Lycopodium Limited and Controlled Entities

ABN 83 098 556 159

Appendix 4E - Preliminary Final Report for the year ended 30 June 2017

Lycopodium Limited and Controlled Entities ABN 83 098 556 159
Appendix 4E - Preliminary Final Report - 30 June 2017

Lodged with the ASX under Listing Rule 4.3A.
This information should be read in conjunction with the Annual report

Contents

Results for announcement to the market

				$
Revenue from ordinary activities *(Appendix 4E item 2.1)*	Up	74.1%	to	216,616,442
Profit from ordinary activities after tax attributable to members *(Appendix 4E item 2.2)*	Up	225.3%	to	10,292,083
Net profit for the period attributable to members *(Appendix 4E item 2.3)*	Up	225.3%	to	10,292,083

	$	$
Dividends / distributions *(Appendix 4E item 2.4)*	Amount per security	Franked amount per security
Final dividend *(cents)*	9.0	9.0

Key ratios	**2017**	2016
	June	June
Basic earnings per share (cents)	**25.9**	8.0
Net tangible assets per shares (cents)	**155.5**	142.0

Record date for determining entitlements to the final dividends 29 September 2017

Preliminary Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

	Notes	Consolidated 2017 $	2016 $
Revenue from operations	3	**216,616,442**	124,460,218
Employee benefits expense		**(61,898,213)**	(57,853,816)
Depreciation and amortisation expense	4	**(1,171,764)**	(1,329,095)
Project expenses		**(9,843,966)**	(4,370,898)
Equipment and materials		**(74,207,912)**	(12,080,173)
Contractors		**(38,255,322)**	(28,417,150)
Occupancy expense		**(8,052,368)**	(8,082,301)
Impairment of goodwill	6	**(263,242)**	(500,000)
Other expenses		**(9,540,001)**	(7,768,302)
Loss on disposal of asset		**(1,634)**	(1,254)
Finance costs		**(93,651)**	(33,324)
Share of net profit of associate and joint ventures accounted for using the equity method	10	**1,019,251**	1,191,724
Profit before income tax		**14,307,620**	5,215,629
Income tax expense	5	**(3,934,091)**	(1,889,219)
Profit for the year		**10,373,529**	3,326,410
Other comprehensive (expense)/income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	7(a)	**111,932**	(1,593,336)
Total comprehensive income for the year		**10,485,461**	1,733,074
Profit for the year is attributable to:			
Owners of Lycopodium Limited		**10,292,083**	3,163,478
Non-controlling interests		**81,446**	162,932
		10,373,529	3,326,410
Total comprehensive income for the year is attributable to:			
Owners of Lycopodium Limited		**10,404,015**	1,570,142
Non-controlling interests		**81,446**	162,932
		10,485,461	1,733,074
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	13(a)	**25.9**	8.0
Diluted earnings per share	13(b)	**25.9**	8.0

The above preliminary statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Preliminary Balance Sheet
As at 30 June 2017

	Notes	Consolidated 2017 $	2016 $
ASSETS			
Current assets			
Cash and cash equivalents		**85,334,769**	41,547,757
Trade and other receivables		**36,919,288**	26,525,309
Inventories		**327,430**	703,686
Derivative financial assets		**164,994**	-
Current tax receivables		**1,344,040**	1,008,816
Other current assets		**2,149,687**	1,793,028
Total current assets		**126,240,208**	71,578,596
Non-current assets			
Investments accounted for using the equity method	10	**2,227,735**	1,768,751
Available-for-sale financial assets		**102,963**	102,953
Property, plant and equipment		**3,174,174**	2,343,796
Intangible assets	6	**7,421,173**	7,907,733
Other receivables		**442,616**	521,898
Deferred tax assets		**3,797,930**	2,782,541
Total non-current assets		**17,166,591**	15,427,672
Total assets		**143,406,799**	87,006,268
LIABILITIES			
Current liabilities			
Trade and other payables		**64,080,967**	21,436,955
Borrowings		**509,731**	89,879
Current tax liabilities		**3,978,266**	508,544
Provisions		**4,280,795**	-
Total current liabilities		**72,849,759**	22,035,378
Non-current liabilities			
Borrowings		**832,912**	-
Provisions		**500,796**	639,873
Total non-current liabilities		**1,333,708**	639,873
Total liabilities		**74,183,467**	22,675,251
Net assets		**69,223,332**	64,331,017
EQUITY			
Contributed equity		**20,823,772**	20,823,772
Reserves	7(a)	**(988,042)**	(840,944)
Retained profits	7(b)	**46,412,369**	41,285,494
Parent entity interest		**66,248,099**	61,268,322
Non-controlling interests	8	**2,975,233**	3,062,695
Total equity		**69,223,332**	64,331,017

