



ABN 35 111 210 390

# **Financial Report**

30 June 2012

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# Corporate Directory

<p><b>Directors</b>  Giles Everist, Non-Executive Chairman  Scott Criddle, Managing Director  Denis Criddle, Non-Executive Director  William (Bill) Healy, Non-Executive Director  Lee Verios, Non-Executive Director</p> <p><b>Executive Team</b>  Justine Campbell, Chief Financial Officer and Company Secretary  Ray Sputore, Managing Director, Decmil Australia  Brad Kelman, Managing Director, Decmil Investments</p> <p><b>Australian Business Number</b>  35 111 210 390</p> <p><b>Principal Registered Address</b>  20 Parkland Road  Osborne Park WA 6017  Telephone: 08 9368 8877  Facsimile: 08 9368 8878</p> <p><b>Postal Address</b>  PO Box 1233  Osborne Park WA 6916</p> <p><b>Operational Offices</b>  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 5, 60 Edward Street  Brisbane QLD 4000  Telephone: 07 3640 4600  Facsimile: 07 3640 4690</p>	<p><b>Auditor</b>  RSM Bird Cameron Partners  8 St Georges Terrace  Perth WA 6000  Telephone: 08 9261 9100  Facsimile: 08 9261 9111</p> <p><b>Share Registry</b>  Computershare Investor Services Pty Limited  Level 2, 45 St Georges Terrace  Perth WA 6000  Telephone: 08 9323 2000  Facsimile: 08 9323 2033  Email: <a href="mailto:web.queries@computershare.com.au">web.queries@computershare.com.au</a>  Website: <a href="http://www-au.computershare.com">www-au.computershare.com</a></p> <p><b>Lawyers</b>  Steinepreis Paganin  Level 4, Next Building  16 Milligan Street  Perth WA 6000  Telephone: 08 9321 4000  Facsimile: 08 9321 4333</p> <p><b>Financiers</b>  National Australia Bank Limited  100 St Georges Terrace  Perth WA 6000  Telephone: 13 10 12</p> <p><b>Controlled Entities</b>  Decmil Australia Pty Ltd  Decmil Investments Pty Ltd  Decmil Properties Pty Ltd</p> <p><b>ASX Code</b>  DCG</p>
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# Decmil Group Limited

## Chairman's Report

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Decmil Group Limited has achieved an outstanding result for the financial year ended 30 June 2012, with record revenue and profits as the Company has strengthened its position as a leading contractor within the resources and oil & gas sectors.

### Highlights from the 2011/12 financial year include:

- Record revenue of \$555.6 million, up 41% on the previous year
- Increase in net profit after tax to a record \$39.1 million, up 66% on the previous year
- Significant cash on hand at year end of \$141.4 million, up 120% on the previous year
- Earnings per share increased by 40% to 26.5 cents, up from 18.9 cents in the previous corresponding period
- Dividends totalling 10 cents per share to be paid to shareholders
- Company admitted to S&P ASX 200 Index – April 2012
- Strong operational performance by Decmil Australia, delivering earnings before interest, tax and depreciation and amortisation of \$55.7 million, up 57% on the previous year
- Acquisition of the Calliope Accommodation Village in Gladstone, Queensland providing a long term recurring revenue stream
- Positive outlook for 2012/13 financial year, with forward order book of approximately \$400 million

### Sustained Growth

The Group's wholly owned subsidiary, Decmil Australia, has continued to secure substantial contracts and contract extensions with leading resources and energy clients including BHP Billiton, Rio Tinto and Fortescue Metals Group.

During the latter part of 2011, the Group successfully raised \$85 million of equity to fund our acquisition of a 50% interest in the Calliope Accommodation Village in Gladstone, Queensland. The development and management of the village provides a long term revenue stream for the Company. The strong returns expected from this investment prompted the Company to acquire the remaining 50% of the Village in August 2012.

### Net Assets and Cash Position

The Group's net assets increased by \$111 million to \$225 million during the financial year. Strong operating cash flow performance continued to be a key feature of the Group in 2011/12 with \$80.0 million for the year. The year-end cash on hand grew 120% to \$141.4 million and the Group maintained a low gearing structure. Decmil has banking facilities allowing the Company to expand and grow its operations as opportunities arise.

### Dividends

This was the Company's first year of paying both interim and final dividends. A final dividend of 7.5 cents per share has been declared, to be paid on 20 September 2012. Combined with the 2.5 cents per share interim dividend (paid on 14 March 2012), fully franked dividends totalling 10 cents per share will be paid to shareholders from profits generated during 2011/12.

The full year dividend payout represents a 43% 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, the need for significant cash requirements and investment opportunities.

### Board and Management Changes

Mr Denis Criddle retired from the position of Chairman in December 2011, and now continues to serve the Company as a Non-Executive Director. Denis joined the Board in 2007 and was appointed Chairman in September 2009. On behalf of my fellow Directors I would like to thank Denis for his service as Chairman. He oversaw the Group during a period of significant growth and cemented its position as a leader in its sector.

Mr Geoff Allen retired as Non-Executive Director at the Company's Annual General Meeting in November 2011 after serving on the Board since April 2009. Our thanks go to Geoff for his significant contribution to the Company.

In July 2012 Mr Brad Kelman moved from his role as Company Secretary to that of Managing Director of Decmil Investments with CFO, Justine Campbell assuming the role.

### Health and Safety and Environment

A focus on health & safety and the environment remains central to every facet of Decmil's operations, with the aim of ensuring zero harm to our people. I am pleased to report that no serious injuries were reported during the year.

During 2011/12, the Company recorded another substantial improvement in its Total Recordable Incident Frequency Rate (TRIFR) to 3.47, well down from 5.29 reported in the previous year. The Company's SHIELD program (standing for Safety and Health in Every Level at Decmil) received national recognition, being awarded a "Highly Commended" in the Safe Work Australia Awards (April 2012).

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No significant environmental incidents were reported during the year. The Group's environmental focus increased through specialised training undertaken by key HSE professionals.

## **Workforce Capacity and Capability**

Staff numbers have increased over the past year to meet a growing demand for the Group's core services. As at July 2012 Decmil employed 1,270 people. In line with our belief that the Company's culture and people are integral to our success, we have developed a number of innovative programs to attract, retain and develop the careers of our valued team members.

## **Outlook**

Decmil has benefitted considerably from the growth of the Australian resources and oil & gas sectors over recent years, with our core capabilities of delivering large-scale infrastructure projects and accommodation villages very much in demand as major projects are developed.

With an order book of approximately \$400 million as at 1 July 2012, the Board is confident that this demand will continue.

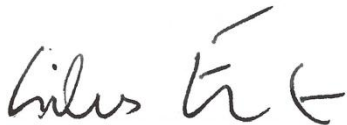
A key to Decmil's ongoing success has been a focus on building long-term relationships with Tier 1 resources customers who are the driving force behind the nation's iconic mining and oil & gas projects. As a result we remain in a very strong position to achieve continued growth.

While Western Australian remains central to the Decmil growth story, we have expanded nationally, particularly into Queensland as we see opportunities to support that State's buoyant resources sector. Our flagship Queensland project is the major accommodation village we are developing and managing near Gladstone which is delivering a recurring revenue stream for the Group.

A significant strategic focus for the Company has been to increase our exposure to the oil & gas sector. As many of the nation's major LNG projects come on stream over the coming years, we forecast that this sector will be a growing contributor to our future revenues.

The diversity of our business model remains a key strength of the Group which will continue to deliver solid, recurring earnings streams and profitable growth.

In closing, I wish to place on record the Board's appreciation for the hard work of every member of the Decmil team. It is their contribution that has allowed us to continue to deliver outstanding results over the past year, grow the business, attract the continued support of our major customers and ultimately deliver value to shareholders.



Giles Everist  
**Chairman**

# Decmil Group Limited

## Directors' Report

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### 1. Directors

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2012.

The names of directors of the Company at any time during or since the end of the financial year are:

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Geoffrey Allen	Non-Executive Director	Resigned 16 November 2011
Denis Criddle	Non-Executive Director	
Scott Criddle	Managing Director and Chief Executive Officer	
Giles Everist	Non-Executive Chairman	
William Healy	Non-Executive Director	
Lee Verios	Non-Executive Director	

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Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### 2. Particulars of directors and company secretary

#### Denis Criddle, Non-Executive Director

##### *Qualifications*

- Chartered Professional Engineer
- Member of the Institute of Engineering Australia
- Fellow of the Australian Institute of Company Directors

##### *Experience*

Denis was appointed as Non-Executive Chairman in September 2009 and resigned in November 2011. Denis is the founder of Decmil Australia Pty Ltd which was acquired by Decmil Group Limited in July 2007. A civil engineer with more than 30 years experience in the civil construction and maintenance industry in the Northwest of Western Australia and in Queensland, Denis has been involved in rural investments and local government. He was elected Shire President of the Roebourne Shire Council during the development years of oil and gas expansion in the Karratha region.

##### *Other Directorships*

None

##### *Former Directorships*

None

#### Scott Criddle, Managing Director and Chief Executive Officer

##### *Qualifications*

- Bachelor of Applied Science in Construction Management and Economics, Curtin University Western Australia
- Member of the Australian Institute of Company Directors

##### *Experience*

Appointed as Chief Executive Officer in July 2009 and Managing Director in April 2010. Scott has more than 15 years' experience in the civil construction and engineering industry.

##### *Other Directorships*

None

##### *Former Directorships*

None

#### Giles Everist, Non-Executive Chairman

##### *Qualifications*

- Bachelor of Science in Mechanical Engineering, University of Edinburgh
- Chartered Accountant, Member of the Institute of Chartered Accountants in England and Wales
- Member of the Australian Institute of Company Directors

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## *Experience*

Appointed as Non-Executive Director in December 2009. Formerly the Chief Financial Officer and Company Secretary of Monadelphous Group Limited between 2003 and 2009.

Giles has more than 18 years' experience in the resources and engineering services industry. During his career he has held financial executive roles with Rio Tinto in the United Kingdom and Australia plus major design engineering group Flour Australia.

## *Other Directorships*

LogiCamms Ltd

## *Former Directorships*

None

## **William Healy, Non-Executive Director**

### *Qualifications*

- Bachelor of Commerce

### *Experience*

William Healy was appointed as Non-Executive Director in April 2009. He was a director and shareholder in Sealcorp Holdings from 1985 which then established and developed the diversified financial services group. He was a director of ASGARD Capital Management Ltd, Securitor Financial Group Ltd, PACT Investment Group Pty Ltd and ASSIRT Pty Ltd. Sealcorp was acquired by St George Bank in 1997 and Mr Healy remained on the Board until 1999. William was founding director and Chairman of BOOM Logistics Ltd and was involved in the development of the company's business model, early acquisitions and preparation for listing in 2003.

### *Other Directorships*

None

### *Former Directorships*

None

## **Lee Verios, Non-Executive Director**

### *Qualifications*

- Bachelor of Law, University of Western Australia
- Member of the Australian Institute of Company Directors

### *Experience*

Appointed as a Non-Executive Director in April 2010. Formerly a partner in the international law firm Norton Rose, he is an experienced commercial and property lawyer. He also has broad experience as a company director and is a member of the Australian Institute of Company Directors and the Law Society of WA.

### *Other Directorships*

Finbar Group Ltd - Director

### *Former Directorships*

Port Bouvard Ltd - Chairman

Vmoto Ltd - Chairman

## **Justine Campbell, Chief Financial Officer and Company Secretary**

### *Qualifications*

- Bachelor of Commerce, Edith Cowan University, Western Australia
- Member of the Institute of Chartered Accountants, Australia
- Member of the Australian Institute of Company Directors

### *Experience*

Appointed as CFO and Company Secretary in July 2009. Previously Justine held this role with Decmil Australia from 2007 to July 2009. Prior to joining Decmil Australia, she was Financial Manager of Doric Group from July 1997 to June 2007.

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## 3. Directors' interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of the Company were:

	Number of ordinary shares	Numbers of options to acquire ordinary shares
Denis Criddle	22,273,232	-
Scott Criddle	320,000	-
Giles Everist	513,332	-
William Healy	418,190	-
Lee Verios	66,667	-

## 4. Directors' meetings

During the financial year, 11 meetings of directors were held. Attendances by each director during the year were:

	Directors' Meetings		Audit & Risk		Remuneration	
	Number of meetings eligible to attend	Number attended	Number of meetings eligible to attend	Number attended	Number of meetings eligible to attend	Number attended
Geoffrey Allen	4	4	1	1	-	-
Denis Criddle	11	10	4	4	-	-
Scott Criddle	11	11	-	-	-	-
Giles Everist	11	11	4	4	1	1
William Healy	11	11	1	1	2	2
Lee Verios	11	10	-	-	2	2

## 5. Remuneration report - Audited

This report details the nature and amount of remuneration for each director and specified executives of Decmil Group Limited.

The following persons acted as Directors during or since the end of the financial year:

- Geoffrey Allen – Resigned 16 November 2011
- Denis Criddle
- Scott Criddle
- Giles Everist
- William Healy
- Lee Verios

## 6. Remuneration philosophy - Audited

The performance of the Group ultimately depends upon the quality of its directors and senior management teams. In order to maintain performance and create even greater shareholder value, the Group must attract, motivate and retain highly skilled and experienced directors and executives.

## 7. Remuneration committee - Audited

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing the compensation arrangements for the directors and executive management team.



