258,622</u>
Total assets includes:				
Investment in associate	240,343	-	-	240,343
Additions to non-current assets (other than financial assets and deferred tax)	10,840	621,995	444,587	1,077,422
Total segment liabilities	<u>(2,627,898)</u>	<u>(20,377,153)</u>	<u>(5,870,251)</u>	<u>(28,875,302)</u>

(c) Other segment information

(i) Segment revenue

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

Segment revenue reconciles to total revenue from operations as per the preliminary statement of comprehensive income as follows:

	Consolidated	
	2010	2009
	\$	\$
Reportable segment revenue	142,718,219	181,263,507
Intersegment eliminations	<u>(22,383,704)</u>	<u>(34,427,860)</u>
Revenue as per the statement of comprehensive income	<u>120,334,515</u>	<u>146,835,647</u>

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is \$67,050,000 (2009 - \$73,682,000), and the total revenue from external customers in other countries is \$53,285,000 (2009 - \$73,154,000). Segment revenues are allocated based on the country in which the customer is located.

Revenues of approximately \$47,503,000 (2009 - \$98,113,000) are derived from the group's top 3 customers. These revenues are attributable to the Minerals segment.

(ii) Segment profit before tax

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

2 Segment information (continued)

(c) Other segment information (continued)

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

	Consolidated 2010 \$	2009 \$
Reportable segment profit before tax	18,700,016	20,109,246
Amortisation of customer relationships	(45,000)	-
Share of net profit of associate accounted for using the equity method	26,042	93,496
Other	30,720	-
Profit before tax as per the preliminary statement of comprehensive income	<u>18,711,778</u>	<u>20,202,742</u>

(iii) Segment assets

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial 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 in the preliminary balance sheet as follows:

	Consolidated 2010 \$	2009 \$
Segment assets	63,919,890	64,258,622
Intersegment eliminations	(2,565,077)	(4,993,517)
Investments accounted for using the equity method	-	240,343
Intangibles arising on consolidation	5,787,580	4,397,346
Deferred tax arising on consolidation	(81,000)	-
Total assets as per the preliminary balance sheet	<u>67,061,393</u>	<u>63,902,794</u>

The total of non-current assets located in Australia is \$8,799,000 (2009 - \$8,051,000), and the total of these non-current assets located in other countries is \$367,000 (2009 - \$561,000). Segment assets are allocated to countries based on where the assets are located.

(iv) Segment liabilities

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

Reportable segments' liabilities are reconciled to total liabilities as per the preliminary balance sheet as follows:

	Consolidated 2010 \$	2009 \$
Segment liabilities	24,618,860	28,875,302
Intersegment eliminations	(2,276,900)	(4,699,808)
Total liabilities as per the preliminary balance sheet	<u>22,341,960</u>	<u>24,175,494</u>

3 Revenue

	Consolidated	
	2010	2009
	\$	\$
From operations		
<i>Sales revenue</i>		
Contract revenue	<u>119,570,470</u>	<u>145,929,840</u>
 <i>Other revenue</i>		
Rents and sub-lease rentals	36,080	173,161
Bank interest	646,893	693,933
Other revenue	<u>81,072</u>	<u>38,713</u>
	<u>764,045</u>	<u>905,807</u>
 Total revenue from operations	<u>120,334,515</u>	<u>146,835,647</u>

4 Other income

	Consolidated	
	2010	2009
	\$	\$
Net gain on disposal of property, plant and equipment	-	2,900,166
Gain on step-up of investment in associate (note 10)	<u>466,947</u>	<u>-</u>
	<u>466,947</u>	<u>2,900,166</u>

5 Expenses

	Consolidated	
	2010	2009
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	-	29,297
Plant and equipment	301,588	373,003
Motor Vehicles	<u>18,561</u>	<u>21,834</u>
Total depreciation	<u>320,149</u>	<u>424,134</u>
 <i>Amortisation</i>		
Leasehold improvements	83,964	115,396
Leased plant and equipment	694,252	728,916
Computer software	465,126	573,098
Customer contracts and relationships	<u>45,000</u>	<u>-</u>
Total amortisation	<u>1,288,342</u>	<u>1,417,410</u>
 Total depreciation and amortisation	<u>1,608,491</u>	<u>1,841,544</u>
 <i>Finance costs</i>		
Interest and finance charges paid/payable	715,142	374,678