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

Preliminary Statement of Changes in Equity
For the year ended 30 June 2017

Consolidated entity	Notes	Contributed equity $	Retained profits $	Foreign currency translation reserve $	Available for sale investment revaluation reserve $	Performance rights reserve $	Non-controlling interests $	Total equity $
Balance at 1 July 2015		20,823,772	38,718,003	577,285	(81,900)	259,037	2,936,729	63,232,926
Profit for the year		-	3,163,478	-	-	-	162,932	3,326,410
Other comprehensive income / (expense)		-	-	(1,593,336)	(2,030)	-	-	(1,595,366)
Total comprehensive income for the year		**-**	**3,163,478**	**(1,593,336)**	**(2,030)**	**-**	**162,932**	**1,731,044**
Transactions with owners in their capacity as owners:								
Foreign currency translation with non-controlling interest		-	-	-	-	-	(36,966)	(36,966)
Dividends provided for or paid	9	-	(595,987)	-	-	-	-	(595,987)
		-	(595,987)	-	-	-	(36,966)	(632,953)
Balance at 30 June 2016		**20,823,772**	**41,285,494**	**(1,016,051)**	**(83,930)**	**259,037**	**3,062,695**	**64,331,017**
Balance at 1 July 2016		20,823,772	41,285,494	(1,016,051)	(83,930)	259,037	3,062,695	64,331,017
Profit for the year		-	10,292,083	-	-	-	81,446	10,373,529
Other comprehensive income / (expense)		-	-	111,932	7	-	-	111,939
Total comprehensive income for the year		**-**	**10,292,083**	**111,932**	**7**	**-**	**81,446**	**10,485,468**
Transactions with owners in their capacity as owners:								
Foreign currency translation with non-controlling interest		-	-	-	-	-	(168,908)	(168,908)
Dividends provided for or paid	9	-	(5,165,208)	-	-	-	-	(5,165,208)
Performance rights - expired	7	-	-	-	-	(259,037)	-	(259,037)
		-	(5,165,208)	-	-	(259,037)	(168,908)	(5,593,153)
Balance at 30 June 2017		**20,823,772**	**46,412,369**	**(904,119)**	**(83,923)**	**-**	**2,975,233**	**69,223,332**

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

Preliminary Statement of Cash Flows
For the year ended 30 June 2017

	Notes	Consolidated 2017 $	2016 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**237,498,193**	123,507,881
Payments to suppliers and employees (inclusive of goods and services tax)		**(187,908,401)**	(119,223,061)
		49,589,792	4,284,820
Interest received		**1,557,922**	1,149,187
Income taxes (paid)/received		**(1,814,985)**	4,632,663
Net cash inflow from operating activities	12	**49,332,729**	10,066,670
Cash flows from investing activities			
Dividends received from joint ventures and associate		**560,267**	2,600,000
Payments for property, plant and equipment		**(335,812)**	(548,607)
Proceeds from sale of property, plant and equipment		**6,311**	21,038
Payments for intangible assets		**(50,116)**	(9,962)
Payments for available-for-sale financial assets		**-**	(70,104)
Payments for investment in associate	10(b)	**-**	(387,500)
Net cash inflow from investing activities		**180,650**	1,604,865
Cash flows from financing activities			
Proceeds from borrowings		**1,231,311**	804,015
Repayments of borrowings		**(1,229,832)**	(832,572)
Dividends paid to company's shareholders	9	**(5,165,208)**	(595,987)
Repayments of hire purchase and lease liabilities		**(227,765)**	(193,990)
Loans advanced to associate		**(336,000)**	(387,500)
Proceeds from repayment of loans under the senior manager share acquisition plan		**79,282**	181,393
Net cash outflow from financing activities		**(5,648,212)**	(1,024,641)
Net increase in cash and cash equivalents		**43,865,167**	10,646,894
Cash and cash equivalents at the beginning of the financial year		**41,547,757**	32,440,938
Effects of exchange rate changes on cash and cash equivalents		**(78,155)**	(1,540,075)
Cash and cash equivalents at end of year		**85,334,769**	41,547,757

The above preliminary statement of cash flows 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 the 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 2016 and with any public announcement made by Lycopodium Limited during the period in accordance with the continuous 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.