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The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and the executive management team on a periodic basis. The assessment is made with reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed with each executive and is based predominantly on the forecast growth of the consolidated entity's profits and shareholders' value. All bonuses and incentives are linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract high calibre executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share option scheme approved by shareholders.

Where applicable, executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice all or part of their remuneration to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Where options are given to directors and executives, they are valued using the Black-Scholes or Binomial option pricing methodologies.

The board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board or its nominated sub-committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders during a general meeting. Fees for non-executive directors are not linked to the performance of the consolidated entity however to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

## **8. Performance based remuneration - Audited**

Each executive director and executive's remuneration package contains a performance-based component measured against key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a level of consultation with directors/executives. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over. The KPIs target areas the board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the consolidated entity and respective industry standards.

In determining whether or not a KPI has been achieved, Decmil Group Limited bases the assessment on audited figures.

### *Performance Rights Plan*

As a result of passing of Resolution 7 at the 30 November 2009 Annual General Meeting, a performance rights plan was put in place.

The Board believes that the long term incentive offered to key executives forms a key part of their remuneration and assists to align their interests with the long term interests of Shareholders.

The number of Performance Rights price were calculated by dividing up to 100% (as determined by the Board) of the executive's total annual fixed remuneration by the volume weighted average closing price of Shares, as quoted on ASX, over the 60 days prior to the issue of the Notice of Meeting for approval by shareholders.

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The Performance Rights have a varying vesting period, the minimum vesting period which must elapse before Shares may be issued or transferred to the executives is three years from the grant date of the Performance Rights and the number of Performance Rights which vest is dependent to the extent that the applicable performance hurdle outlined below is satisfied. For each tranche issued, any Performance Rights which do not vest at the three year measurement date, further vesting dates exist at five years from the date of grant and seven years from the date of grant.

The Performance Rights will vest (that is, shares will be issued or become transferable to the executives upon satisfaction of the Performance Rights vesting condition) to the extent that the applicable performance hurdle outlined below is satisfied. Subject to achievement of the hurdle, the Performance Rights may be converted (on a one-for-one basis) to fully paid ordinary shares in the Company.

## *Performance Hurdle*

The performance hurdle for the vesting of the Performance Rights (and allocation of Shares) will be measured by comparing the total shareholder return (TSR) of the Company relative to the TSRs of the companies in the S&P/ASX 300 Index as at the commencement of the Vesting Period. Total Shareholder Return (TSR) is a measure that represents the change in capital value of a listed company's share price over a period, plus reinvested dividends, expressed as a percentage of the opening value.

The period over which the TSR of the Company is compared with the TSRs of companies in the S&P/ASX 300 Index commences on the first day of the Vesting Period and is measured at three test dates, namely the third, fifth and seventh anniversary of the first day of the Vesting Period.

The percentage of Performance Rights that will vest is based on the Company's relative ranking over the measurement period (unless the Board otherwise determines), as follows:

The Company's TSR rank in the S&P/ASX 300 Index	The percentage of Performance Rights which will vest
Below the 50th percentile	Nil
At or above the 50th percentile and below the 75th percentile	50%, plus 2% for every one percentile increase above the 50th percentile
At or above the 75th percentile	100%

If an executive resigns his or her employment, any unvested Performance Rights will lapse, unless the Board determines otherwise.

## **9. Remuneration practices - Audited**

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement, specified directors and executives are paid employee benefit entitlements accrued to the date of their retirement. The company may terminate the respective contracts without cause by providing between one and three months written notice or making payment in lieu of notice based on the individual's annual salary component together with a discretionary redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Executives have thirty days from leaving their employment with the company to exercise any vested options after which time the vested options will automatically lapse. Any unvested options lapse automatically upon termination.

# Decmil Group Limited

## 10. Company performance, shareholder wealth and directors' and executives' remuneration - Audited

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to executive directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy to have been effective in increasing shareholder wealth over the past year.

## 11. Details of remuneration - Audited

### Year ended 30 June 2012

Directors	Salary and fees	Super-annuation contribution	Non-cash benefits	Options	Rights	Bonus	Total	Total Performance Related	Total Fixed Remuneration
	\$	\$	\$	\$	\$	\$	\$	%	%
Geoffrey Allen	73,333	-	-	-	-	-	73,333	-	100.0
Denis Criddle	88,685	-	-	-	-	-	88,685	-	100.0
Scott Criddle	681,445	15,775	-	-	143,385	-	840,605	17.1	82.9
Giles Everist	93,333	-	-	-	-	-	93,333	-	100.0
William Healy	73,395	6,605	-	-	-	-	80,000	-	100.0
Lee Verios	73,395	6,605	-	-	-	-	80,000	-	100.0
<b>TOTAL</b>	<b>1,083,586</b>	<b>28,985</b>	<b>-</b>	<b>-</b>	<b>143,385</b>	<b>-</b>	<b>1,255,956</b>		

### Year ended 30 June 2012

Specified executives	Salary and fees	Super-annuation contribution	Non-cash benefits	Options	Rights	Bonus	Total	Total Performance Related	Total Fixed Remuneration
	\$	\$	\$	\$	\$	\$	\$	%	%
Justine Campbell Chief Financial Officer and Company Secretary	382,989	15,775	-	-	67,054	-	465,818	14.4	85.6
Ray Sputore Managing Director Decmil Australia	834,800	15,775	-	-	69,082	-	919,657	7.5	92.5
Brad Kelman Managing Director Decmil Investments <sup>1</sup>	377,256	15,775	-	-	28,321	-	421,352	6.7	93.3
<b>TOTAL</b>	<b>1,595,045</b>	<b>47,325</b>	<b>-</b>	<b>-</b>	<b>164,457</b>	<b>-</b>	<b>1,806,827</b>		

<sup>1</sup> Brad Kelman was appointed Managing Director of Decmil Investments Pty Ltd on 1 July 2012

# Decmil Group Limited

Year ended 30 June 2011

Directors	Salary and fees	Super-annuation contribution	Non-cash benefits	Options	Rights	Bonus	Total	Total Performance Related	Total Fixed Remuneration
	\$	\$	\$	\$	\$	\$	\$	%	%
Geoffrey Allen	72,500	-	-	-	-	-	72,500	-	100.0
Denis Criddle	101,500	750	-	-	-	-	102,250	-	100.0
Scott Criddle	604,800	15,200	-	-	89,248	-	709,248	12.6	87.4
Giles Everist	70,000	-	-	-	-	-	70,000	-	100.0
Robert Franco	23,280	2,095	-	-	-	-	25,375	-	100.0
William Healy	45,872	4,128	-	-	-	-	50,000	-	100.0
Lee Verios	45,872	4,128	-	-	-	-	50,000	-	100.0
<b>TOTAL</b>	<b>963,824</b>	<b>26,301</b>	<b>-</b>	<b>-</b>	<b>89,248</b>	<b>-</b>	<b>1,079,373</b>		

Year ended 30 June 2011

Specified executives	Salary and fees	Super-annuation contribution	Non-cash benefits	Options	Rights	Bonus	Total	Total Performance Related	Total Fixed Remuneration
	\$	\$	\$	\$	\$	\$	\$	%	%
Justine Campbell Chief Financial Officer and Company Secretary	355,400	15,200	-	-	41,167	-	411,767	10.0	90.0
Andries Dique Chief Operating Officer <sup>2</sup>	618,055	15,200	26,652	-	-	-	659,907	-	100.0
Tom Fallon General Manager Decmil Australia <sup>3</sup>	513,750	15,200	-	-	-	75,000	603,950	12.4	87.6
Brad Kelman General Counsel and Company Secretary	310,705	15,200	-	-	12,617	46,100	384,622	15.3	84.7
Lance van Drunick Project Director Decmil Australia	499,154	15,200	9,200	-	-	780	524,334	0.1	99.9
<b>TOTAL</b>	<b>2,297,064</b>	<b>76,000</b>	<b>35,852</b>	<b>-</b>	<b>53,784</b>	<b>121,880</b>	<b>2,584,580</b>		

<sup>2</sup> Andries Dique resigned on 31 May 2011

<sup>3</sup> Tom Fallon resigned on 30 June 2011

# Decmil Group Limited

## 12. Options issued as part of remuneration for the year ended 30 June 2012 - Audited

There were no options granted to directors or executives as part of their remuneration during the financial year.

## 13. Employment contracts of directors and senior executives - Audited

The employment conditions of the specified executives are formalised in contracts of employment. Executives are employees of Decmil Group Limited or wholly owned subsidiaries of Decmil Group Limited.

The employment contracts stipulate a range of one to three months resignation periods. The company may terminate an employment contract without cause by providing between one and three months written notice or making payment in lieu of notice, based on the individual's annual salary component together with a discretionary redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Executives have thirty days from leaving their employment with Decmil Group Limited to exercise any vested options after which time the vested options will automatically lapse. Any unvested options lapse automatically upon termination.

## 14. Performance Rights - Audited

During the year ended 30 June 2012, the following performance rights were granted.

Grant Date	Number of Rights Granted	Fair Value of Rights Granted
1 July 2011	775,576	\$1,234,645

During the year ended 30 June 2012, the following performance rights met their vesting criteria:

Grant Date	Vested Date	Number of Rights Vested	Fair Value of Rights Vested
30 June 2009	30 June 2012	635,462	\$462,853

During the year ended 30 June 2012, the following performance rights lapsed due to their vesting criteria not being met:

Grant Date	Number of Rights Lapsed	Fair Value of Rights Lapsed
1 July 2011	30,940	\$49,253

# Decmil Group Limited

## 15. Options

At this date of this report, the unissued ordinary shares of Decmil Group Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price (AUS \$)	Number Under Option
12 December 2006	30 September 2013	\$0.90	450,000
<b>TOTAL</b>			<b>450,000</b>

During the year ended 30 June 2012, there were 1,480,000 ordinary shares of Decmil Group Limited issued on the exercise of options.

During the year ended 30 June 2012, no options were cancelled.

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

As at 30 June 2012, all options have vested.

During the year ended 30 June 2012, the following options were exercised by key management personnel.

Name	Exercise Date	Number of Options Exercised	Value of Options Exercised
Denis Criddle	28 June 2012	625,000	\$625,000

## 16. Indemnifying officers or auditor

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The total amount of the premium was \$28,285.

## 17. Principal activities

The Group's subsidiary companies provide multi-disciplined design, civil engineering and construction works for the oil and gas, resources and infrastructure sectors. Its principal activities are as follows:

### *Civil works*

- Large and small-scale brownfield and greenfield projects in regional and remote areas including industrial zones and port facilities
- Basic and complex works

### *Industrial and non-process infrastructure*

- Large-scale implementation of industrial infrastructure, including industrial buildings, processing plants, workshops and storage facilities
- Site preparation and services
- Specialist and general maintenance contracting including concrete repairs, building repairs, paving maintenance and refurbishing enclosures and tanks

### *Accommodation*

- Design and construct permanent and temporary accommodation, including villages, residential homes and units

# Decmil Group Limited

- All aspects of project development from design, site preparation and excavation to bulk earthworks, civil works and construction
- Build Own & Operate accommodation villages in remote areas

## *Government infrastructure*

- Small and large-scale government infrastructure projects including office buildings, administration buildings and storage facilities
- Initial concept and design, engineering, fabrication, manufacture, supply, transportation, installation, commissioning, site works and services

There were no significant changes in the nature of the Group's principal activities during the financial year.

## **18. Operating results**

The consolidated profit of the Group after providing for income tax expense amounted to \$39,056,000 (2011: \$23,480,000).

## **19. Dividends paid or recommended**

The company announces a fully franked 7.5 cent per share final dividend with a record date of 6 September 2012 and pay date of 20 September 2012.

## **20. Review of operations**

A review of the Group's activities during the financial year and the results of those operations and are set out in the Chairman's Review.

## **21. Significant changes in state of affairs**

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- On 23 December 2012 the company issued 41,423,189 ordinary shares at \$2.05 each to shareholders on the basis of one share for every three shares held.

Changes in controlled entities and divisions:

- Purchase of a 50% interest in the MGA Gladstone Unit Trust, which owns and operates the Calliope Accommodation Village located in Gladstone, Queensland, for \$40 million.
- As disclosed in paragraph 22, the remaining 50% interest in the MGA Gladstone Unit Trust was acquired on 13 August 2012 for \$18 million.

## **22. After balance date events**

On 22 August 2012, the company proposed a fully franked 7.5 cent per share final dividend with a record date of 6 September 2012 and payment date of 20 September 2012. The total amount of this dividend payment will be \$12.534 million.

On 13 August 2012, the Company acquired the remaining 50% interest in the MGA Gladstone Unit Trust (MGA), owner of the Calliope Accommodation Village in Gladstone, Queensland from Maroon Group Holdings Pty Ltd (Maroon Group). The acquisition results in Decmil owning 100% of MGA. The consideration paid to the Maroon Group is as follows –

- \$12 million at settlement;
- \$3 million (to be paid on 21 December 2012); and
- Decmil releasing Maroon Group from advances made to it under the working capital facility of approximately \$3 million.

# Decmil Group Limited

## **23. Future developments, prospects and business strategies**

To further improve the consolidated entity's profit and maximise shareholder wealth, the directors are focusing on extracting value from its core businesses – Decmil Australia Pty Ltd and Decmil Investments Pty Ltd. The directors may also consider acquisition opportunities to complement current business activities focused in the resources, oil & gas and government infrastructure sectors. Any acquisitions sought would broaden the company's asset base and provide a diversified and recurring source of revenue.

