Decmil Group Limited

ABN 35 111 210 390

Financial Report

30 June 2013

Contents

Corporate Directory

Directors
Giles Everist, Non-Executive Chairman
Scott Criddle, Managing Director
Denis Criddle, Non-Executive Director
Trevor Davies, Non-Executive Director
William (Bill) Healy, Non-Executive Director
Lee Verios, Non-Executive Director

Executive Team
Justine Campbell, Chief Financial Officer and Company Secretary
Todd Strathdee, Chief Strategy & Operating Officer
Ray Sputore, Managing Director, Decmil Australia

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35 111 210 390

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Controlled Entities
Decmil Australia Pty Ltd
Eastcoast Development Engineering Pty Ltd
Homeground Villages Pty Ltd
Homeground Gladstone Pty Ltd ATF
Homeground Gladstone Unit Trust
Decmil Properties Pty Ltd

ASX Code
DCG

Decmil Group Limited

Chairman's Report

The financial year ended 30 June 2013 will be remembered as another stand-out year for Decmil Group Limited.

At a time when the Australian resources sector has experienced challenging conditions, the Company has achieved record profits, improved its operating margins and taken significant steps to strengthen the business, most notably through a strategy of diversification.

Highlights from the 2012/13 financial year include:

- Record normalised net profit after tax of $45.2 million, up 16% on the previous year
- Improved margins on revenue of $528.8 million
- Normalised earnings per share of 26.94 cents
- Dividends totalling 12 cents per share to be paid to shareholders
- Group diversification now tangible and growing
- Acquisition of Brisbane-based specialist engineering business Eastcoast Development Engineering
- Contracts secured with several Tier 1 clients including Shell and Rio Tinto
- Completion of Decmil's build-own-operate accommodation village, Homeground Gladstone
- Continued strong outlook with total order book of approximately $420 million

Continued Growth

Decmil Group now has key three operating divisions:

- Decmil Australia, which specialises in providing design, civil engineering and construction services to Australia's oil and gas, resources and infrastructure sectors
- Eastcoast Development Engineering, acquired in April 2013, which is a Brisbane-based specialist engineering business
- Homeground Villages, a high-quality village providing accommodation services to workers in Queensland's key resources hub

All three divisions have contributed to the Group's earnings over the past 12 months.

Decmil Australia has secured a number of substantial contracts with leading resources and energy clients including Shell, Rio Tinto and Roy Hill Iron Ore Project. Subsequent to the end of the financial year, Decmil won a significant contract with the Department of Immigration and Citizenship to build a village on Manus Island in Papua New Guinea. This is the first Commonwealth contract awarded to the Group, and is the first overseas project undertaken by Decmil.

While Decmil Australia remains focused on the delivery of major projects, the Group's two other operating divisions, Eastcoast Development Engineering and Homeground Villages, deliver recurring revenues, effectively providing diversification of the Group's earnings.

Net Assets and Cash Position

Decmil Group's net assets increased by $46 million to $271 million during the financial year.

The utilisation of internal cash to acquire the remaining 50% ownership in and completion of the construction of the Homeground Gladstone Village and the acquisition of Eastcoast Development Engineering Pty Ltd during the FY13 financial year has resulted in a reclassification of current assets to non-current assets of $95.1M.

Strong cash flow management continued to be a major feature of the Group with operating cash flow of $32.5million recorded for the year, despite significant capital investment in Homeground Gladstone Village. This has resulted in net cash at 30 June 2013 of $21.0 million, maintaining its low gearing structure. The Company continues to operate with a strong balance sheet, with a year-end cash position of $43.7 million.

Dividends

For the second consecutive year the Company has paid both interim and final dividends. A final dividend of 8 cents per share has been declared, to be paid on 27 September 2013. Combined with the 4 cents per share interim dividend (paid on 28 March 2013) fully franked dividends totalling 12 cents per share will be paid to shareholders from profits generated during 2012/13.

The full year dividend payout represents a 45% 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, requirements for significant cash and investment opportunities.