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 four (2016: 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, 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.

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 2017 and 30 June 2016 are as follows:

	Corporate Services	Minerals			Project Services - Africa	Industrial Process	Other	
2017		**Asia Pacific**	**North America**	**Africa**				**Total**
	$	$	$	$	$	$	$	$
Total segment revenue	14,854,323	137,132,984	21,649,588	41,116,856	16,834,804	4,179,161	21,989,969	257,757,685
Inter-segment revenue	(14,741,676)	(3,427,752)	(7,614,681)	(114,273)	(5,316,980)	(353,497)	(9,572,384)	(41,141,243)
Revenue from external customers	**112,647**	**133,705,232**	**14,034,907**	**41,002,583**	**11,517,824**	**3,825,664**	**12,417,585**	**216,616,442**
Profit / (Loss) before tax	**788,088**	**9,080,813**	**(746,232)**	**984,779**	**2,784,941**	**(199,343)**	**1,877,816**	**14,570,862**
Interest in the profit of equity accounted joint ventures	927,295	91,956	-	-	-	-	-	1,019,251
Depreciation and amortisation	153	593,629	76,075	309,152	3,831	31,048	157,876	1,171,764
Income tax benefit / (expense)	711,881	(2,910,830)	80,616	(650,065)	(402,807)	59,258	(822,144)	(3,934,091)
Total segment assets	**22,748,913**	**66,636,322**	**4,725,219**	**17,556,315**	**14,545,417**	**4,082,881**	**10,070,508**	**140,365,575**
Total assets includes:								
Investment in joint ventures	1,369,880	857,855	-	-	-	-	-	2,227,735
Additions to non-current assets (other than financial assets and deferred tax)	-	1,482,555	16,935	58,764	-	1,398	205,939	1,765,591
Total segment liabilities	**3,749,923**	**49,142,644**	**2,461,174**	**6,374,583**	**11,501,412**	**1,588,570**	**3,386,944**	**78,205,250**

2 Segment information (continued)

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

2016	Corporate Services	Minerals	Other	Total
	$	$	$	$
Total segment revenue	6,061,290	105,360,748	33,180,491	144,602,529
Inter-segment revenue	(5,365,437)	(6,886,352)	(7,890,522)	(20,142,311)
Revenue from external customers	**695,853**	**98,474,396**	**25,289,969**	**124,460,218**
Profit / (Loss) before tax	**(501,787)**	**4,794,321**	**1,468,095**	**5,760,629**
Interest in the profit of equity accounted joint ventures	-	1,191,724	-	1,191,724
Depreciation and amortisation	(153)	(987,684)	(341,258)	(1,329,095)
Income tax benefit / (expense)	200,936	(1,289,504)	(800,651)	(1,889,219)
Total segment assets	**16,922,240**	**49,304,279**	**16,645,893**	**82,872,412**
Total assets includes:				
Investment in joint ventures	752,852	1,015,900	-	1,768,752
Additions to non-current assets (other than financial assets and deferred tax)	-	405,021	153,548	558,569
Total segment liabilities	**5,032,115**	**14,200,393**	**6,637,715**	**25,870,223**

(c) Other segment information

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

The entity is domiciled in Australia. The result of its revenue from external customers in Australia is $24,016,675 (2016: $20,800,010), and the total of revenue from external customers from other countries is $192,599,767 (2016: $103,660,208). Segment revenues are allocated based on the country in which the customer is located.

Revenues of approximately $91,090,536 (2016: $36,973,772) are derived from the top 3 customers. These revenues are attributable to the Minerals segment.

(ii) Segment profit before tax
The Board of Directors assesses the performance of the operating segments based on a measure of adjusted profit before tax.

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

	Consolidated	
	2017	2016
	$	$
Segment profit before tax	**14,570,862**	5,760,629
Goodwill impairment	**(263,242)**	(500,000)
Amortisation of customer relationships	**-**	(45,000)
Profit before income tax as per preliminary statement of profit or loss and other comprehensive income	**14,307,620**	5,215,629

2 Segment information (continued)

(c) Other segment information (continued)

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

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

	Consolidated	
	2017	2016
	$	$
Segment assets	**140,365,575**	82,872,412
Intersegment eliminations	**(4,180,052)**	(3,350,662)
Intangibles arising on consolidation	**7,221,276**	7,484,518
Total assets as per the preliminary balance sheet	**143,406,799**	87,006,268