These developments, together with the current strategy of continuous improvement and an adherence to quality control in existing markets, are expected to assist in the achievement of the consolidated entity's long term goals and development of new business opportunities in the resources, oil & gas and government infrastructure sectors.

## **24. Environmental issues**

Decmil Group Limited is subject to significant environmental regulation under the laws of the Commonwealth and State.

There were no incidents which required reporting during the financial year.

The company aims to continually improve its environmental performance.

## **25. Likely developments**

The Group will continue to maintain its strategy of focussing on activity within the Western Australian and Queensland resources, energy and infrastructure sectors, and identify further opportunities for growth and development within these regions.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

## **26. Proceedings on behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

## **27. Non-audit services**

No non-audit services were provided to the company by the company's external auditor during the financial year.

## **28. Auditor's independence declaration**

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found within this financial report.

## **29. Rounding of amounts**

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.



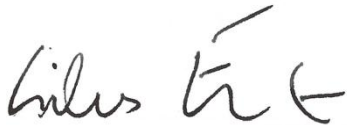
# Decmil Group Limited

## 30. Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Decmil Group Limited support and have adhered to the principles of Corporate Governance.

The company's Corporate Governance Statement is detailed at the end of this report.

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

22 August 2012

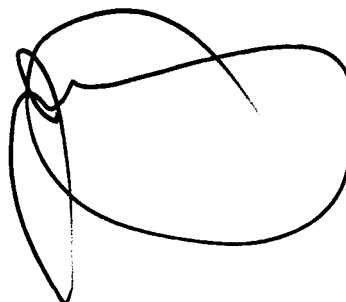
**RSM Bird Cameron Partners**  
8 St George's Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844  
T +61 8 9261 9100 F +61 8 9261 9101  
www.rsmi.com.au

### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Decmil Group Limited for the year ended 30 June 2012, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

*RSM Bird Cameron Partners*  
RSM BIRD CAMERON PARTNERS



Perth, WA  
Dated: 22 August 2012

J A KOMNINOS  
Partner

# Decmil Group Limited

## Statement of Comprehensive Income

For year ended 30 June 2012

	Note	Consolidated Entity	
		2012 \$000	2011 \$000
Revenue from operations	4	555,594	394,202
Cost of sales		(466,613)	(337,506)
Gross profit		88,981	56,696
Administration expenses		(27,285)	(19,038)
Borrowing expenses	5	(704)	(503)
Depreciation and amortisation expense	5	(4,271)	(3,708)
Equity based payments		(326)	(116)
Share of profit or (loss) in joint venture		(432)	-
<b>Profit before income tax expense</b>		<b>55,963</b>	<b>33,331</b>
Income tax (expense)	6	(16,907)	(9,851)
<b>Net profit for the year</b>		<b>39,056</b>	<b>23,480</b>
<b>Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive Income for the year</b>		<b>39,056</b>	<b>23,480</b>
<b>Earnings Per Share</b>			
Basic earnings per share (cents per share)	9	26.51	18.93
Diluted earnings per share (cents per share)	9	26.43	18.64

The accompanying notes form part of these financial statements.

# Decmil Group Limited

## Statement of Financial Position

As at 30 June 2012

	Note	Consolidated Entity	
		2012 \$000	2011 \$000
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	10	141,352	64,362
Trade and other receivables	11	111,320	57,114
Work in progress	12	28,548	7,405
Other assets	17	8,247	4,005
TOTAL CURRENT ASSETS		289,467	132,886
NON-CURRENT ASSETS			
Property, plant and equipment	15	36,773	25,391
Deferred tax assets	20	4,612	1,202
Intangible assets	16	48,601	48,601
Investments accounted for using the equity method	14	41,710	-
Loan to joint venture	14	19,697	-
Loan to joint venture partner	14	3,346	-
TOTAL NON-CURRENT ASSETS		154,739	75,194
TOTAL ASSETS		444,206	208,080
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	18	183,667	77,515
Current tax payable		11,953	4,796
Borrowings	19	9,485	3,102
Provisions	21	7,274	3,991
TOTAL CURRENT LIABILITIES		212,379	89,404
NON-CURRENT LIABILITIES			
Borrowings	19	6,366	4,844
TOTAL NON-CURRENT LIABILITIES		6,366	4,844
TOTAL LIABILITIES		218,745	94,248
NET ASSETS		225,461	113,832
<b>EQUITY</b>			
Issued capital	22	162,787	78,596
Retained earnings		62,674	35,236
TOTAL EQUITY		225,461	113,832

The accompanying notes form part of these financial statements.

# Decmil Group Limited

## Statement of Changes in Equity

For year ended 30 June 2012

	Note	Issued Capital	Retained Earnings	Total
		\$000	\$000	\$000
<b>Consolidated Entity</b>				
<b>Balance at 1 July 2010</b>		78,042	11,756	89,798
Net profit for the year		-	23,480	23,480
Total comprehensive income for the year		-	23,480	23,480
Shares issued during the year		555	-	555
Transaction costs net of tax benefit		(117)	-	(117)
Equity based payments		116	-	116
<b>Balance at 30 June 2011</b>		78,596	35,236	113,832
<b>Balance at 1 July 2011</b>		78,596	35,236	113,832
Net profit for the year		-	39,056	39,056
Total comprehensive income for the year		-	39,056	39,056
Shares issued during the year		86,232	-	86,232
Transaction costs net of tax benefit		(2,367)	-	(2,367)
Equity based payments		326	-	326
Dividends recognised for the period		-	(11,618)	(11,618)
<b>Balance at 30 June 2012</b>		162,787	62,674	225,461

The accompanying notes form part of these financial statements.

# Decmil Group Limited

## Statement of Cash Flows

For year ended 30 June 2012

		Consolidated Entity	
	Note	2012	2011
		\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		527,369	415,122
Payments to suppliers and employees		(437,920)	(377,397)
Interest received		3,588	2,016
Finance costs		(704)	(523)
Income tax paid		(12,309)	(10,341)
Net cash provided by operating activities	25(a)	80,024	28,877
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(17,032)	(17,671)
Purchase of investments		(42,486)	-
Loan to joint venture - payments made		(45,818)	-
Loan to joint venture - proceeds from repayments		27,200	-
Loan to joint venture partner - payments made		(2,979)	-
Proceeds from sale of non-current assets		367	261
Net cash (used in) investing activities		(80,748)	(17,410)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		10,679	3,115
Repayment of borrowings		(4,360)	(3,662)
Proceeds from issue of shares and conversion of options		86,232	555
Costs of issuing shares		(3,219)	(7)
Dividends paid by parent entity		(11,618)	-
Net cash provided by / (used in) financing activities		77,714	1
Net increase in cash held		76,990	11,468
Cash at beginning of financial year		64,362	52,894
Cash at end of financial year	10	141,352	64,362

The accompanying notes form part of these financial statements.

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

The financial statements of Decmil Group Limited ('the Company') for the year ended 30 June 2012 comprise of the Company and its subsidiaries (collectively referred to as 'the consolidated entity') and the consolidated entity's interest in a joint venture. The separate financial statements of the parent entity, Decmil Group Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

Decmil Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial statements were authorised for issue in accordance with a resolution of directors dated 22 August 2012.

### Note 1: Summary of Significant Accounting Policies

#### Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### (a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Decmil Group Limited at the end of the reporting period. A controlled entity is any entity over which Decmil Group Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the consolidated entity during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

#### Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities assumed is recognised. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

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The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

### (b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.



# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

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### Tax consolidation

Decmil Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the consolidated entity recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The tax consolidated entity has entered a tax funding arrangement whereby each company in the consolidated entity contributes to the income tax payable by the consolidated entity in proportion to their contribution to the consolidated entity's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

### (c) Construction Contracts and Work in Progress

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

### (d) Interest in Joint Ventures

The consolidated entity's share of the assets, liabilities, revenue and expenses of jointly controlled assets has been included in the appropriate line items of the consolidated financial statements.

The consolidated entity's interests in joint venture operation are brought to account using the proportionate consolidation method.

The consolidated entity's interests in joint venture entities are recorded using the equity method of accounting in the consolidated financial statements, whereby the initial investment is recognised at cost and adjusted thereafter for the post-acquisition change in the consolidated entity's share of net assets of the joint venture entity. In addition, the consolidated entity's share of the profit or loss of the joint venture entity is included in the consolidated entity's profit or loss.

Where the consolidated entity contributes assets to the joint venture or if the consolidated entity purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the consolidated entity's share of the joint venture shall be recognised.

### (e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

### Depreciation

The depreciable amount of all fixed assets and capitalised lease assets is depreciated on a straight-line or diminishing value basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and equipment	20%
Computer equipment	Between 20% and 33%

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

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Motor vehicles	20%
Furniture and fittings	20%
Office equipment	20%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

(f) **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(g) **Impairment of Assets**

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed immediately to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) **Goodwill**

Goodwill acquired in a business combination is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. It is allocated to the consolidated entity's cash-generating units or groups of cash generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment.

Impairment losses recognised for goodwill are not subsequently reversed.

(i) **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**Equity-settled compensation**

The consolidated entity operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

options is ascertained using a Black–Scholes pricing model or Binomial Option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(j) **Provisions**

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(k) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less.

(l) **Revenue and Other Income**

Interest revenue is using the effective interest rate method.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue relating to construction activities is detailed at note 1(c).

All revenue is stated net of the amount of goods and services tax (GST).

(m) **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(n) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) **Financial Instruments**

**Recognition and initial measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted, including recent arm's length transactions, reference to similar instruments and option pricing models.

*Amortised cost* is the amount at which the financial asset or liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any accumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees,

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

### *i. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

### *ii. Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

### *iii. Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

### **Impairment**

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

### **(p) Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the consolidated entity during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

### **(q) Foreign Currency Transactions and Balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Exchange differences arising on the translation of monetary items are recognised in the profit or loss.

### **(r) Rounding of Amounts**

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

### **(s) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## Notes to the Financial Statements

For the year ended 30 June 2012

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(t) **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

*Impairment of goodwill*

The company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 16.

*Equity-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instrument at the date at which they are granted. The fair value of options are determined by using a Black-Scholes option pricing model. The fair value of performance rights are determined using a Binomial option pricing model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

*Construction contracts*

When accounting for construction contracts, the contracts are either combined or segmented if this is deemed necessary to reflect the substance of the agreement. Revenue arising from fixed price contracts is recognised in accordance with the percentage of completion method. Stage of completion is agreed with the customer on a work certified to date basis, as a percentage of the overall contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred plus a percentage of fees earned during the financial year. The percentage of fees earned during the financial year is based on the stage of completion of the contract. Where a loss is expected to occur from a construction contract, the excess of the total expected contract costs over expected contract revenue is recognised as an expense immediately.

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

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### Note 2: New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the consolidated entity has decided not to early adopt. A discussion of those future requirements and their impact on the consolidated entity is as follows:

AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- Simplifying the classification of financial assets into those carried at amortised cost and those carried at fair value;
- Simplifying the requirements for embedded derivatives;
- Removing the tainting rules associated with held-to-maturity assets;
- Removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- Allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- Requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The consolidated entity has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax; Recovery of Underlying Assets (AASB 112) applies to periods beginning on or after 1 January 2012.

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments are not expected to significantly impact the consolidated entity.

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

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### Note 2: New Accounting Standards for Application in Future Periods (Continued)

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structure entity”, replacing the “special purpose entity” concept currently used in Interpretation 112 and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value and requires disclosures about fair value measurement.

AASB 13 requires:

- Inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- Enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the consolidated entity.

AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Company.

AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Company does not have any defined benefit plans and so is not impacted by the amendment.

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

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### **Note 2: New Accounting Standards for Application in Future Periods (Continued)**

AASB 119 (September 2011) also includes changes to:

- Require only those benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service to be classified as short-term employee benefits. All other employee benefits are to be classified as other long-term employee benefits, post employment benefits or termination benefits, as appropriate; and
- The accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

For an offer that may be withdrawn – when the employee accepts;

For an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

Where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets and if earlier than the first two conditions – when the related restructuring costs are recognised.

These Standards are not expected to significantly impact the consolidated entity.



# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 3: Parent Entity Disclosures

	Parent Entity	
	2012 \$000	2011 \$000
Profit for the year	628	1,399
Total comprehensive income for the year	628	1,399
<b>ASSETS</b>		
Current assets	53,606	18,347
Non-current assets	139,175	62,623
<b>TOTAL ASSETS</b>	<b>192,781</b>	<b>80,970</b>
<b>LIABILITIES</b>		
Current liabilities	1,211	953
Non-current liabilities	66,014	27,662
<b>TOTAL LIABILITIES</b>	<b>67,225</b>	<b>28,615</b>
<b>EQUITY</b>		
Issued capital	162,787	78,596
Retained earnings	(37,231)	(26,241)
<b>TOTAL EQUITY</b>	<b>125,556</b>	<b>52,355</b>

#### a) Guarantees

Cross guarantees have been provided by Decmil Group Limited and its controlled entities and are listed in note 13. The fair value of the cross guarantee has been assessed as \$nil based on the underlying performance of the entities in the closed group.

#### b) Other Commitments and Contingencies

Decmil Group Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities apart from the performance guarantees disclosed in note 29.