Board / Executive Appointments

The Group has been strengthened by its senior executive team during the past 12 months, making a number of strategic appointments.

The Board was pleased to welcome Mr Trevor Davies, who was appointed as a Queensland based Non-Executive Director in March 2013. Mr Davies is a civil engineer who has had an extensive career within the construction and mining industries, holding senior roles with Golding Contractors Pty Ltd, Leighton Contractors, Transfield and John Holland.

In January 2013 the Company appointed Mr Todd Strathdee to the role of Chief Strategy & Operating Officer (CSO). Mr Strathdee's experience ranges across investment banking, venture capital and private equity, including a number of senior roles with ANZ. Prior to joining Decmil Mr Strathdee provided consulting services to the Company over a 12 month period.

In May 2013 the Company announced the appointment of Mr Jonathan Holmes to the position of Executive General Manager of Decmil Australia. Mr Holmes, who commenced in the role in July 2013, is a highly experienced construction industry executive who formerly held the position of Operations Manager East for John Holland Minerals and Industrial, based in Brisbane. Mr Holmes has been involved in many major construction and infrastructure projects throughout Queensland over the past 15 years.

Health and Safety and Environment

A focus on health & safety and the environment remains central to every facet of the Group'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.

However, during 2012/13 the Company recorded a decline in safety performance as measured by the Total Recordable Incident Frequency Rate (TRIFR). The TRIFR increased from 3.47 (2011/12) to 6.75 (2012/13). Two key factors have been identified as impacting on this, being a significant increase in working hours and a change in the method of project delivery. The Company remains committed to achieving continuous improvement to the safety of all staff and contractors, and a range of initiatives have been put in place in response to the TRIFR result.

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 stabilised over the past year, reflecting current demand from our clients. As at July 2013 Decmil Group employed 886 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

Our FY13 financial result demonstrates the success of the Group's strategy to diversify its earnings through a broadening of our services and extending our reach into new markets.

With our major subsidiaries Decmil Australia, Homeground Villages and Eastcoast Development Engineering all contributing to revenues during FY13, we are starting to see the true strengths of the diversified Group model that has been our focus over the past couple of years.

The Company currently has an order book of approximately $420 million. The Board's view is that this, combined with the recurring revenue from the accommodation and engineering businesses, will provide the basis for another positive year ahead for the Group in 2013/14.

While there is no hiding from the fact that market conditions within the mining and oil and gas sectors remain somewhat challenging, the steps the Group has taken over the past two years to diversify and strengthen the business are now paying dividends. Through both acquisitions and our build-own-operate strategy, we have reduced our reliance on securing one-off projects from the resources sector. Our diversification as a Group is now tangible and growing.

All of this combines to put Decmil Group in the strongest possible position to continue our growth in the year ahead and beyond.

Finally, on behalf of the Board I wish to thank every member of the Decmil team for the contribution they have made over the past 12 months. We are very fortunate as a Group to have a highly committed, talented and hard-working team, and this is the critical factor in our ongoing growth and success as a business.

Giles Everist
Chairman

1. Directors

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2013.

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

Denis Criddle	Non-Executive Director	
Scott Criddle	Managing Director and Chief Executive Officer	
Trevor Davies	Non-Executive Director	Appointed 28 March 2013
Giles Everist	Non-Executive Chairman	
William Healy	Non-Executive Director	
Lee Verios	Non-Executive Director	

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 – Chartered Professional Engineer (1989-2012)
- 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
- Registered Builder – Western Australia

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

Trevor Davies, Non-Executive Director

Qualifications

- Bachelor of Science (Engineering), London University

Experience

Appointed as Non-Executive Director in April 2013. A civil engineer with extensive experience within the construction and mining industries. Until his retirement in 2009, Trevor was the Chief Executive Officer of Golding Contractors and over the course of his career he has held senior roles with Leighton Contractors, Transfield and John Holland.

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

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 19 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

Macmahon Holdings Limited

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 Fullbright, 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.

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.

