



ABN 35 111 210 390

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2011

**DECMIL GROUP LIMITED ABN 35 111 210 390
AND CONTROLLED ENTITIES**

31 December 2011 Interim Financial Report

CORPORATE DIRECTORY

<p>Directors Giles Everist, Non-Executive Chairman Scott Criddle, Managing Director Denis Criddle, Non-Executive Director William Healy, Non-Executive Director Lee Verios, Non-Executive Director</p> <p>Executive Team Justine Campbell, Chief Financial Officer/Company Secretary Brad Kelman, Group Manager – Commercial & Strategy Ray Sputore, Managing Director, Decmil Australia</p> <p>Australian Business Number 35 111 210 390</p> <p>Principal Registered Address 20 Parkland Road Osborne Park WA 6017 Telephone: 08 9368 8877 Facsimile: 08 9368 8878</p> <p>Postal Address PO Box 1233 Osborne Park WA 6916</p> <p>Operational Offices Decmil Australia Pty Ltd 20 Parkland Road Osborne Park WA 6017 Telephone: 08 9368 8877 Facsimile: 08 9386 8878</p> <p>Decmil Australia Pty Ltd Level 9, 82 Eagle Street Brisbane QLD 4001 Telephone: 07 3640 4600 Facsimile: 07 3640 4690</p>	<p>Auditor RSM Bird Cameron Partners 8 St Georges Terrace Perth WA 6000 Telephone: 08 9261 9100 Facsimile: 08 9261 9111</p> <p>Share Registry Computershare Investor Services Pty Limited Level 2, 45 St Georges Terrace Perth WA 6000 Telephone: 08 9323 2000 Facsimile: 08 9323 2033 Email: web.queries@computershare.com.au Website: www-au.computershare.com</p> <p>Lawyers Steinepreis Paganin Level 4, Next Building 16 Milligan Street Perth WA 6000 Telephone: 08 9321 4000 Facsimile: 08 9321 4333</p> <p>Financiers National Australia Bank Limited 100 St Georges Terrace Perth WA 6000 Telephone: 13 10 12</p> <p>Controlled Entities Decmil Australia Pty Ltd Decmil Investments Pty Ltd Decmil Properties Pty Ltd</p> <p>ASX Code DCG</p>
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**DECMIL GROUP LIMITED ABN 35 111 210 390
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31 December 2011 Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report of Decmil Group Limited for the half-year ended 31 December 2011.

Directors

The names of directors who held office during or since the end of the half-year:

Mr Geoffrey Allen (resigned 16 November 2011)

Mr Denis Criddle

Mr Scott Criddle

Mr Giles Everist (Chairman – appointed 1 December 2011)

Mr William Healy

Mr Lee Verios

Review of Operations

Overview

Decmil Group Limited has reported a solid financial performance with revenue for the period of \$210.9M (2010: \$233.7M) and a consolidated operating profit before tax of \$19.0 million (2010: \$20.2M).

Net Profit after Tax for the half-year ended 31 December 2011 was \$13.0M (2010: \$14.1M) and earnings per share of 10.17 cents (2010: 11.43 cents).

Operating cash flow for the six months ending 31 December 2011 was \$29.6M, an increase of 29% compared to the previous corresponding period. The strong cash position reflects the continuation of efficient working capital management with cash on hand of \$107.7 million at the end of the period. The Group maintained minimal senior debt.

Decmil maintains a very strong financial position which will facilitate its continued growth. During the period net assets increased to \$202.2M from \$113.8M at 30 June 2011. This is predominantly a result of the acquisition in December 2011 of 50% ownership in the accommodation village near Gladstone.

The value of new projects and contract extensions secured during the period was approximately \$280 million which reflects the Group's strong market position and relationships with high quality clients. The order book remains robust and the company will continue to pursue new opportunities and expects to grow the order book significantly during the second half FY12.

The Board has declared an interim dividend of 2.5 cents per share (fully franked). The half year dividend payout represents a 31.8% payout ratio which is in line with the Board's dividend payout policy. This policy will continue to be reviewed in line with trading conditions. A final fully franked dividend of \$7,456,174 was paid during the period in respect of the financial year ended 30 June 2011.

Decmil entered the 2011/2012 financial year with a solid workload and has continued to secure work across all key markets. With the resources sector strengthening and the outlook for energy and infrastructure markets remaining positive, the company is in a strong position to continue to capitalise on a healthy pipeline of project opportunities.

Current business activity and forward workload levels remain healthy and are anticipated to result in stronger second half sales revenue and earnings than those in the first half.