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 4: Revenue

### Note

### Consolidated Entity

2012  
\$000

2011  
\$000

Construction revenue		550,347	392,095
Other revenue			
— interest received	4(a)	5,247	2,107
Total revenue		555,594	394,202

(a) Other revenue

Interest revenue from:

joint venture		1,079	-
joint venture partner		367	-
— other persons		3,801	2,107
Total interest revenue		5,247	2,107

### Note 5: Expenses

Employee benefits costs		134,327	99,719
Borrowing costs:			
— external		704	503
Total borrowing costs		704	503
Depreciation and amortisation of non-current assets:			
— plant and equipment owned		2,584	1,918
— plant and equipment leased		1,687	1,790
Total depreciation		4,271	3,708
Rental expense on operating leases		900	858

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 6: Income Tax Expense

### Note

### Consolidated Entity

2012  
\$000

2011  
\$000

(a) The components of tax expense comprise:

Current tax

(19,457)

(9,864)

Deferred tax

20

2,559

(46)

Over/(under) provision for tax in prior year

(9)

59

(16,907)

(9,851)

(b) The prima facie tax (expense)/benefit on profit before income tax is reconciled to the income tax (expense) as follows:

Prima facie future tax (expense)/benefit on profit/(loss) before income tax at 30% (2011: 30%)

(16,789)

(9,999)

Adjusted by the tax effect of:

— shares and options expensed during year

(98)

(35)

— deductible capital raising costs

241

135

— non-deductible items

(252)

(11)

— over/(under) provision for tax in prior year

(9)

59

Income tax (expense)/benefit attributable to profit before income tax

(16,907)

(9,851)

The applicable weighted average effective tax rates are as follows:

30%

30%

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 7: Key Management Personnel

- (a) Names and positions held of directors and specified executives in office at any time during the financial year are:

#### Parent Entity Directors

Geoffrey Allen (resigned 16 November 2011)

Denis Criddle

Scott Criddle

Giles Everist

William Healy

Lee Verios

#### Specified Executives

Justine Campbell Chief Financial Officer and Company Secretary

Ray Sputore Managing Director, Decmil Australia Pty Ltd

Brad Kelman Managing Director, Decmil Investments Pty Ltd

- (b) Options and Rights Holdings

#### Number of Options Held by Directors and Specified Executives

30 June 2012	Balance 1.7.11	Granted as Remun- eration	Exercised/ Cancelled	Net Change Other	Balance 30.6.12	Total Vested & Exercisable 30.6.12	Total Unexer- cisable 30.6.12
<b>Directors:</b>							
Denis Criddle	625,000	-	625,000	-	-	-	-
<b>TOTAL</b>	<b>625,000</b>	<b>-</b>	<b>625,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Number of Options Held by Directors and Specified Executives

30 June 2011	Balance 1.7.10	Granted as Remun- eration	Exercised/ Cancelled	Net Change Other	Balance 30.6.11	Total Vested & Exercisable 30.6.11	Total Unexer- cisable 30.6.11
<b>Directors:</b>							
Denis Criddle	625,000	-	-	-	625,000	625,000	-
Robert Franco	450,000	-	-	(450,000)*	-	-	-
<b>TOTAL</b>	<b>1,075,000</b>	<b>-</b>	<b>-</b>	<b>(450,000)</b>	<b>625,000</b>	<b>625,000</b>	<b>-</b>

\*Balance held on resignation

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 7: Key Management Personnel (Continued)

#### (b) Options and Rights Holdings (Continued)

Number of Rights Held by Directors and Specified Executives

30 June 2012	Balance 1.7.11	Granted as Remun- eration	Exercised/ Cancelled	Net Change Other	Balance 30.6.12	Total Vested & Exercisable 30.6.12	Total Unexer- cisable 30.6.12
<b>Directors:</b>							
Scott Criddle	817,766	203,279	-	-	1,021,045	439,717	581,328
<b>Specified Executives:</b>							
Justine Campbell	376,525	97,207	-	-	473,732	195,745	277,987
Ray Sputore	-	303,770	-	-	303,770	-	303,770
Brad Kelman	109,665	58,967	-	-	168,632	-	168,632
<b>TOTAL</b>	<b>1,303,956</b>	<b>663,223</b>	<b>-</b>	<b>-</b>	<b>1,967,179</b>	<b>635,462</b>	<b>1,331,717</b>

Number of Rights Held by Directors and Specified Executives

30 June 2011	Balance 1.7.10	Granted as Remun- eration	Exercised/ Cancelled	Net Change Other	Balance 30.6.11	Total Vested & Exercisable 30.6.11	Total Unexer- cisable 30.6.11
<b>Directors:</b>							
Scott Criddle	439,717	378,049	-	-	817,766	-	817,766
<b>Specified Executives:</b>							
Justine Campbell	195,745	180,780	-	-	376,525	-	376,525
Andries Dique	439,717	378,049	(817,766)#	-	-	-	-
Brad Kelman	-	109,665	-	-	109,665	-	109,665
<b>TOTAL</b>	<b>1,075,179</b>	<b>1,046,543</b>	<b>(817,766)</b>	<b>-</b>	<b>1,303,956</b>	<b>-</b>	<b>1,303,956</b>

#Balance cancelled on resignation

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 7: Key Management Personnel (Continued)

#### (c) Shareholdings

The number of ordinary shares in Decmil Group Limited held by each Director and Specified Executive of the consolidated entity during the financial year is as follows:

30 June 2012	Balance 1.7.11	Received as Remuneration	Options Exercised	Net Change Other <sup>1</sup>	Balance 30.6.12
<b>Directors:</b>					
Denis Criddle	21,248,232	-	625,000	400,000	22,273,232
Scott Criddle	240,000	-	-	80,000	320,000
Giles Everist	250,000	-	-	263,332	513,332
William Healy	418,190	-	-	-	418,190
Lee Verios	50,000	-	-	16,667	66,667
<b>Specified Executives:</b>					
Justine Campbell	-	-	-	-	-
Ray Sputore	-	-	-	17,728	17,728
Brad Kelman	-	-	-	-	-
<b>TOTAL</b>	<b>22,206,422</b>	<b>-</b>	<b>625,000</b>	<b>777,727</b>	<b>23,609,149</b>

<sup>1</sup>Net change other refers to shares purchased or sold in the financial year.

30 June 2011	Balance 1.7.10	Received as Remuneration	Options Exercised	Net Change Other <sup>1</sup>	Balance 30.6.11
<b>Directors:</b>					
Denis Criddle	26,248,232	-	-	(5,000,000)	21,248,232
Scott Criddle	240,000	-	-	-	240,000
Giles Everist	200,000	-	-	50,000	250,000
Robert Franco	8,400,000	-	-	(8,400,000)*	-
William Healy	368,190	-	-	50,000	418,190
Lee Verios	-	-	-	50,000	50,000
<b>Specified Executives:</b>					
Andries Dique	2,000,000	-	-	(2,000,000)*	-
<b>TOTAL</b>	<b>37,456,422</b>	<b>-</b>	<b>-</b>	<b>(15,250,000)</b>	<b>22,206,422</b>

<sup>1</sup>Net change other refers to shares purchased or sold in the financial year.

\*Balance held on resignation

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

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### Note 7: Key Management Personnel (Continued)

#### (d) Compensation for Key Management Personnel

The totals of remuneration paid to Directors and Specified Executives of the company and the consolidated entity during the year are as follows:

	2012 \$000	2011 \$000
Short term benefits	2,755	3,521
Share based payments	308	143
	<u>3,063</u>	<u>3,664</u>

#### (e) Loans to Key Management Personnel

No directors or executives had any loans during the reporting period.

#### (f) Other transactions and balances with Key Management Personnel

There were no other transactions and balances with Key Management Personnel.

### Note 8: Auditors' Remuneration

Remuneration of the auditor of the parent entity for:

— auditing or reviewing the financial report	130	126
	<u>130</u>	<u>126</u>

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 9: Earnings per Share

	Consolidated Entity	
	2012 \$000	2011 \$000
(a) Reconciliation of earnings to profit or loss		
Profit	39,056	23,480
Earnings used to calculate basic and dilutive EPS from overall operations	39,056	23,480
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	147,327,069	124,014,732
Weighted average number of dilutive options outstanding	450,000	1,930,000
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	147,777,069	125,944,732

### Note 10: Cash and Cash Equivalent

	2012 \$000	2011 \$000
Cash at bank and in hand	61,352	41,569
Deposits at call	80,000	22,793
	141,352	64,362

#### Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	141,352	64,362
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# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 11: Trade and Other Receivables

	Consolidated Entity	
	2012 \$000	2011 \$000
CURRENT		
Trade receivables	111,854	57,114
Provision for impairment of receivables	(534)	-
	<b>111,320</b>	<b>57,114</b>
Provision for impairment of receivables		
Current		
Trade receivables:		
— opening balance	-	91
— charge for the year	534	(91)
	<b>534</b>	<b>-</b>

The following table details the consolidated entity's trade receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the consolidated entity and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the consolidated entity.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount \$000	Within initial trade terms \$000	Past due but not impaired (days overdue)				Past due and impaired \$000
			31-60 \$000	61-90 \$000	91-120 \$000	> 120 \$000	
<b>2012</b>							
Trade and term receivables	111,854	101,311	8,295	1,647	14	53	534
Total	<b>111,854</b>	<b>101,311</b>	<b>8,295</b>	<b>1,647</b>	<b>14</b>	<b>53</b>	<b>534</b>
<b>2011</b>							
Trade and term receivables	57,114	49,318	3,786	3,759	64	187	-
Total	<b>57,114</b>	<b>49,318</b>	<b>3,786</b>	<b>3,759</b>	<b>64</b>	<b>187</b>	<b>-</b>

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 12: Work in Progress

#### Note

#### Consolidated Entity

2012  
\$000

2011  
\$000

#### CURRENT

##### Construction contracts

Cost incurred to date plus profit recognised

826,699

656,380

Consideration received and receivables as progress billings

(843,927)

(656,882)

Retention

-

-

(17,228)

(502)

Advanced billings to customers

18

(45,776)

(7,907)

Unbilled amounts due from customers

28,548

7,405

(17,228)

(502)

### Note 13: Controlled Entities

#### (a) Controlled Entities

	Country of Incorporation	Percentage Owned (%)	
		2012	2011

Parent Entity:

Decmil Group Limited

Australia

Subsidiaries of Decmil Group Limited:

Decmil Australia Pty Ltd

Australia

100%

100%

Decmil Properties Pty Ltd

Australia

100%

100%

Decmil Investments Pty Ltd

Australia

100%

-

Novacoat Workforce Pty Ltd

Australia

-

100%

McFee Pty Ltd

Australia

-

100%

McFee Engineering Pty Ltd

Australia

-

100%

Matrix Engineers Pty Ltd

Australia

-

100%

McFee Maintenance Pty Ltd

Australia

-

100%

Fabcon Construction Pty Ltd

Australia

-

100%

Subsidiary of Matrix Engineers Pty Ltd:

Eastman Fort Pty Ltd

Australia

-

100%

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 13: Controlled Entities (Continued)

- (b) A deed of cross guarantee between Decmil Group Limited and the following wholly owned subsidiaries existed during the financial year and relief was obtained from preparing a financial report for Decmil Group Limited's wholly owned subsidiaries under ASIC Class Order 98/1418: Decmil Australia Pty Ltd. Under the deed, Decmil Group Limited and the above named wholly owned subsidiaries guarantee to support each others' liabilities and obligations. Decmil Group Limited and its above named wholly owned subsidiaries are the only parties to the deed of cross guarantee and are members of the Closed Group.

The following are the aggregate totals, for each category, relieved under the deed.

	2012 \$000	2011 \$000
<b>Financial information in relation to:</b>		
(i) Statement of Comprehensive Income:		
Profit before income tax	43,506	21,051
Income tax (expense)	(12,934)	(6,167)
Profit after income tax	30,572	14,884
Profit attributable to members of the parent entity	30,572	14,884
(ii) Retained Earnings:		
Retained profits at the beginning of the year	22,795	7,911
Profit after income tax	30,572	14,884
Dividends recognised for the period	(11,618)	-
Retained earnings at the end of the year	41,749	22,795
(iii) Statement of Financial Position:		
CURRENT ASSETS		
Cash and cash equivalents	93,303	40,248
Trade and other receivables	105,957	38,631
Work in progress	28,548	7,405
Other assets	5,755	1,634
TOTAL CURRENT ASSETS	233,563	87,918
NON-CURRENT ASSETS		
Property, plant and equipment	10,989	8,951
Deferred tax assets	4,612	1,202
Intangible assets	48,601	48,601
Loan to subsidiary	87,459	12,208
TOTAL NON-CURRENT ASSETS	151,661	70,962
TOTAL ASSETS	385,224	158,880

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 13: Controlled Entities (Continued)

	2012 \$000	2011 \$000
CURRENT LIABILITIES		
Trade and other payables	167,967	47,555
Current tax payable	2,648	1,112
Borrowings	1,688	2,525
Provisions	7,271	3,991
TOTAL CURRENT LIABILITIES	179,574	55,183
NON-CURRENT LIABILITIES		
Borrowings	1,114	2,306
TOTAL NON-CURRENT LIABILITIES	1,114	2,306
TOTAL LIABILITIES	180,688	57,489
NET ASSETS	204,536	101,391
EQUITY		
Issued capital	162,787	78,596
Retained earnings	41,749	22,795
	204,536	101,391

### Note 14: Interests in Joint Ventures

#### (a) Investments Accounted for Using the Equity Method

Interests in joint venture entities	14(d)	41,710	-
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#### (b) Joint Venture Loans

CURRENT		
Loan to joint venture	19,697	-
Loan to joint venture partner	3,346	-
	23,043	-

The loan to joint venture consists of a Mezzanine funding arrangement between Decmil Investments Pty Ltd and the MGA Gladstone Unit Trust. The interest rate applicable is the aggregate of the period's BBSY (2012: weighted average of 4.39% per annum) and Decmil's senior financier's margin of 3.00% per annum and a mezzanine margin of 5.00% per annum. A total of \$1,079,000 interest has been capitalised in the period.