Todd Strathdee, Chief Strategy & Operating Officer

Qualifications

- Bachelor of Law, University of Auckland
- Master of Finance, London Business School

Experience

Appointed as Chief Strategy & Operating Officer (CSO) in January 2013. Mr Strathdee has a law degree with honours from the University of Auckland and Masters in finance from London Business School. His experience ranges across investment banking, venture capital and private equity, including a number of senior roles with the ANZ bank.

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	18,773,232	-
Scott Criddle	759,717	-
Trevor Davies	10,000	-
Giles Everist	513,332	-
William Healy	418,190	-
Lee Verios	66,667	-

4. Directors' meetings

During the financial year, 17 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
Denis Criddle	17	14	4	3	-	-
Scott Criddle	17	15	-	-	-	-
Trevor Davies	5	5	-	-	-	-
Giles Everist	17	17	4	4	3	2
William Healy	17	17	4	4	3	3
Lee Verios	17	15	-	-	3	3

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:

- Denis Criddle
- Scott Criddle
- Trevor Davies – Appointed 28 March 2013
- 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.

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 performance right 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 cost to the company and expensed. Where performance rights are given to directors and executives, they are valued using the 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 issued 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.

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 performance rights lapse automatically upon termination.

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 performance rights 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 2013

Directors	Salary and fees	Super-annuation contribution	Non-cash benefits	Rights	Bonus	Total	Total Perfor-mance Related	Total Fixed Remu-neration
	$	$	$	$	$	$	%	%
Denis Criddle	73,394	1,651	-	-	-	75,045	-	100.0
Scott Criddle	821,088	16,470	-	400,106	350,000	1,587,664	47.2	52.8
Trevor Davies	18,887	1,700	-	-	-	20,587	-	100.0
Giles Everist	120,000	-	-	-	-	120,000	-	100.0
William Healy	73,395	6,605	-	-	-	80,000	-	100.0
Lee Verios	73,395	6,605	-	-	-	80,000	-	100.0
TOTAL	**1,180,159**	**33,031**	**-**	**400,106**	**350,000**	**1,963,296**		

Year ended 30 June 2013

Specified executives	Salary and fees	Super-annuation contribution	Non-cash benefits	Rights	Bonus	Total	Total Perfor-mance Related	Total Fixed Remu-neration
	$	$	$	$	$	$	%	%
Justine Campbell Chief Financial Officer and Company Secretary	406,504	16,470	-	182,906	150,000	755,880	44.0	56.0
Todd Strathdee Chief Strategy & Operating Officer[1]	342,500	8,235	-	-	-	350,735	-	100.0
Ray Sputore Managing Director Decmil Australia	833,997	16,470	-	485,843	867,877	2,204,187	61.4	38.6
TOTAL	**1,583,001**	**41,175**	**-**	**668,749**	**1,017,877**	**3,310,802**		

[1] Todd Strathdee was appointed Chief Strategy & Operating Officer on 1 January 2013

Year ended 30 June 2012

Directors	Salary and fees	Super-annuation contribution	Non-cash benefits	Rights	Bonus	Total	Total Perfor-mance Related	Total Fixed Remu-neration
	$	$	$	$	$	$	%	%
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
TOTAL	**1,083,586**	**28,985**	**-**	**143,385**	**-**	**1,255,956**		

Year ended 30 June 2012

Specified executives	Salary and fees	Super-annuation contributi on	Non-cash benefits	Rights	Bonus	Total	Total Perfor-mance Related	Total Fixed Remu-neration
	$	$	$	$	$	$	%	%
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 Homeground Villages[1]	377,256	15,775	-	28,321	-	421,352	6.7	93.3
TOTAL	**1,595,045**	**47,325**	**-**	**164,457**	**-**	**1,806,827**		

12. Options issued as part of remuneration for the year ended 30 June 2013 - 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

[1] Brad Kelman resigned from the position of Managing Director, Homeground Villages Pty Ltd on 31 October 2012.

misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any unvested performance rights lapse automatically upon termination.

14. Performance Rights - Audited

During the year ended 30 June 2013, the following performance rights were granted.