Rounding of Amounts

The consolidated entity has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000, unless otherwise indicated.

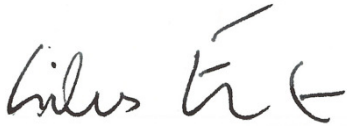
**DECMIL GROUP LIMITED ABN 35 111 210 390
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Auditor's Declaration

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is included within this financial report.

This report is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Giles Everist', with a stylized flourish at the end.

Giles Everist

Chairman

Dated this 22nd day of February 2012

RSM Bird Cameron Partners
8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

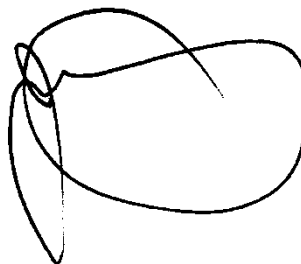
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Decmil Group Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants



JAMES KOMNINOS
Partner

Perth, WA
Dated: 22 February 2012

**DECMIL GROUP LIMITED ABN 35 111 210 390
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31 December 2011 Interim Financial Report

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Note	Consolidated Entity	
		31.12.2011 \$000	31.12.2010 \$000
Revenue	2	210,900	233,724
Cost of sales		(176,306)	(203,199)
Administration expenses		(13,087)	(8,240)
Borrowing expenses		(197)	(249)
Depreciation and amortisation expense		(1,987)	(1,765)
Equity based payments		(170)	(104)
Share of profit or (loss) in joint venture		(171)	-
Profit before income tax		18,982	20,167
Income tax expense		(5,945)	(6,012)
Profit for the period		13,037	14,155
Other Comprehensive Income		-	-
Total comprehensive income for the period		13,037	14,155
Overall Operations			
Basic earnings per share (cents per share)		10.17	11.43
Diluted earnings per share (cents per share)		10.02	11.26

The accompanying notes form part of the interim financial report

**DECMIL GROUP LIMITED ABN 35 111 210 390
AND CONTROLLED ENTITIES**

31 December 2011 Interim Financial Report

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	Consolidated Entity	
	31.12.2011	30.06.2011
	\$000	\$000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	107,710	64,362
Trade and other receivables	50,245	57,114
Work in progress	8,184	7,405
Other current assets	5,770	4,005
TOTAL CURRENT ASSETS	171,909	132,886
NON-CURRENT ASSETS		
Property, plant and equipment	34,296	25,391
Deferred tax assets	2,572	1,202
Intangible assets	48,601	48,601
Investments accounted for using the equity method	40,239	-
Loan to joint venture	13,678	-
Loan to joint venture partner	2,979	-
TOTAL NON-CURRENT ASSETS	142,365	75,194
TOTAL ASSETS	314,274	208,080
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	85,304	77,515
Current tax payable	4,354	4,796
Borrowings	7,712	3,102
Provisions	5,607	3,991
TOTAL CURRENT LIABILITIES	102,977	89,404
NON-CURRENT LIABILITIES		
Borrowings	9,071	4,844
TOTAL NON-CURRENT LIABILITIES	9,071	4,844
TOTAL LIABILITIES	112,048	94,248
NET ASSETS	202,226	113,832
EQUITY		
Issued capital	161,409	78,596
Retained earnings	40,817	35,236
TOTAL EQUITY	202,226	113,832

The accompanying notes form part of the interim financial report

**DECMIL GROUP LIMITED ABN 35 111 210 390
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31 December 2011 Interim Financial Report

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Issued Capital \$000	Retained Earnings \$000	Total \$000
Balance at 1 July 2010	78,042	11,756	89,798
Profit for the period	-	14,155	14,155
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	78,042	25,911	103,953
Shares issued for the period	548	-	548
Transaction costs net of tax benefit	(68)	-	(68)
Equity based payments	104	-	104
Balance 31 December 2010	78,626	25,911	104,537
Balance at 1 July 2011	78,596	35,236	113,832
Profit for the period	-	13,037	13,037
Comprehensive income for the period	-	-	-
Total comprehensive income for the period	78,596	48,273	126,869
Shares issued for the period	84,959	-	84,959
Transaction costs net of tax benefit	(2,316)	-	(2,316)
Equity based payments	170	-	170
Dividends recognised for the period	-	(7,456)	(7,456)
Balance at 31 December 2011	161,409	40,817	202,226

The accompanying notes form part of the interim financial report

**DECMIL GROUP LIMITED ABN 35 111 210 390
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31 December 2011 Interim Financial Report