The loan to joint venture partner consists of a loan arrangement between Decmil Investments Pty Ltd and the Brunker Family Trust. The interest rate applicable is the aggregate of the highest interest rate payable by Decmil's financier of 7.39% per annum and a margin of 15.00% per annum. A total of \$367,000 interest has been capitalised in the period.

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 14: Interests in Joint Ventures (Continued)

#### (c) Interest in Joint Venture Operations

Chevron Australia Pty Ltd awarded Decmil, in a joint venture with Thiess Pty Ltd and Kentz Pty Ltd (TDKJV), an AUD\$730m contract for the Gorgon LNG Project Construction Village on Barrow Island. The accommodation facility is expected to accommodate 4,000 construction workers.

The joint venture agreement was entered into in 2009. Decmil Australia Pty Ltd has a 33.33% interest in this unincorporated joint venture, known as Thiess Decmil Kentz Joint Venture.

The consolidated entity's interests in the joint venture are included in the consolidated financial statements under the following classifications:

	<b>Consolidated Entity</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	<b>37,061</b>	23,395
Receivables	<b>5,096</b>	18,483
Other assets	<b>2,447</b>	2,082
<b>TOTAL CURRENT ASSETS</b>	<b>44,604</b>	43,960
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>293</b>	484
<b>TOTAL NON-CURRENT ASSETS</b>	<b>293</b>	484
<b>TOTAL ASSETS</b>	<b>44,897</b>	44,444
<b>CURRENT LIABILITIES</b>		
Trade and other payables	<b>15,583</b>	32,010
<b>TOTAL LIABILITIES</b>	<b>15,583</b>	32,010
<b>Revenue</b>	<b>68,362</b>	110,790
<b>Expenses</b>	<b>(60,278)</b>	(102,199)
<b>Profit for the year</b>	<b>8,084</b>	8,591

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 14: Interests in Joint Ventures (Continued)

#### (d) Interest in Joint Venture Entities

On 23 December 2012, Decmil Investments Pty Ltd acquired a 50% interest in the MGA Gladstone Unit Trust and formed the Maroon Decmil Joint Venture. The Joint Venture is involved in the build-own-operation of the Calliope Accommodation Village located in Gladstone, Queensland.

The consolidated entity's interest in joint venture entity is accounted for in the consolidated statements using the equity method of accounting.

	Consolidated Entity	
	2012 \$000	2011 \$000
<b>Share of joint venture entity's results and financial position:</b>		
Current assets	4,726	-
Non-current assets	44,994	-
<b>TOTAL ASSETS</b>	<b>49,720</b>	-
Current liabilities	9,191	-
Non-current liabilities	23,467	-
<b>TOTAL LIABILITIES</b>	<b>32,658</b>	-
<b>NET ASSETS</b>	<b>17,062</b>	-
Revenue	3,239	-
Expenses	(3,671)	-
<b>Profit before income tax</b>	<b>(432)</b>	-
Income tax expense	-	-
<b>Profit after income tax</b>	<b>(432)</b>	-

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 15: Property, Plant and Equipment

	Consolidated Entity	
	2012 \$000	2011 \$000
LAND AND BUILDING (Secured)+		
Freehold land, at cost	5,002	5,002
Building:		
At cost#	20,703	10,953
Accumulated depreciation	(213)	-
	<b>25,492</b>	<b>15,955</b>
PLANT AND EQUIPMENT		
Plant and Equipment:		
At cost	14,098	7,580
Accumulated depreciation	(6,555)	(4,158)
	<b>7,543</b>	<b>3,422</b>
Leased plant and equipment (Secured)+	7,336	9,704
Accumulated depreciation	(3,598)	(3,690)
	<b>3,738</b>	<b>6,014</b>
Total Property, Plant and Equipment	<b>36,773</b>	<b>25,391</b>

### Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and Building \$000	Owned Plant and Equipment \$000	Leased Plant and Equipment \$000	Total \$000
Balance at 1 July 2011	15,955	3,422	6,014	25,391
Additions	9,750	5,650	634	16,034
Transfer between leased and owned	-	1,251	(1,251)	-
Disposals	-	(195)	(186)	(381)
Depreciation expense	(213)	(2,584)	(1,474)	(4,271)
Balance at 30 June 2012	<b>25,492</b>	<b>7,544</b>	<b>3,737</b>	<b>36,773</b>

# \$438,257 of borrowing costs was capitalised in building for the year ended 30 June 2012.

+ Refer to note 19 for details of the facilities these assets are pledged against.

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 15: Property, Plant and Equipment (Continued)

	Land and Building \$000	Owned Plant and Equipment \$000	Leased Plant and Equipment \$000	Total \$000
Balance at 1 July 2010	-	2,965	6,431	9,396
Additions	15,955	2,200	1,818	19,973
Transfer between leased and owned	-	315	(315)	-
Disposals	-	(135)	(130)	(265)
Intercompany Elimination	-	(5)	-	(5)
Depreciation expense	-	(1,918)	(1,790)	(3,708)
Balance at 30 June 2011	15,955	3,422	6,014	25,391

### Note 16: Intangible Assets

	Consolidated Entity	
	2012 \$000	2011 \$000
Goodwill at cost	48,601	48,601
Accumulated impairment losses	-	-
	48,601	48,601
<i>Movements in Carrying Amounts</i>		
Balance at the beginning of year	48,601	48,601
Additions	-	-
Disposals	-	-
Impairment write-off	-	-
Balance at the end of year	48,601	48,601
Allocation of goodwill to CGUs:		
Decmil Australia	48,601	48,601
Balance at the end of year	48,601	48,601

Assumptions used in value in use calculation:

	Average Growth Rate	Discount Rate
Decmil Australia Pty Ltd	12.9%	15.5%

The recoverable amount of each cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period with the period extending beyond one year extrapolated using an estimated growth rate. The cash flows are discounted using a discount rate which recognises the risk factor applicable to the industry in which the company and its subsidiaries operate.

Management has based the value-in-use calculations on budgets for each cash generating unit. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the periods which are consistent with inflation rates applicable to the locations in which the cash generating units operate. Discount rates are after tax and are adjusted to incorporate risks associated with a particular industry.



# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 17: Other Current Assets

	Note	Consolidated Entity	
		2012 \$000	2011 \$000
CURRENT			
Prepayments		2,899	1,835
Others		5,348	2,170
		<b>8,247</b>	<b>4,005</b>

### Note 18: Trade and Other Payables

CURRENT			
Unsecured liabilities:			
Trade payables		55,026	36,168
Advanced billings to customers	12	45,776	7,907
Sundry payables and accrued expenses		82,865	33,440
		<b>183,667</b>	<b>77,515</b>

### Note 19: Borrowings

CURRENT			
Secured liabilities:			
Hire purchase liability	23	1,593	2,525
Bank loan		7,797	577
Premium funding liability	23	95	-
		<b>9,485</b>	<b>3,102</b>
NON-CURRENT			
Secured liabilities:			
Hire purchase liability	23	1,113	2,306
Bank loan		5,253	2,538
		<b>6,366</b>	<b>4,844</b>
Total Borrowings		<b>15,851</b>	<b>7,946</b>

Hire purchase agreements have an average term of 3 years. The average interest rate implicit in the hire purchase is 8.2% (2011: 8.6%). The hire purchase liability is secured by a charge over the underlying hire purchase assets.

The bank loan facility from the National Australia Bank ("NAB") expires in May 2014. The interest rate is fixed at 6.53% on 60% of the loan balance and variable for the remaining 40% of the loan balance. Security for the loan and other NAB facilities included in note 25(d) comprises the following:

- Indemnity and guarantee by Decmil Group Limited and its controlled entities;
- Registered mortgage debenture over all assets and undertakings of Decmil Group Limited and its controlled entities;
- Letter of set-off by Decmil Australia Pty Ltd over funds on deposit; and
- First registered mortgage over property situated at 20 Parkland Road, Osborne Park, Western Australia.

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 20: Tax

### Note

### Consolidated Entity

		2012 \$000	2011 \$000
(a) <b>Assets</b>			
Deferred tax assets comprise:			
Transaction costs on equity issue		863	12
Employee benefits		3,688	1,164
Restructuring costs		15	22
Trademark costs		3	4
Investment due diligence costs		43	-
	<b>20(b)</b>	<b>4,612</b>	<b>1,202</b>
(b) <b>Reconciliations</b>			
(i) <b>Gross Movements</b>			
The overall movement in the deferred tax benefit account is as follows:			
Opening balance		1,202	1,358
(Charge) / credit to income statement	<b>6</b>	2,559	(46)
(Charge) / credit to equity		851	(110)
Closing balance		<b>4,612</b>	<b>1,202</b>
(ii) <b>Deferred Tax Assets</b>			
The movement in deferred tax assets for each temporary difference during the year is as follows:			
<i>Transaction costs on equity issue</i>			
At beginning of the year		12	135
(Charge) / credit directly to equity		851	(110)
(Charge) / credit to income statement		-	(13)
At end of the year		<b>863</b>	<b>12</b>
<i>Employee Benefits</i>			
At beginning of the year		1,164	1,193
(Charge) / credit to income statement		2,524	(29)
At end of the year		<b>3,688</b>	<b>1,164</b>
<i>Restructuring Costs</i>			
At beginning of the year		22	30
(Charge) / credit to income statement		(7)	(8)
At end of the year		<b>15</b>	<b>22</b>
<i>Trademark Costs</i>			
At beginning of the year		4	-
(Charge) / credit to income statement		(1)	4
At end of the year		<b>3</b>	<b>4</b>
<i>Investment due diligence costs</i>			
At beginning of the year		-	-
(Charge) / credit to income statement		43	-
At end of the year		<b>43</b>	<b>-</b>

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 21: Provisions

	Consolidated Entity	
	2012 \$000	2011 \$000
CURRENT		
Employee entitlements	7,274	3,991
Balance at beginning of year	3,991	5,380
Additional provision	11,313	11,890
Amounts used	(8,030)	(13,279)
Balance at end of year	7,274	3,991

#### Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual, long service and vesting sick leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

### Note 22: Issued Capital

	Consolidated Entity	
	2012 \$000	2011 \$000
167,117,757 (2011: 124,214,568) fully paid ordinary shares	162,787	78,596

	2012		2011	
	No.	\$000	No.	\$000
(a) Ordinary Shares				
At the beginning of reporting period	124,214,568	78,596	123,554,568	78,042
Shares issued during the year	42,903,189	86,232	660,000	555
Equity based payments	-	326	-	116
Transaction costs of issue	-	(2,367)	-	(117)
At the end of the reporting date	167,117,757	162,787	124,214,568	78,596

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

#### (b) Options

- For information relating to the Decmil Group Limited employee share option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to note 26.
- For information relating to share options issued to executive directors during the financial year, refer to note 26.

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 22: Issued Capital (Continued)

#### (c) Capital Management

Management controls the capital of the consolidated entity in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the consolidated entity can fund its operations and continue as a going concern.

The consolidated entity's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the consolidated entity since the prior year. The strategy is to ensure that the consolidated entity has a positive net cash position. The gearing ratios for the years ended 30 June 2012 and 30 June 2011 are as follows:

	Note	Consolidated Entity	
		2012 \$000	2011 \$000
Total borrowings	19	15,851	7,946
Trade and other creditors	18	183,667	77,515
Less cash and cash equivalents	10	(141,352)	(64,362)
Net debt/(cash)		58,166	21,099
Total equity		162,787	78,596
Total capital		220,953	99,695
Gearing ratio		26%	21%

### Note 23: Capital and Hire Purchase Commitments

#### (a) Hire Purchase Commitments

Payable — minimum HP payments

— not later than 1 year	1,747	2,833
— between 1 and 5 years	1,174	2,480

Minimum HP payments

Less future finance charges

Present value of minimum HP payments

#### (b) Premium Funding Commitments

Payable — minimum HP payments

— not later than 1 year	97	-
— between 1 and 5 years	-	-

Minimum HP payments

Less future finance charges

Present value of minimum HP payments

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 23: Capital and Hire Purchase Commitments (Continued)

(c) Operating Lease Commitments	Consolidated Entity	
	2012 \$000	2012 \$000
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 1 year	720	961
— between 1 and 5 years	1,847	275
	<b>2,567</b>	<b>1,236</b>

### Note 24: Segment Reporting

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The consolidated entity operates as two segments.

1. Construction – Decmil Australia Pty Ltd – multi-discipline design, civil engineering and construction services; and
2. Accommodation – Maroon Decmil Joint Venture – build-own-operation of the Calliope Accommodation Village located in Gladstone, Queensland.

The consolidated entity is domiciled in Australia. All the revenue from external customers is generated from Australia. Segment revenues are allocated based on the country in which the customer is located.

The consolidated entity derives 30%, 25% and 13% (2011: 36%, 29% and 23%) of its revenues from the top three external customers.

All the assets are located in Australia.