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

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

	Consolidated	
	2017	2016
	$	$
Segment liabilities	**78,205,250**	25,870,223
Intersegment eliminations	**(4,021,783)**	(3,194,972)
Total liabilities as per the preliminary balance sheet	**74,183,467**	22,675,251

3 Revenue

	Consolidated	
	2017	2016
	$	$
From operations		
Sales revenue		
Contract revenue	**214,817,550**	122,992,053
Other revenue		
Rents and sub-lease rentals	**59,803**	84,070
Bank interest	**1,639,559**	1,209,245
Other revenue	**99,530**	174,850
	1,798,892	1,468,165
Total revenue from operations	**216,616,442**	124,460,218

4 Expenses

	2017 $	2016 $
Profit before income tax includes the following specific expenses:		
Depreciation		
Fixtures and fittings	**649,407**	655,534
Leasehold improvements	**60,331**	121,698
Leased plant and equipment	**160,172**	77,907
Motor vehicles	**18,826**	17,056
Total depreciation	**888,736**	872,195
Amortisation		
Computer software	**283,028**	411,900
Customer contracts	**-**	45,000
Total amortisation	**283,028**	456,900
Total depreciation and amortisation	**1,171,764**	1,329,095
Finance costs		
Interest and finance charges paid/payable	**93,651**	33,324
Net loss on disposal of property, plant and equipment	**1,634**	1,254
Rental expense relating to operating leases		
Minimum lease payments	**8,052,368**	8,082,300

5 Income tax expense

(a) Income tax expense

	Consolidated	
	2017	2016
	$	$
Current tax	**4,879,361**	1,062,835
Deferred tax	**(1,184,980)**	2,494,234
Adjustments for current tax of prior periods	**239,710**	(1,667,850)
	3,934,091	1,889,219
Deferred income tax included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	**(1,295,224)**	2,835,279
Increase/(decrease) in deferred tax liabilities	**279,835**	(341,045)
	(1,015,389)	2,494,234

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

	Consolidated	
	2017	2016
	$	$
Profit before income tax expense	**14,307,620**	5,215,629
Tax at the Australian tax rate of 30% (2016: 30%)	**4,292,286**	1,564,689
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Goodwill impairment	**78,973**	150,000
Sundry items	**278,688**	306,065
	4,649,947	2,020,754
Adjustments for current tax of prior periods - under/(over) provision of prior year income tax	**239,710**	275,180
Difference in overseas tax rates	**(267,374)**	(116,586)
Previously unrecognised tax losses now recouped to reduce current tax expense	**(466,812)**	(154,238)
Deferred taxes not recognised	**84,395**	(78,374)
Share of net profit of joint ventures accounted for using the equity method	**(305,775)**	(57,517)
Income tax expense	**3,934,091**	1,889,219

6 Non-current assets - Intangible assets

	Goodwill $	Software $	Customer contracts $	Total $
At 1 July 2015				
Cost	8,885,406	2,043,090	315,000	11,243,496
Accumulation amortisation and impairment	(819,842)	(1,295,346)	(270,000)	(2,385,188)
Net book amount	**8,065,564**	**747,744**	**45,000**	**8,858,308**
Year ended 30 June 2016				
Opening net book amount	8,065,564	747,744	45,000	8,858,308
Additions	-	9,962	-	9,962
Amortisation charge *	-	(411,900)	(45,000)	(456,900)
Impairment loss recognised	(500,000)	-	-	(500,000)
Exchange differences	-	(3,637)	-	(3,637)
Closing net book amount	**7,565,564**	**342,169**	**-**	**7,907,733**
Cost	8,385,406	1,934,790	-	10,320,196
Accumulation amortisation and impairment	(819,842)	(1,592,621)	-	(2,412,463)
Net book amount	**7,565,564**	**342,169**	**-**	**7,907,733**

	Goodwill $	Software $	Customer contracts $	Total $
Year ended 30 June 2017				
Opening net book amount	7,565,564	342,169	-	7,907,733
Additions	-	50,116	-	50,116
Amortisation charge *	-	(283,028)	-	(283,028)
Impairment loss recognised	(263,242)	-	-	(263,242)
Transfers from property, plant and equipment	-	9,650	-	9,650
Exchange differences	-	(56)	-	(56)
Closing net book amount	**7,302,322**	**118,851**	**-**	**7,421,173**
At 30 June 2017				
Cost	8,122,164	1,878,728	315,000	10,315,892
Accumulated amortisation	(819,842)	(1,759,877)	(315,000)	(2,894,719)
Net book amount	**7,302,322**	**118,851**	**-**	**7,421,173**

* Group amortisation of $283,028 (2016: $456,900) is included in depreciation and amortisation expense in the statement of comprehensive income.