5 Expenses (continued)

	Consolidated	
	2010	2009
	\$	\$
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	4,329,130	4,404,748

6 Income tax expense

	Consolidated	
	2010	2009
	\$	\$
(a) Income tax expense		
Current tax	6,127,823	6,359,819
Deferred tax	749,844	(392,653)
Adjustments for current tax of prior periods - overprovision of prior year income tax	(158,247)	-
Adjustments for current tax of prior periods - research and development concessions	(180,239)	(541,679)
Adjustments for current tax of prior periods - Non-assessable, non-exempt income and related non-deductible expenses	(3,885,869)	-
	<u>2,653,312</u>	<u>5,425,487</u>
Deferred income tax (revenue) included in income tax expense comprises:		
Decrease / (Increase) in deferred tax assets	598,465	(396,751)
Increase / (Decrease) in deferred tax liabilities	151,379	4,098
	<u>749,844</u>	<u>(392,653)</u>

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

Profit before income tax expense	18,711,778	20,202,742
Tax at the Australian tax rate of 30% (2009 - 30%)	5,613,533	6,060,823
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible depreciation and amortisation	2,992	5,860
Share based payment	30,759	73,405
Sundry items	117,223	64,496
Non-assessable, non-exempt income and related non-deductible expenses relating to foreign jurisdiction	804,196	-
	<u>6,568,703</u>	<u>6,204,584</u>
Adjustments for current tax of prior periods - research and development concessions	(180,239)	(559,587)
Adjustments for current tax of prior periods - overprovision of prior year income tax	(158,247)	-
Adjustments for current tax of prior periods - Non-assessable, non-exempt income and related non-deductible expenses	(3,885,869)	-
Difference in overseas tax rates	431,682	4,358
Previously unrecognised tax losses now recouped to reduce current tax expense	(122,128)	(223,868)
Movement in exchange rates	(590)	-
Total income tax expense	<u>2,653,312</u>	<u>5,425,487</u>

6 Income tax expense (continued)

Consolidated	
2010	2009
\$	\$

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity

Net deferred tax - (credited) directly to equity

<u>(5,100)</u>	<u>(14,700)</u>
----------------	-----------------

Consolidated	
2010	2009
\$	\$

(d) Tax losses

Unused tax losses for which no deferred tax asset has been recognised
Potential tax benefit @ 30%

<u>1,969,435</u>	<u>-</u>
<u>590,831</u>	<u>-</u>

All unused tax losses were incurred by Australian entities.

7 Reserves and retained profits

Consolidated	
2010	2009
\$	\$

(a) Reserves

Director performance share reserve
Foreign currency translation reserve
Available-for-sale investments revaluation reserve

273,411	244,682
(347,012)	(353,825)
<u>(60,900)</u>	<u>(49,000)</u>
<u>(134,501)</u>	<u>(158,143)</u>

Consolidated	
2010	2009
\$	\$

Movements:

Available-for-sale investments revaluation reserve

Balance 1 July
Revaluation - gross
Deferred tax
Balance 30 June

(49,000)	(14,700)
(17,000)	(49,000)
<u>5,100</u>	<u>14,700</u>
<u>(60,900)</u>	<u>(49,000)</u>

7 Reserves and retained profits (continued)

	Consolidated	
	2010	2009
	\$	\$
Movements:		
<i>Director performance share reserve</i>		
Balance 1 July	244,682	-
Transfer to share capital (rights exercised)	(73,800)	-
Director performance share plan expense	102,529	244,682
Balance 30 June	<u>273,411</u>	<u>244,682</u>

	Consolidated	
	2010	2009
	\$	\$
Movements:		
<i>Foreign currency translation reserve</i>		
Balance 1 July	(353,825)	(703,788)
Currency translation differences arising during the year	6,813	349,963
Balance 30 June	<u>(347,012)</u>	<u>(353,825)</u>

(b) Retained profits

Movements in retained profits were as follows:

	Consolidated	
	2010	2009
	\$	\$
Balance 1 July	21,622,524	16,912,106
Net profit for the year	16,058,466	14,170,418
Dividends	(9,663,775)	(9,460,000)
Transfer from minority interest	606,422	-
Acquisition of minority interest	(2,500,000)	-
Balance 30 June	<u>26,123,637</u>	<u>21,622,524</u>

8 Minority interest

	Consolidated	
	2010	2009
	\$	\$
Interest in:		
Share capital	35	35
Retained profits	606,387	606,387
Transfer to retained earnings	(606,422)	-
	<u>-</u>	<u>606,422</u>

The minority interest was transferred to retained profits following the acquisition of the remaining 25% minority interest in Lycopodium Minerals QLD Pty Ltd as noted in Note 10.