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Consolidated Entity	
	31.12.2011	31.12.2010
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	213,792	241,259
Payments to suppliers and employees	(178,701)	(212,138)
Interest received	1,603	966
Finance costs	(197)	(249)
Income tax paid	(6,904)	(6,915)
Net cash provided by operating activities	29,593	22,923
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,984)	(12,024)
Purchase of investments	(40,410)	-
Loan to joint venture - payments made	(13,678)	-
Loan to joint venture partner - payments made	(2,979)	-
Proceeds from sale of non-current assets	19	242
Net cash (used in) investing activities	(68,032)	(11,782)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	9,268	-
Repayment of borrowings	(1,814)	(1,671)
Proceeds from issue of shares and conversion of options	84,959	548
Costs of issuing shares	(3,170)	(7)
Dividends paid by parent entity	(7,456)	-
Net cash provided by (used in) financing activities	81,787	(1,130)
Net increase in cash held	43,348	10,011
Cash at beginning of period	64,362	52,894
Cash at end of period	107,710	62,905

The accompanying notes form part of the interim financial report

**DECMIL GROUP LIMITED ABN 35 111 210 390
AND CONTROLLED ENTITIES**

31 December 2011 Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: BASIS OF PREPARATION

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include full disclosures of the type normally included in an annual financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Decmil Group Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets. The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial report, except in relation to the matters disclosed below.

New and Revised Accounting Standards

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

	Consolidated Entity	
	31.12.2011	31.12.2010
	\$000	\$000
NOTE 2: REVENUE		
Revenue from operating activities:		
- sale of goods and services	208,518	232,600
Revenue from non-operating activities:		
- other non-operating income	2,382	1,124
Total revenue	210,900	233,724

NOTE 3: ISSUED CAPITAL

a) Paid up capital		
Fully paid ordinary shares	161,409	78,596
b) Movements		
	No of Shares	Paid Up Capital
	'000	\$000
Balance 1 July 2011	124,215	78,596
Shares issued during the period	41,478	84,959
	165,693	163,555
Add: Equity based payments		170
Less: Transaction costs net of tax benefit		(2,316)
		161,409

**DECMIL GROUP LIMITED ABN 35 111 210 390
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NOTE 4: DIVIDENDS

The 2011 final dividend of 6 cents per share franked at the rate of 30% was declared and paid on 23 September 2011. The dividend paid totalled \$7.456 million. There have been no other dividends declared or recommended to the shareholders or other persons during this reporting period.

NOTE 5: SEGMENT INFORMATION

The directors have considered the requirements of AASB 8 'Operating Segments' and the management reports that are reviewed by the chief operating decision maker, being the board of directors, in allocating resources and have concluded that there are no separate business segments.

The consolidated entity operates as a single segment being multi-discipline design, civil engineering and construction services.

The consolidated entity has an investment in joint venture accounted for by the equity method of \$40.4 million less its share of losses up to 31 December 2011 of \$0.17 million. The consolidated entity also has loans owing from the joint venture of \$13.7 million and from the joint venture partner of \$3.0 million associated with this investment.

NOTE 6: CONTINGENT LIABILITIES

As at 31 December 2011, the guarantees given to various customers for satisfactory contract performance amounted to \$57.1 million.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

On 22 February 2012, the company proposed a fully franked 2.5 cent per share interim dividend with a record date of 29 February 2012 and payment date of 14 March 2012. The total amount of this dividend payment will be \$4.142 million. After this dividend payment, the franking account balance will be \$22.0 million. This dividend has not been provided for in the 31 December 2011 Financial Statements.

Except for the matter disclosed above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

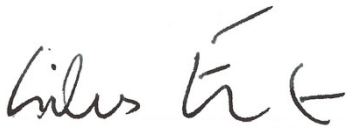
**DECMIL GROUP LIMITED ABN 35 111 210 390
AND CONTROLLED ENTITIES
31 December 2011 Interim Financial Report**

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out within this financial report:
 - a. comply with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
2. In the directors' opinion 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 Board of Directors.



Giles Everist

Chairman

Dated this 22nd day of February 2012

RSM Bird Cameron Partners
8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
DECMIL GROUP LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Decmil Group Limited which comprises the condensed consolidated statement of financial position as at 31 December 2011, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 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 Decmil Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

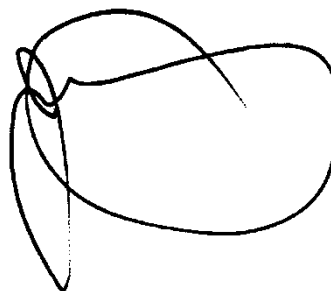
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants



Perth, WA
Dated: 22 February 2012

JAMES KOMNINOS
Partner