6 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill

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

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

2017	Australia $	Other countries $	Total $
Minerals	3,622,991	2,465,026	6,088,017
Maintenance	1,095,048	-	1,095,048
Metallurgical	119,257	-	119,257
	4,837,296	**2,465,026**	**7,302,322**

2016	Australia $	Other countries $	Total $
Minerals	3,622,991	2,465,026	6,088,017
Process industries	263,242	-	263,242
Maintenance	1,095,048	-	1,095,048
Metallurgical	119,257	-	119,257
	5,100,538	**2,465,026**	**7,565,564**

Process Industries

The forecast was adjusted in 2017 for the decline in services in the Process Industries segment due to the decline in Australia's manufacturing industry. As a result, the Board expects lower growth and declining profit margins for this segment.

Impairment testing, taking into account these latest developments, resulted in a reduction in goodwill in 2017 of $263,242. The related goodwill impairment loss of $263,242 (2016: $500,000) was included within impairment of non-financial assets.

7 Reserves and retained profits

(a) Reserves

	Consolidated 2017 $	2016 $
Available-for-sale investment revaluation reserve	**(83,923)**	(83,930)
Performance rights reserve	**-**	259,037
Foreign currency translation reserve	**(904,119)**	(1,016,051)
	(988,042)	(840,944)

7 Reserves and retained profits (continued)

(a) Reserves (continued)

	2017 $	2016 $
Movements:		
Available-for-sale investment revaluation reserve		
Balance 1 July	**(83,930)**	(81,900)
Revaluation - gross	**10**	(2,900)
Deferred tax	**(3)**	870
Balance 30 June	**(83,923)**	(83,930)
Performance rights reserve		
Balance 1 July	**259,037**	259,037
Expiry of performance rights	**(259,037)**	-
Balance 30 June	**-**	259,037
Foreign currency translation reserve		
Balance 1 July	**(1,016,051)**	577,285
Currency translation differences arising during the year	**111,932**	(1,593,336)
Balance 30 June	**(904,119)**	(1,016,051)

(b) Retained profits

	Consolidated 2017 $	2016 $
Balance 1 July	**41,285,494**	38,718,003
Profit for the year	**10,292,083**	3,163,478
Dividends	**(5,165,208)**	(595,987)
Balance 30 June	**46,412,369**	41,285,494

8 Non-controlling interests

	Consolidated 2017 $	2016 $
Interest in:		
Share capital	**14,937**	14,937
Reserves	**4,230**	23,986
Retained profits	**2,956,066**	3,023,772
	2,975,233	3,062,695

9 Dividends

(a) Ordinary shares

	Parent entity	
	2017	2016
	$	$
Interim dividend for the year ended 30 June 2017 of 9 cents (2016 - 1.5 cents) per fully paid share paid on 13 April 2017 (2016 - 13 April 2016)		
Fully franked based on tax paid @ 30% (2016: 30%)	**3,575,914**	595,987
Total dividends provided for or paid	**3,575,914**	595,987

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

	Parent entity	
	2017	2016
	$	$
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 9.0 cents per fully paid ordinary share (2016 - 4 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 13 October 2017 out of retained earnings at 30 June 2017, but not recognised as a liability at year end, is	**3,575,914**	1,589,295

10 Investments accounted for using the equity method

	Consolidated	
	2017	2016
	$	$
Investment in joint venture	**857,856**	1,015,900
Investment in associate	**1,369,879**	752,851
	2,227,735	1,768,751

(a) Investment in joint venture

The Group has one material joint venture, Pilbara EPCM Pty Ltd ("PEPL").

Name of Joint Venture	Country of Incorporation & Principal Place of Business	Principal Activities	Proportion of Ownership Interest Held by the Group	
			2017	2016
Pilbara EPCM Pty Ltd	Australia	Engineering, procurement, construction management services	**50%**	50%

The investment in PEPL is accounted for using the equity method in accordance with AASB 128.