(a) Segment performance	Construction	Accommodation	Total
2012	\$000	\$000	\$000
REVENUE			
External sales	550,347	-	550,347
Interest revenue	3,801	1,446	5,247
Total segment revenue	554,148	1,446	555,594
Segment net profit before tax	56,395	(432)	55,963

#### Segment performance

2011

REVENUE			
External sales	392,095	-	392,095
Interest revenue	2,107	-	2,107
Total segment revenue	394,202	-	394,202
Segment net profit before tax	33,331	-	33,331

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 24: Segment Reporting (Continued)

(b) Segment assets 2012	Construction \$000	Accommodation \$000	Total \$000
Current assets	289,467	-	289,467
Non-current assets	89,986	64,753	154,739
Total segment assets	379,453	64,753	444,206

Included in segment assets are:

– equity accounted joint ventures	-	41,710	41,710
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Segment assets 2011	Construction \$000	Accommodation \$000	Total \$000
Current assets	132,886	-	132,886
Non-current assets	75,194	-	75,194
Total segment assets	208,080	-	208,080

(c) Segment liabilities 2012	Construction \$000	Accommodation \$000	Total \$000
Current liabilities	212,379	-	212,379
Non-current liabilities	6,366	-	6,366
Total segment liabilities	218,745	-	218,745

Segment liabilities 2011	Construction \$000	Accommodation \$000	Total \$000
Current liabilities	89,404	-	89,404
Non-current liabilities	4,844	-	4,844
Total segment liabilities	94,248	-	94,248

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 25: Cash Flow Information

	Consolidated Entity	
	2012 \$000	2011 \$000
(a) <b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>		
Profit after income tax	39,056	23,480
Non-cash flows in profit		
Depreciation and amortisation	4,271	3,708
Equity based payments	326	116
(Profit)/Loss on sale of non-current assets	14	4
(Profit)/Loss in share of joint venture	432	-
Interest income	(1,446)	-
Provision for doubtful debts	531	-
Changes in assets and liabilities		
Trade receivables	(54,740)	24,329
Prepayments	(1,064)	(24)
Other assets	(3,178)	(11,997)
Work in progress	(21,143)	4,539
Trade payables and accruals	117,092	(16,777)
Deferred tax assets	(3,410)	110
Provisions	3,283	1,389
Cash flow from operations	80,024	28,877

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 25: Cash Flow Information (Continued)

#### (b) Acquisition of Entities

#### Consolidated Entity

2012 2011

\$000 \$000

During the year a 50% ownership interest of the MGA Gladstone Unit Trust was acquired. Details of this transaction are:

Purchase consideration consisting of:

- Cash consideration	42,486	-
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Information regarding the acquisitions, including the profit since acquisition, is disclosed in note 14.

#### (c) Non-cash Financing and Investing Activities

##### (i) Share issues:

- 41,423,189 fully paid ordinary shares at \$2.05 each issued for 1-for-3 accelerated renounceable entitlement offer	84,918	-
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##### (ii) Finance leases:

- Finance leases to acquire plant and equipment	697	2,296
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#### (d) Credit Standby Facilities with Banks

Credit facilities	194,500	168,000
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Amount utilised

- Bank and performance guarantees	(86,829)	(66,347)
- Equipment finance	(2,330)	(4,726)
- Bank loan	(13,050)	(3,115)

	92,291	93,812
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The credit facilities are summarised as follows:

Bank loan	15,000	15,000
Equipment finance	14,500	14,500
Bank and performance guarantees	165,000	138,500
	194,500	168,000

The majority of credit facilities are provided by National Australia Bank Limited and are subject to annual review. This comprises of a \$15 million bank loan facility, a \$60 million bank guarantee facility and a \$3 million equipment finance facility. Terms of the NAB facilities and other equipment finance facilities are detailed in note 19. In addition to the NAB facilities, the consolidated entity also has the following facilities: Equipment finance of \$8 million and \$3.5 million with Toyota Finance and Commonwealth Bank Finance respectively; and performance guarantees of \$50 million, \$40 million and \$15 million with Asset Insure, QBE and AP Surety respectively.



# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

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### Note 26: Share-based Payments

The company established the Decmil Group Limited Share Option Plan ("the Plan") on 24 November 2005 following approval of the Plan by shareholders at a general meeting held on that date. All employees of the consolidated entity are entitled to participate in the Plan at the board's discretion. The exercise price of the options granted pursuant to the plan is calculated as the average market value of the company's share price on the five days preceding the date in which the board resolved to grant the options pursuant to the Plan. Common vesting conditions are that one third of the number of options granted pursuant to the Plan may be exercised within one year from the date of granting, a further one third within 2 years from the date of granting and the remainder fully vested thereafter. Options issued under the Plan have an expiry date of 5 years from the date of granting. Shares issued pursuant to the exercise of vested options are entitled to full dividend and voting rights. The number of options that may be granted under the Plan is restricted to no more than 5% of the number of ordinary shares on issue by the parent company.

The company has granted options as part of contracts of employment with key employees to attract them to join and retain their services within the consolidated entity. The exercise prices of the granted options pursuant to contracts of employment were set based on the market value of the company's share price at the time of the offer of employment was made or were negotiated by mutual consent during contract negotiations. These options have varying vesting terms and expiry periods.

The company has granted options to executive directors pursuant to shareholder approval gained during general meetings to grant such options. The exercise prices of the options granted to executive directors was set based on the market value of the company's share price at the time of the board's decision to recommend such granting of options to the company's shareholders. These options have varying vesting terms and expiry periods.

Common terms and conditions applicable to all options granted are:

- options have no rights to any dividends;
- options are not transferable;
- any vested options must be exercised within 30 days of ceasing employment with the consolidated entity or they automatically expire thereafter; and
- any unvested options automatically expire upon ceasing employment with the consolidated entity.

#### *Performance Rights Plan*

As a result of passing of Resolution 7 at the 30 November 2009 Annual General Meeting, a performance rights plan was put in place.

The Board believes that the long term incentive offered to key executives forms a key part of their remuneration and assists to align their interests with the long term interests of Shareholders.

The number of rights issued were calculated by dividing up to 100% (as determined by the Board) of total fixed annual remuneration for each executive by the volume weighted average closing price of shares, as quoted on the ASX, over the 5 trading days prior to the relevant grant date.

In future years, the number of Performance Rights price will be calculated by dividing up to 100% (as determined by the Board) of the executive's total annual fixed remuneration by the volume weighted average closing price of Shares, as quoted on ASX, over the 60 days prior to the issue of the Notice of Meeting for approval by shareholders.

The Performance Rights have a varying vesting period, the minimum vesting period which must elapse before Shares may be issued or transferred to the executives is three years from the grant date of the Performance Rights and the number of Performance Rights which vest is dependent to the extent that the applicable performance hurdle outlined below is satisfied. For each tranche issued, any Performance Rights which do not vest at the three year measurement date, further vesting dates exist at five years from the date of grant and seven years from the date of grant.

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 26: Share-based Payments (Continued)

The Performance Rights will vest (that is, Shares will be issued or become transferable to the executives upon satisfaction of the Performance Rights vesting condition) to the extent that the applicable performance hurdle outlined below is satisfied. Subject to achievement of the hurdle, the Performance Rights may be converted (on a one-for-one basis) to fully paid ordinary shares in the Company.

#### Performance Hurdle

The performance hurdle for the vesting of the Performance Rights (and allocation of Shares) will be measured by comparing the total shareholder return (TSR) of the Company relative to the TSRs of the companies in the S&P/ASX 300 Index as at the commencement of the Vesting Period. Total Shareholder Return (TSR) is a measure that represents the change in capital value of a listed company's share price over a period, plus reinvested dividends, expressed as a percentage of the opening value.

The period over which the TSR of the Company is compared with the TSRs of companies in the S&P/ASX 300 Index commences on the first day of the Vesting Period and is measured at three test dates, namely the third, fifth and seventh anniversary of the first day of the Vesting Period.

The percentage of Performance Rights that will vest is based on the Company's relative ranking over the measurement period (unless the Board otherwise determines), as follows:

The Company's TSR rank in the S&P/ASX 300 Index	The percentage of Performance Rights which will vest
Below the 50th percentile	Nil
At or above the 50th percentile and below the 75th percentile	50%, plus 2% for every one percentile increase above the 50th percentile
At or above the 75th percentile	100%

If an executive resigns his or her employment, any unvested Performance Rights will lapse, unless the Board determines otherwise.

i. A summary of the movements of all company options issues is as follows:

	Number	Weighted average exercise price
<b>Options outstanding as at 30 June 2010</b>	2,590,000	\$0.86
Granted	-	-
Forfeited	-	-
Exercised	(660,000)	\$0.84
Expired	-	-
<b>Options outstanding as at 30 June 2011</b>	1,930,000	\$0.89
Granted	-	-
Forfeited	-	-
Exercised	(1,480,000)	\$0.89
Expired	-	-
<b>Options outstanding as at 30 June 2012</b>	450,000	\$0.90
Options exercisable as at 30 June 2012:	450,000	
Options exercisable as at 30 June 2011:	1,930,000	

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 26: Share-based Payments (Continued)

The weighted average remaining contractual life of options outstanding at year end was 1 year. The exercise price of outstanding shares at the end of the reporting period was \$0.90.

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

- ii. There were no options granted during the year.
- iii. A summary of the movements of all performance right issues is as follows:

	Number	Weighted average exercise price
<b>Performance Rights outstanding as at 30 June 2011</b>	1,303,956	-
Granted	775,576	-
Forfeited	(30,940)	-
Exercised	-	-
Expired	-	-
<b>Performance Rights outstanding as at 30 June 2012</b>	2,048,592	-

Performance Rights exercisable as at 30 June 2012: 635,462

Performance Rights exercisable as at 30 June 2011: -

The fair value of the Performance Rights granted during the financial year was \$1,234,645. Performance Rights granted during the year were valued using a Binomial option pricing model. The expected life used in the model has been based on management's best estimate for the effects of the vesting conditions and the probability of meeting the vesting conditions. The Fair Value has been discounted by 25% to reflect the probability of not meeting the TSR performance hurdles. The discount factor of 25% was determined through the use of a Binomial option pricing model, probability trees and an analysis of the historic performance, over various periods of time of the ASX 300.

The weighted average fair value of performance right granted during the year was \$1.592 (2011: \$0.879). These values were calculated using a Binomial option pricing model applying the following inputs:

Weighted average exercise price:	\$Nil
Expected vesting period for the performance rights to vest:	7 years
Expected share price volatility:	50%
Risk-free interest rate:	5.00%
Dividend yield:	3.75%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 26: Share-based Payments (Continued)

Expenses arising from share based payment transactions recognised during the year were as follows:

	Consolidated Entity	
	2012 \$000	2011 \$000
Options	-	-
Performance rights		
— expenses	333	212
— written back on forfeiture	(7)	(96)
	<b>326</b>	<b>116</b>

### Note 27: Related Party Transactions and Balances

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

	Consolidated Entity	
	2012 \$000	2011 \$000
(a) <b>Director Related Transactions</b>		
Rent of various properties used by Decmil Australia Pty Ltd paid to Broadway Pty Ltd, an entity in which Mr Denis Criddle has a beneficial interest	291	291
(b) <b>Director Related Balances</b>		
Amounts owing to GLA Consulting Pty Ltd, an entity in which Mr Geoffrey Allen has a beneficial interest, for directors' fees#	-	11
Amounts owing to The Nevern Group Pty Ltd, an entity in which Mr Giles Everist has a beneficial interest, for directors' fees#	-	6

#Transactions relating to Directors fees are included in the Director's report details of remuneration.

## Notes to the Financial Statements

For the year ended 30 June 2012

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### Note 28: Financial Instruments

#### Financial Risk Management Policies

The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable and payable and leases.

The main purpose of non-derivative financial instruments is to raise finance for operations.

No derivatives are used by the consolidated entity and the consolidated entity does not speculate in the trading of derivative instruments.

#### i. Treasury Risk Management

The chief financial officer and other senior finance executives regularly analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to assist the consolidated entity in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Treasury functions are performed in accordance with policies approved by the board of directors. Risk management policies are approved and reviewed by the board on a regular basis. These include credit risk policies and future cash flow requirements.

#### ii. Financial Risk Exposures and Management

The main risks the consolidated entity is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

##### *Interest rate risk*

Exposure to interest rate risk arises on financial assets and liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The consolidated entity is also exposed to earnings volatility on floating rate instruments. Interest rate risk is managed with a mixture of fixed and floating rate debt.

##### *Liquidity risk*

The consolidated entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

##### *Credit risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2012.

In respect of the parent entity, credit risk also incorporates the exposure of Decmil Group Limited to the liabilities of all members of the closed group under the deed of cross-guarantee.

Credit risk is managed on a group basis and reviewed regularly by finance executives and the board. It arises from exposures to customers as well as through deposits with financial institutions.

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated entity.

##### *Price risk*

The consolidated entity is exposed to price risks associated with labour costs and to a lesser extent, fuel and steel prices. Wherever possible, the consolidated entity contracts out such exposures or allows for the rise and fall for changes in prices or provides sufficient contingencies to cover for such price risks.

##### *Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the consolidated entity holds financial instruments which are other than the AUD functional currency of the consolidated entity.