9 Dividends

	Parent entity	
	2010	2009
	\$	\$
(a) Ordinary shares		
Final dividend for the year ended 30 June 2009 of 20.0 cents (2008 - 20.0 cents) per fully paid share paid on 16 October 2009 (2008 - 17 October 2008)		
Fully franked based on tax paid @ 30% (2008 - 30%)	7,731,021	7,568,000
Interim dividend for the year ended 30 June 2010 of 5.0 cents (2009 - 5.0 cents) per fully paid share paid 15 April 2010 (2009 - 15 April 2009)		
Fully franked based on tax paid @ 30% (2008 - 30%)	<u>1,932,754</u>	<u>1,892,000</u>
Total dividends provided for or paid	<u>9,663,775</u>	<u>9,460,000</u>
Dividends paid in cash during the year were as follows:	<u>9,663,775</u>	<u>9,460,000</u>

	Parent entity	
	2010	2009
	\$	\$
(b) Dividends not recognised at year end		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 22.0 cents per fully paid ordinary share (2009 - 20.0 cents), fully franked based on tax paid at 30% (2009 - 30%). The aggregate amount of the proposed dividend expected to be paid on 15 October 2010 out of Group retained profits at 30 June 2010, but not recognised as a liability at year end, is	<u>8,504,123</u>	<u>7,731,021</u>

10 Business combination

Acquisition of remaining 60% interest in Sherwood Utilities Pty Ltd

(a) Summary of acquisition

On 31 August 2009 Lycopodium Ltd acquired the remaining 60% of the issued share capital of its associate Sherwood Utilities Pty Ltd not held by it.

The acquired business contributed revenues of \$5,750,000 and net profit of \$510,000 to the Group for the period from 31 August 2009 to 30 June 2010. If the acquisition had occurred on 1 July 2009, consolidated revenue and consolidated profit for the year ended 30 June 2010 would have been \$121,406,000 and \$16,127,000 respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets (customer contracts and relationships) had applied from 1 July 2009, together with the consequential tax effects.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration	
Cash paid	1,400,000
Earn out right	-
Fair value of net identifiable assets acquired (60% of \$1,238,284) (refer to (c) below)	<u>742,971</u>
Goodwill in respect of 60% interest acquired	<u>657,029</u>

The goodwill arises on the acquisition of the remaining 60% interest in Sherwood Utilities Pty Ltd.

10 Business combination (continued)

The goodwill is attributable to Sherwood Utilities Pty Ltd's profitability and synergies expected to arise after the company's acquisition of the new subsidiary.

Based on the above purchase consideration, the value of the previously equity accounted investment was revalued. A gain of \$466,947 (2009: Nil) is included in the profit for the year.

(b) Purchase consideration

	Consolidated 2010 \$	2009 \$
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	<u>1,400,000</u>	-
Less: Balances acquired		
Cash	<u>529,868</u>	-
Outflow of cash	<u>870,132</u>	-

(c) Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

	Acquiree's carrying amount \$	Fair value \$
Cash and cash equivalents	529,868	529,868
Trade and other receivables	841,858	841,858
Property, plant and equipment	121,356	121,356
Intangibles	390	315,390
Trade and other payables	(251,705)	(251,705)
Employee benefit liabilities, including superannuation	(231,591)	(231,591)
Borrowings	(61,869)	(61,869)
Net deferred tax asset (liability)	<u>69,477</u>	<u>(25,023)</u>
Net assets	<u>1,017,784</u>	<u>1,238,284</u>
Net identifiable assets acquired		<u>1,238,284</u>

Earn out right

The earn out right arrangement requires Lycopodium Limited to pay the former owners of Sherwood Utilities Pty Ltd 60% of five times the after tax profit of Sherwood Utilities Pty Ltd for the financial year ended 30 June 2010 up to a maximum undiscounted amount of \$745,000.

At the end of 30 June 2010, the earn out right criteria was not met and as a result, no earn out right was payable. This has been accounted for accordingly in the accounting for this business combination.