10 Investments accounted for using the equity method (continued)

(a) Investment in joint venture (continued)

Summarised financial information for PEPL is set out below:

	2017 $	2016 $
Current assets (a)	**2,661,470**	3,851,858
Non-current assets	-	-
Total assets	**2,661,470**	3,851,858
Current liabilities (b)	**945,763**	1,052,756
Non-current liabilities (c)	**-**	767,306
Total liabilities	**945,763**	1,820,063
a. Includes cash and cash equivalents	**2,653,672**	2,210,810
b. Includes current financial liabilities (excluding trade and other payables and provisions)	**-**	-
c. Includes non-current financial liabilities (excluding trade and other payables and provisions)	**-**	-

	2017 $	2016 $
Revenue	**1,605,130**	9,372,882
Profit for the year	**183,912**	1,652,743
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**183,912**	1,652,743
Depreciation and amortisation	**-**	-
Interest income	**30,973**	106,980
Interest expense	**-**	-
Tax expense	**66,784**	689,519

A reconciliation of the above summarised financial information to the carrying amount of the investment in PEPL is set out below:

	2017 $	2016 $
Total net assets of PEPL	**1,715,708**	2,031,796
Proportion of ownership interest held by the Group	**50%**	50%
Carrying amount of the investment in PEPL	**857,855**	1,015,900

Dividends received during the year from PEPL amounted to $250,000 (2016: $2,600,000).

PEPL is a Private Company; therefore no quoted market prices are available for its shares.

10 Investments accounted for using the equity method (continued)

(a) Investment in joint venture (continued)

During the period, Lycopodium (40%) and Monadelphous Group Ltd (60%) formed an incorporated joint venture, Mondium Pty Ltd ("Mondium").

Mondium's purpose it to target and deliver engineering, procurement and construction (EPC) projects in the minerals processing sector, domestically and within selected international markets.

Mondium is a private company, with no quoted market prices available for its shares. The investment is currently carried at a nil value at year end.

(b) Investment in associate

The Group has one material investment in associate, ECG Engineering Pty Ltd, an electrical engineering consultancy based in Perth, Australia.

Summarised financial information of the Group's share in this associate:

	2017 **$**	2016 $
Profit from continuing operations	**927,295**	365,352
Other comprehensive income	**-**	-
Total comprehensive income	**927,295**	365,352
Carrying amount of the Group's interest in associate	**1,369,880**	752,851

11 Events occurring after the reporting period

With the exception of 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	
	2017	2016
	$	$
Profit for the year	**10,373,528**	3,326,410
Depreciation and amortisation	**1,171,764**	1,329,095
Impairment of goodwill	**263,242**	500,000
Loans advanced to associate (included at cash flows from financing activities)	**336,000**	387,500
Non-cash employee benefits expense - share-based payments	**(259,037)**	-
Dividend and interest income	**-**	(9,413)
Net loss on sale of non-current assets	**1,634**	1,254
Share of net profit of associate and joint venture accounted for using the equity method	**(1,019,251)**	(1,191,724)
Interest relating to financing activities	**56,377**	33,324
Finance lease expense	**43,011**	-
Change in operating assets and liabilities:		
Increase in trade debtors and other receivables	**(10,393,981)**	(1,952,129)
Decrease/(increase) in inventories	**376,256**	(448,475)
(Increase)/decrease in deferred tax assets	**(866,965)**	2,550,116
Increase in other operating assets	**(356,658)**	(84,808)
Increase in trade creditors	**42,644,013**	1,582,515
Increase in provision for income taxes payable	**2,986,072**	3,971,765
Increase in other provisions	**4,141,718**	71,240
Increase in derivative financial assets	**(164,994)**	-
Net cash inflow from operating activities	**49,332,729**	10,066,670

13 Earnings per share

(a) Basic earnings per share

	Consolidated	
	2017	2016
	Cents	Cents
Basic earnings per share attributable to the ordinary equity holders of the company	**25.9**	8.0

(b) Diluted earnings per share

	Consolidated	
	2017	2016
	Cents	Cents
Diluted earnings per share attributable to the ordinary equity holders of the company	**25.9**	8.0

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

	Consolidated	
	2017	2016
	$	$
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**10,291,620**	3,163,478
Diluted earnings per share		
Used in calculating diluted earnings per share	**10,291,620**	3,163,478

(d) Weighted average number of shares used as denominator

	Consolidated	
	2017	2016
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**39,732,373**	39,732,373

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

Details of dividends/distributions declared or paid during or subsequent to the year ended 30 June 2017 are as follows:

Record date	Payment date	Type	Ammount per security	Total dividend	Franked amount per security
31 March 2017	13 April 2017	Interim	9.0 cents	3,575,914	9.0 cents
29 September 2017	13 October 2017	Final	9.0 cents	3,575,914	9.0 cents

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

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