#### iii. Financial instrument composition and maturity analysis:

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 28: Financial Instruments (Continued)

	Weighted Average Effective Interest Rate	Non- Interest Bearing	Within 1 year	1 to 5 years	Over 5 Years	Adjustment for Discounting	Carrying Amount
2012	%	\$000	\$000	\$000	\$000	\$000	\$000
<u>Financial assets</u>							
Cash and cash equivalents	4.2	-	141,352	-	-	-	141,352
Receivables	-	111,320	-	-	-	-	111,320
		111,320	141,352	-	-	-	252,672
<u>Financial liabilities</u>							
Payables	-	(183,667)	-	-	-	-	(183,667)
Borrowings	6.8	-	(9,485)	(6,366)	-	-	(15,851)
		(183,667)	(9,485)	(6,366)	-	-	(199,518)
<b>2011</b>							
<u>Financial assets</u>							
Cash and cash equivalents	5.0	-	64,362	-	-	-	64,362
Receivables	-	57,114	-	-	-	-	57,114
		57,114	64,362	-	-	-	121,476
<u>Financial liabilities</u>							
Payables	-	(77,515)	-	-	-	-	(77,515)
Borrowings	7.8	-	(3,102)	(4,844)	-	-	(7,946)
		(77,515)	(3,102)	(4,844)	-	-	(85,461)

#### Consolidated Entity

2012  
\$000

2011  
\$000

Trade and other payables are expected to be paid as followed:

Less than 6 months	183,667	77,515
	183,667	77,515

#### iv. Net Fair Values

The net fair values of:

- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

Financial assets where the carrying amount exceeds net fair values have not been written down as the consolidated entity intends to hold these assets to maturity.

Aggregate net fair values equal to the respective carrying amounts of financial assets and financial liabilities at balance date.

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

### Note 28: Financial Instruments (Continued)

#### v. Sensitivity Analysis

##### Interest Rate Risk and Price Risk

The consolidated entity has performed sensitivity analysis relating to its exposure to interest rate risk, and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

##### *Interest Rate Sensitivity Analysis*

The consolidated entity's cash and cash equivalents and borrowings are subject to interest rate sensitivities. At 30 June 2012, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant is immaterial.

##### *Price Risk Sensitivity Analysis*

At 30 June 2012, the effect on profit and equity as a result of changes in the price risk, with all other variables remaining constant would be as follows:

	Consolidated Entity	
	2012 \$000	2011 \$000
Change in Profit		
— Increase in labour costs by 5% (CPI assumption)	(6,716)	(4,986)
Change in Equity		
— Increase in labour costs by 5% (CPI assumption)	(6,716)	(4,986)

In the opinion of the consolidated entity's executives, the majority of the above increase in labour costs, had they been incurred, would have been negated by an increase in the price of services offered by the consolidated entity.

The above interest rate and price risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

##### *Foreign Exchange Sensitivity Analysis*

The effect on profit and equity as a result of changes in foreign exchange rates, with all other variables remaining constant, is immaterial.

### Note 29: Contingent Liabilities

	Consolidated Entity	
	2012 \$000	2011 \$000
Guarantees given to various clients for satisfactory contract performance	86,829	66,347
	<u>86,829</u>	<u>66,347</u>

# Decmil Group Limited

## Notes to the Financial Statements

For the year ended 30 June 2012

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### Note 30: Subsequent Events

On 22 August 2012, the company proposed a fully franked 7.5 cent per share final dividend with a record date of 6 September 2012 and payment date of 20 September 2012. The total amount of this dividend payment will be \$12.534 million. After this dividend payment, the franking account balance will be \$25.182 million.

On 13 August 2012, the Company acquired the remaining 50% interest in the MGA Gladstone Unit Trust (MGA), owner of the Calliope Accommodation Village in Gladstone, Queensland from Maroon Group Holdings Pty Ltd (Maroon Group). The acquisition results in Decmil owning 100% of MGA. The consideration paid to the Maroon Group is as follows –

- \$12 million at settlement;
- \$3 million (to be paid on 21 December 2012); and
- Decmil releasing Maroon Group from advances made to it under the working capital facility of approximately \$3 million.

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

## Director's Declaration

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The directors of the company declare that:

1. the financial statements and notes, as set out in the financial report, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with Australian Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view; and
3. 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.

The company and its controlled entities as disclosed in note 13(b) have entered into a deed of cross guarantee under which the company and its controlled entities guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.



Giles Everist  
Chairman

Dated this 22<sup>nd</sup> day of August 2012

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

**Report on the Financial Report**

We have audited the accompanying financial report of Decmil Group Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Independence*

In conducting our audit, 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 report.

### *Opinion*

In our opinion:

- (a) the financial report of Decmil Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

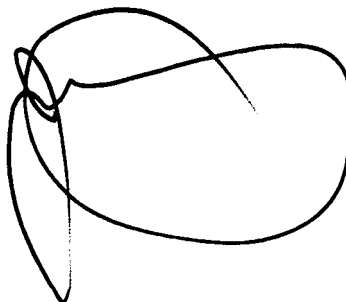
### **Report on the Remuneration Report**

We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Opinion*

In our opinion the Remuneration Report of Decmil Group Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

*RSM Bird Cameron Partners*  
RSM BIRD CAMERON PARTNERS



Perth, WA  
Dated: 22 August 2012

J A KOMNINOS  
Partner

# Decmil Group Limited

## Corporate Governance Statement

The Board of Decmil Group Limited is responsible for the corporate governance of Decmil Group Limited and its subsidiary companies. The Board determines all matters relating to the strategic direction and governance, policies, practices, management and operations of Decmil Group Limited with the aim of protecting the interests of its Shareholders and other stakeholders, including employees, clients and suppliers, and creating value for them.

The ASX Corporate Governance Council's (Council) "Corporate Governance Principles and Recommendations" (Principles and Recommendations) articulates eight core corporate governance Principles, with commentary about implementation of those Principles in the form of Recommendations.

Under ASX Listing Rule 4.10.3 Decmil Group Limited is required to provide a statement in its annual report disclosing the extent to which it has followed the Recommendations in the reporting period. Where a Recommendation has not been followed, the fact must be disclosed, together with reasons for departure from the Recommendation. In addition, a number of the Recommendations require the disclosure of specific information in the corporate governance statement of the annual report.

Decmil Group Limited's corporate governance statement is structured with reference to the Council's Principles and Recommendations, which are as follows:

PRINCIPLE	WHERE TO FIND DETAILS OF DECMIL GROUP LIMITED'S COMPLIANCE 2011/12
<b>Principle 1</b> – Lay solid foundations for management and oversight	<ul style="list-style-type: none"><li>• Structure and Operation of the Board (page 64)</li><li>• Performance (page 67)</li></ul>
<b>Principle 2</b> – Structure the board to add value	<ul style="list-style-type: none"><li>• Structure and Operation of the Board (page 64)</li><li>• Nomination Committee (page 65)</li></ul>
<b>Principle 3</b> – Promote ethical and responsible decision-making	<ul style="list-style-type: none"><li>• Code of Conduct (page 69 + refer to the Code of Conduct Policy, provided in the Corporate Governance section of the company's website)</li><li>• Trading Policy (page 69 + refer to the Securities Trading Policy, provided in the Corporate Governance section of the company's website)</li></ul>
<b>Principle 4</b> – Safeguard integrity in financial reporting	<ul style="list-style-type: none"><li>• Audit and Risk Committee (page 66)</li><li>• Risk Management (page 67)</li></ul>
<b>Principle 5</b> – Make timely and balanced disclosure	<ul style="list-style-type: none"><li>• Refer to the Continuous Disclosure Policy, provided in the Corporate Governance section of the company's website)</li></ul>
<b>Principle 6</b> – Respect the rights of shareholders	<ul style="list-style-type: none"><li>• Refer to the Corporate Governance section of the company's website)</li></ul>

# Decmil Group Limited

<b>Principle 7</b> – Recognise and manage risk	<ul style="list-style-type: none"> <li>• Risk Management (page 67)</li> </ul>
<b>Principle 8</b> – Remunerate fairly and responsibly	<ul style="list-style-type: none"> <li>• Remuneration Committee (page 65)</li> <li>• Remuneration (page 65)</li> </ul>

For further information on the corporate governance policies adopted by Decmil Group Limited, please refer to our website: <http://www.decmilgroup.com.au>

## Structure and Operation of the Board

The Board operates pursuant to a formal board charter, which sets out the functions and responsibilities of the Board and management of Decmil Group Limited, and is available in the corporate governance section of the Decmil Group Limited website.

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the Directors' Report.

A Director is considered to be independent where they are a non-executive director, are not a member of management and are free of any relationship that could, or could reasonably be perceived to, materially interfere with the independent exercise of their judgment. The existence of the following relationships may affect independent status if the director:

- is a substantial shareholder of Decmil Group Limited or an officer of, or otherwise associated directly with a substantial shareholder of Decmil Group Limited (as defined in section 9 of the Corporations Act);
- is employed, or has previously been employed in an executive capacity by the Decmil Group Limited Group, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Decmil Group Limited Group, or an employee materially associated with the services provided;
- is a material supplier or customer of the Decmil Group Limited Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Decmil Group Limited Group other than as a Director.

Directors are expected to bring independent views and judgement to the Board's deliberations. The Board Charter requires that at least one half of the Directors of Decmil Group Limited will be non-executive (preferably independent) Directors and that the Chair will be a non-executive Director.

In the context of Director independence, "materiality" is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount, being the monetary value of the transaction or item in question. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it.

In accordance with the definition of independence above, and the materiality thresholds set, the Board reviewed the positions and associations of each of the 6 Directors in office at the date of this statement and considers that 3 of the Directors are independent as follows:

<i>Name</i>	<i>Position</i>
Giles Everist	Non-Executive Chairman
William Healy	Non-Executive Director
Lee Verios	Non-Executive Director

The Board will assess the independence of new Directors upon appointment, and the independence of other Directors, as appropriate. To facilitate independent judgement in decision-making, each Director has the right to seek independent professional advice at Decmil Group Limited's expense. However, prior approval from the Chair is required, which may not be unreasonably withheld.

The term in office held by each Director in office at the date of this statement is as follows:

# Decmil Group Limited

<i>Name</i>	<i>Term in office</i>
Denis Criddle	Appointed August 2007
Scott Criddle	Appointed April 2010
Giles Everist	Appointed December 2009
William Healy	Appointed April 2009
Lee Verios	Appointed April 2010

## Nomination Committee

The board is of the view that due to the nature and size of the company's operations that the functions normally performed by a nomination committee can adequately be performed by the full board.

## Remuneration Committee

The Board established a Remuneration Committee in January 2009 that operates under a charter approved by the Board.

The purpose of the Committee is to provide the Board of Directors of the Company (Board) with advice and recommendations which enable the Board to:

- set in place remuneration policies which are designed to attract and retain senior managers and directors with the expertise to enhance the performance and growth of the Company; and
- ensure that the level and composition of remuneration packages are fair, reasonable and adequate and, in the case of executive directors and senior managers, display a clear relationship between the performance of the individual and the performance of the Company

The Remuneration Committee is responsible for:

### *Executive remuneration policy*

The Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of an executive remuneration policy that:

- is designed to attract, maintain and motivate directors and senior management with the aim of enhancing the performance and long-term growth of the Company; and
- clearly sets out the relationship between the individual's performance and remuneration

The Committee must review the remuneration policy and other relevant policies on an ongoing basis and recommend any necessary changes to the Board.

The Committee is also responsible for providing the Board with advice and recommendations regarding the Company's policies on recruitment, retention and termination.

### *Executive remuneration packages*

The Committee is responsible for reviewing and providing recommendations to the Board with respect to the remuneration packages of senior management and executive directors.

The Committee must ensure that the remuneration packages of senior management and executive directors:

- display a balance between fixed and incentive pay which is tailored to the Company's short and long-term performance objectives
- provide for a link between rewards and the performance of the Company and individual; and
- are consistent with the Company's remuneration policy and any other relevant Company policies

The fixed component of each executive remuneration package should be based on the core performance requirements and expectations of the individual. The performance based component of each executive remuneration package must be clearly linked to specified performance targets.

The Committee must ensure that, where applicable, any payments of equity-based remuneration are made in accordance with any thresholds set in plans approved by the Company's shareholders. Committee members must be aware at all times of the limitations of equity-based remuneration.

The Committee is also responsible for advising and providing recommendations to the Board with respect to executive superannuation and termination payments (if applicable).

# Decmil Group Limited

## *Incentive schemes*

The Committee is responsible for reviewing and providing recommendations to the Board with respect to:

- the Company's policies with respect to incentive schemes; and
- the incentive schemes of senior managers and executive directors

The Committee will assist the Board in the development of appropriate benchmarks for use in designing incentive schemes.

## *Non-executive remuneration*

The Committee is responsible for providing advice to the Board with respect to non-executive directors' remuneration.

The remuneration packages of non-executive directors should generally be fee based and the Committee must ensure that:

- there is a clear distinction between the structure of non-executive directors' and executive directors' remuneration; and
- non-executive directors do not:
  - participate in remuneration schemes designed for executive directors; or
  - receive options, bonus payments, retirement or termination benefits other than statutory superannuation

## *Termination payments*

The Committee is responsible for providing advice and recommendations to the Board on the Company's termination and redundancy policies and the payments made to outgoing directors and senior managers. The Committee should ensure that termination payments:

- are fair to the individual and the Company; and
- do not reward failure

Where applicable termination payments must be agreed in advance and must contain clearly defined provisions regarding the consequences of early termination. The termination payments of the Company's chief executive officer must always be agreed in advance.