Acquired receivables

The fair value of acquired trade and other receivables is \$841,858 and includes trade receivable with a fair value of \$811,768. The gross contractual amount for trade receivables due is \$811,768, of which the full amount is expected to be collectible.

10 Business combination (continued)

Acquisition of remaining 25% minority interest in Lycopodium Minerals QLD Pty Ltd

(a) Summary of acquisition

On 13 July 2009 Lycopodium Limited completed the acquisition of all the minority interests' shares in its subsidiary Lycopodium Minerals QLD Pty Ltd pursuant to the exercise of an existing option, for a total consideration of \$2,500,000.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration	
Cash paid	1,500,000
Fully paid ordinary shares in Lycopodium Limited	<u>1,000,000</u>
Total purchase consideration	<u>2,500,000</u>

In addition, a maximum of five equal installments of \$200,000 per annum is payable on successive anniversary dates of completion of the business combination. These payments are considered to be post acquisition employment benefits and will be recognised as part of employee benefits expense in the period to which the service relates.

The Group recognised a decrease in minority interest of \$606,422 (2009: Nil) as noted in Note 8.

11 Events occurring after the reporting period

With the exception the dividends as noted in note 9(b), no other matter or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect:

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

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

	Consolidated 2010 \$	2009 \$
Profit for the year	16,058,466	14,777,255
Depreciation and amortisation	1,608,491	1,841,544
Non-cash employee benefits expense - share-based payments	102,529	244,682
Loans provided under the senior manager share acquisition plan	(1,858,515)	-
Net (profit) loss on sale of non-current assets	-	(2,900,166)
Gain on step-up of investment in associate	(466,947)	-
Share of profit of associate not received as dividends or distributions	(26,042)	(93,496)
Net exchange differences	4,353	(19,670)
Non cash interest expense	221,728	283,489
Change in operating assets and liabilities		
(Increase) / Decrease in trade and other receivables	(2,722,845)	7,241,713
Decrease / (Increase) in deferred tax assets	769,179	(392,653)
Decrease / (Increase) in other operating assets	805,970	(100,310)
Increase in trade creditors and other payables	2,166,426	1,783,290
(Decrease) / Increase in provision for income taxes payable	(4,224,904)	(346,444)
(Decrease) / Increase in other provisions	<u>(1,120,742)</u>	<u>1,477,965</u>
Net cash inflow from operating activities	<u>11,317,147</u>	<u>23,797,199</u>

13 Earnings per share

	Consolidated	
	2010 Cents	2009 Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the company	41.6	37.4
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company	41.4	37.3
(c) Reconciliations of earnings used in calculating earnings per share		
	Consolidated	
	2010	2009
<i>Basic earnings per share</i>		
Profit from operations	16,058,467	14,777,255
(Profit) loss from operations attributable to minority interests	-	(606,837)
	<u>16,058,467</u>	<u>14,170,418</u>
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<u>16,058,467</u>	<u>14,170,418</u>
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	<u>16,058,467</u>	<u>14,170,418</u>
(d) Weighted average number of shares used as the denominator		
	Consolidated	
	2009 Number	2008 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	38,617,878	37,840,000
Adjustments for calculation of diluted earnings per share:		
Options	-	-
Performance rights	<u>164,807</u>	<u>181,233</u>
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<u>38,782,685</u>	<u>38,021,233</u>

Lycopodium Limited and Controlled Entities
Appendix 4E - Preliminary Final Report
Supplementary Appendix 4E information
30 June 2010

Additional dividend/distribution information *(Appendix 4E item 6)*

Details of dividends/distributions declared or paid during or subsequent to the year ended 30 June 2010 are as follows:

Record date	Payment date	Type	Amount per security	Total dividend	Franked amount per security
1 October 2009	16 October 2009	Final	20.0 cents	\$ 7,731,021	20.0 cents
1 April 2010	15 April 2010	Interim	5.0 cents	\$ 1,932,754	5.0 cents
1 October 2010	15 October 2010	Final	22.0 cents	\$ 8,504,123	22.0 cents

Associates and Joint Venture entities *(Appendix 4D item 7)*

	Ownership interest		Aggregate share of profits/(losses), where material	
	2010	2009	2010	2009
	%	%	\$	\$
MLH Management Pty Ltd	-	33	-	-
Sherwood Utilities Pty Ltd	100	40	26,042	93,496

Audit Alert *(Appendix 4E items 15 - 17)*

This report is based on accounts which are in the process of being audited.