The Remuneration Committee comprised the following members:

- Lee Verios (Chair)
- William Healy
- Giles Everist

For details of Directors' attendance at meetings of the Remuneration Committee, please refer to the Directors' Report.

For additional details regarding the Remuneration Committee, including the committee charter, please refer to our website.

## Audit and Risk Committee

The Board established an Audit and Risk Committee in January 2009 that operates under a charter approved by the Board.

The purpose of the Committee with respect to audit is to assist the board of directors of the Company in fulfilling its corporate governance and oversight responsibilities by:

Monitoring and reviewing

- the integrity of financial statements
- the effectiveness of internal financial controls;
- the independence, objectivity and competency of internal and external auditors; and
- the policies on risk oversight and management; and

Making recommendations to the Board in relation to the appointment of external auditors and approving the remuneration and terms of their engagement.

# Decmil Group Limited

## Risk Management

The primary objective of the Committee is to assist the Board in fulfilling its responsibilities relating to the risk management and compliance practices of the Company.

The Audit and Risk Committee comprised the following members:

- William Healy (Chair)
- Giles Everist
- Denis Criddle

Details of the skill and experience of the committee members are detailed in the Director's report.

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, please refer to the Directors' Report.

## Performance

The performance of the Board and its individual Directors are reviewed regularly.

During the reporting period the performance of the Board was reviewed internally.

The Board has determined that there is insufficient value in an external Board review process, and accordingly proposes that the Board review process is handled internally whereby the performance of the Board is assessed against its objectives and responsibilities as set out in the Board Charter. The process consists of an informal discussion, completion of a standard format questionnaire, one-on-one meetings between the Chairman and individual Directors and a final review of completed questionnaires. A timetable for the Board review process has been established.

Both performance reviews of the Remuneration Committee and Audit and Risk Committee were conducted during the year.

The process for evaluating the performance of the Remuneration Committee and the Audit and Risk Committee involves an internal review by the relevant committee of its performance against its objectives and responsibilities as set out in the relevant committee charter.

The performance of key executives is reviewed regularly against appropriate measures. Further, the performance of key executives is reviewed internally on an annual basis pursuant to a Decmil Group Limited-wide performance planning and review process. Key performance indicators are agreed on an individual basis for such executives and performance against these indicators is then reviewed by the Chief Executive Officer. The outcome of the review then provides the basis for a professional development plan for the key executive.

As noted above, performance evaluations for individual Directors and key executives were conducted during the reporting period in accordance with the above processes.

## Risk Management

Decmil Group Limited recognises the importance of risk management and as such, has completed the establishment of its formal risk management framework during the reporting period.

The Decmil Group Limited Board is ultimately responsible for risk management in Decmil Group Limited and must satisfy itself that significant risks faced by the Decmil Group Limited Group are being managed appropriately and that the system of risk management within the Decmil Group Limited Group is robust enough to respond to changes in Decmil Group Limited's business environment.

The Audit and Risk Committee has the following responsibilities in regard to risk management:

- assess the internal process for determining and managing key risk areas;
- ensure that the Decmil Group Limited Group has an effective risk management system and that macro risks to the Decmil Group Limited Group are reported at least twice a year to the Board;
- evaluate the process Decmil Group Limited has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk; and
- assess whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.

The CEO is responsible for the continuous development of risk management in the Decmil Group Limited Group and for supervising the implementation of risk management in compliance with the risk management policy and guidelines established.



# Decmil Group Limited

Each business unit is responsible for the identification, assessment, control, reporting and on-going monitoring of risks within its own responsibility. Business units are responsible for implanting the requirements of this policy and for providing assurance to the Board of Directors that it has done so. The business unit, where deemed appropriate, may enhance its own organisational structure provided that such enhancements further assist the achievement of the objectives of this policy.

Management is responsible for identifying and evaluating risks within their area of responsibility, implementing agreed actions to manage risk and for reporting as well as monitoring any activity or circumstance that may give risk to new or changed risks.

In summary, the Decmil Group Limited Risk Management system comprises:

- A Group Risk Management Policy Statement and methodology based on the Australian Standard on Risk Management, ASNZS 4360. This Policy has been placed on the Decmil Group Limited website and is therefore accessible by all Decmil Group Limited staff. The Policy outlines Decmil Group Limited's approach to managing risk including a description of responsibilities;
- A Strategic Risk Management Plan for the Group and an Operational Risk Management Plan for each of the business units, which were developed by management using the Decmil Group Limited Risk Management methodology, with the endorsement of the Audit and Risk Committee;
- A Group Risk Co-ordinator, who is responsible for managing and implementing Decmil Group Limited's risk management framework;
- A designated "risk champion" for each business unit, who liaises with the Group Risk Coordinator;
- The Group Strategic Risk Management Plan is reviewed every 6 months by management;
- A Group Strategic Risk Register, which records any extreme or high residual risks identified in the Group Strategic Risk Management Plan (such risks being equivalent to the Council's "material business risks"). This central register is managed by the Group Risk Co-ordinator and is regularly reviewed by management and the Audit and Risk Committee. The Audit and Risk Committee reports every 6 months to the Board on the management of the risks contained in the Strategic Risk Register;
- The Operational Risk Management Plans for the business units are reviewed every 6 months by the designated risk champions, such reviews are facilitated by the Group Risk Coordinator;
- A Group Operational Risk Register, which is maintained for each business unit and records any extreme or high residual risks identified in the Operational Risk Management Plans. This central register is also managed by the Group Risk Co-ordinator and is regularly reviewed by management and the Audit and Risk Committee. The Audit and Risk Committee reports every 6 months to the Board on the management of the risks contained in the Operational Risk Register;
- The Audit and Risk Committee review the timeliness and effectiveness of action taken to reduce any Extreme or High residual risks noted in the Risk Registers at their meetings. The Audit and Risk Committee have four meetings a year;
- A Decmil Group Limited Group wide comprehensive insurance program, which is reviewed annually; and
- Regular meetings with Business Unit General Managers.

The Decmil Group Limited Internal Control system comprises:

- Management understanding and acceptance of its responsibility to implement appropriate systems of internal control to effectively manage potential risks;
- Ongoing management oversight of strategic matters by management and of operational matters by business unit management;
- Various policies and procedures covering areas such as Finance, Human Resources, Information Technology, Safety and Delegations of Authority, such policies are centrally located via an intranet;
- Monthly reporting and review of financial and budgetary information;
- External auditors independently evaluating Decmil Group Limited's compliance with the International Financial Reporting Standards on an annual basis;
- In particular, the Audit and Risk Committee endorses an annual list of planned audits across the business units, which are set out in an agreed Internal Audit Plan, to be undertaken by suitably qualified auditors.

# Decmil Group Limited

In addition, the Board has received a written assurance from the Chief Executive Officer and the Chief Financial Officer that, to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks. The Board understands that these assurances regarding the internal control systems provide a reasonable level of assurance only and do not imply a guarantee against adverse events, or losses, or more volatile outcomes arising in the future and that the design and operation of the internal control systems relating to financial reporting has been assessed primarily through the use of declarations by process owners who are responsible for those systems.

## Remuneration

It is Decmil Group Limited's objective to provide maximum stakeholder benefit from the retention of a high quality Board by remunerating Directors fairly and appropriately with reference to relevant market conditions.

The remuneration policy, which sets the terms and conditions for the chief executive officer and other senior executives, was reviewed by the remuneration committee which consisted of two independent directors. Professional advice from independent consultants is sought and considered when deemed appropriate. All executives receive a base salary, superannuation, performance incentives and retirement benefits. The remuneration committee reviewed the executive packages by reference to company performance, executive performance, comparable information from industry sectors and other listed companies, and independent advice. The performance of executives is measured against predetermined criteria based on forecast growth of the company's activities, profits and shareholder value. The policy is designed to attract high calibre executives and reward them for performance which results in long-term growth in shareholder value.

Executives are also entitled to participate in the employee performance rights plan approved by shareholders.

The amount of remuneration for all directors and the specified executives, including all monetary and non-monetary components, are detailed in the notes to the financial report. All remuneration paid to executives is valued at the cost to the company and expensed. Options are valued using Black-Scholes option pricing methodologies and performance rights are valued using a Binomial option pricing model.

The board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, stock options and other incentive payments are reviewed by the board periodically as part of the review of executive remuneration and a recommendation is put to the board for approval. All bonuses, rights and incentives must be linked to predetermined performance criteria. The board can exercise its discretion in relation to approving incentives, bonuses and rights.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors.

For a full discussion of Decmil Group Limited's remuneration philosophy and framework and the remuneration received by Directors in the current period please refer to the remuneration report, which is contained within the Director's Report and also the company's website in the Corporate Governance section.

## Code of Conduct

Decmil Group Limited has established a code of conduct. The code of conduct is located on the company's website in the Corporate Governance section.

## Trading Policy

The company's policy regarding directors and employees trading in its securities restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Trading in the company's securities is permitted during the 30 day period immediately after the company announces its full year and half year results, and also whenever a disclosure document is current. No trading is permitted outside of these time frames without first obtaining the approval of the Chairman.

The Securities trading policy is located on the company's website in the Corporate Governance section.

# Decmil Group Limited

## Diversity

Decmil recognises that a talented and diverse workforce is a key competitive advantage and our success is a reflection of the quality and skills of our people. Diversity assists the business in achieving its objectives and delivering for its stakeholders by enabling it to attract and retain the most qualified and experienced individuals to the workforce.

Decmil's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background.

The measurable objectives adopted by the Board in respect of developing gender diversity for the 2012 financial year are set out below.

- Senior executives to review the career development plans of female middle management employees annually to ensure their appropriateness in developing and retaining Decmil's female talent;
- Senior managers to meet or formally contact women on parental leave at least quarterly;
- Formal annual review of all part-time work arrangements to ensure roles are appropriate to maintain career development;
- Reduction in the rates of attrition in female employees identified as high talent, through a formal mentoring program for female employees; and
- Continued promotion of career opportunities in the resources sector including presentation at career expositions, school and universities and other suitable forums.

### Decmil workforce gender profile

	Female	Female %	Male	Male %
Administration	79	65	42	35
Workforce	31	7	388	93
Supervisory/Professional	28	13	189	87
Middle Management	5	8	61	92
Executive Management	4	31	9	69
<b>Total</b>	<b>147</b>	<b>18</b>	<b>689</b>	<b>82</b>
Board	0	0	5	100

## Summary

In summary, Decmil Group Limited concludes that it substantially complied with all of the Recommendations other than as previously disclosed in this statement.

# Decmil Group Limited

## Additional Information for Listed Public Companies

Additional information required by Australian Stock Exchange Limited and not shown elsewhere in this report is as follows.

### 1. Substantial shareholders

The names of substantial shareholders listed on the company's register as at 30 June 2012 are:

Shareholder	Shares	%
Broadway Pty Ltd and Nola Isabel Criddle	22,273,232	13.33
Acorn Capital Ltd.	15,446,896	9.24
Thorney Investments	13,468,422	8.06
AMP Group Holdings Limited	8,853,361	5.30
Robert Franco	8,650,000	5.18
Commonwealth Bank Group	8,487,399	5.08

The following information is made up as at 31 July 2012.

### 2. Distribution of shareholdings

Range of Holding	No. of Shareholders	No. of Ordinary Shares	%
1 – 1,000	1,407	687,620	0.41
1,001 – 5,000	1,622	4,607,511	2.76
5,001 – 10,000	650	4,998,023	2.99
10,001 – 100,000	636	15,590,249	9.33
100,001 and over	73	141,234,354	84.51
Total	4,388	167,117,757	100.00

There are no shareholders with an unmarketable parcel.

### 3. Voting rights

All ordinary shares issued by Decmil Group Limited carry one vote per share without restriction.

### 4. Twenty largest shareholders

The names of the twenty largest shareholders of ordinary shares in the company are:

Name	No. of Ordinary Fully Paid Shares Held	%
National Nominees Ltd	22,990,163	13.76
JP Morgan Nominees Australia Ltd	21,091,763	12.62
Broadway Pty Ltd - The Decmil Australia A/C	20,475,000	12.25
HSBC Custody Nominees (Australia) Ltd	18,362,443	10.99
Citicorp Nominees Pty Ltd	10,337,827	6.19
L, M & R Franco - LMR Franco Unit A/C	4,750,000	2.84
Thorney Holdings Pty Ltd	4,381,370	2.62
Cogent Nominees Pty Ltd	3,719,844	2.23
Citicorp Nominees Pty Ltd - Colonial First State Inv A/C	2,981,209	1.78
AMP Life Limited	2,740,720	1.64
Cogent Nominees Pty Ltd - SMP Accounts	2,336,568	1.40
Delauney Pty Ltd - The Franco Family A/C	2,300,000	1.38
Fairview Pty Ltd - Ernest Franco Family A/C	2,300,000	1.38
JP Morgan Nominees Australia Ltd - Cash Income A/C	1,989,467	1.19
Mrs Nola Isabel Criddle – Criddle Investment Fund	1,398,232	0.84
HSBC Custody Nominees (Australia) Ltd - NT-Comnwlth Super Corp A/C	1,307,272	0.78
Navigator Australia Ltd - MLC Investment Sett A/C	1,068,982	0.64
Aust Executor Trustees Ltd - Charitable Foundation	891,604	0.53
Mr Mario Franco & Mrs Immacolata Franco - The Mario Franco S/F A/C	780,000	0.47
Invia Custodian Pty Ltd - R&A Wright Family Super Fund A/C	752,358	0.45
Total	126,954,822	75.97