Grant Date	Number of Rights Granted	Fair Value of Rights Granted
1 July 2012	1,068,244	$1,636,375

During the year ended 30 June 2013, the following performance rights met their vesting criteria:

Grant Date	Vested Date	Number of Rights Vested	Fair Value of Rights Vested
30 June 2010	30 June 2013	454,575	$399,369

During the year ended 30 June 2013, 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	327,093	$520,702
1 July 2012	366,652	$561,651

15. Options

At the date of this report, there were no unissued ordinary shares of Decmil Group Limited under option.

During the year ended 30 June 2013, there were 450,000 ordinary shares of Decmil Group Limited issued on the exercise of options.

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:

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 $68,049.

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:

Construction and Engineering works

- *Large and small scale concrete civil works on brown and greenfield projects in regional and remote areas*
- *Large scale implementation of industrial infrastructure, including industrial buildings, processing plants, workshops and storage facilities*

- *All aspects of project development from design, site preparation and excavation to bulk earthworks, civil works and construction*
- *Government infrastructure projects including office buildings, administration buildings and storage facilities*
- *Manufacture and installation of high pressure piping and tanking*

Accommodation
- *Design and construct permanent and temporary accommodation, including villages in remote areas*
- *Build, own and operate accommodation villages in remote areas*

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 $64,367,000 (2012: $39,056,000).

19. Dividends paid or recommended

The company announces a fully franked 8 cent per share final dividend with a record date of 6 September 2013 and pay date of 27 September 2013.

20. Review of operations

A review of the Group's activities during the financial year and the results of those operations 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:

Changes in controlled entities and divisions:

- Purchase of remaining 50% interest in Homeground Gladstone Unit Trust for $15,000,000 and debt forgiveness of $3,594,000 joint venture partner debt on 13 August 2012
- Purchase of 100% interest in Eastcoast Development Engineering Pty Ltd for $27,695,000, acquired on 18 April 2013

22. After balance date events

On 21 August 2013, the company proposed a fully franked 8 cent per share final dividend with a record date of 6 September 2013 and payment date of 27 September 2013. The total amount of this dividend payment will be $13.456 million.

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, Eastcoast Development Engineering Pty Ltd and Homeground Villages 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

The Group 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 Group 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 Group.

26. Proceedings on behalf of Company

During the year Homeground Gladstone Pty Ltd (ATF Homeground Gladstone Unit Trust) commenced an action against Evolution Facilities Management (Qld) Pty Ltd for breach of contract in relation to facilities management services provided at Homeground Gladstone Village. The matter is currently in process and a provision has been made in the financial report ended 30 June 2013.

We anticipate a resolution of this matter.

27. Non-audit services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

– all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

– the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to RSM Bird Cameron for non-audit services provided during the year ended 30 June 2013:

	$
Taxation services	7,734
Corporate finance services	5,125
Due diligence investigations	209,000
	221,859

28. Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2013 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.

Giles Everist
Chairman

21 August 2013

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Decmil Group Limited for the year ended 30 June 2013, 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: 21 August 2013

J A KOMNINOS
Partner

Decmil Group Limited

Statement of Comprehensive Income

For year ended 30 June 2013

	Note	Consolidated Entity 2013 $000	2012 $000
Revenue from operations	4	**528,786**	555,594
Cost of sales		**(410,321)**	(466,613)
Gross profit		**118,465**	88,981
Administration expenses		**(45,076)**	(27,285)
Borrowing expenses	5	**(2,625)**	(704)
Depreciation and amortisation expense	5	**(8,132)**	(4,271)
Equity based payments		**(550)**	(326)
Share of profit or (loss) in joint venture		**372**	(432)
Gain arising from business combination		**29,752**	-
Profit before income tax expense		**92,206**	55,963
Income tax (expense)	6	**(27,839)**	(16,907)
Net profit for the year		**64,367**	39,056
Other Comprehensive Income		**-**	-
Total Comprehensive Income for the year		**64,367**	39,056
Earnings Per Share			
Basic earnings per share (cents per share)	9	**38.32**	26.51
Diluted earnings per share (cents per share)	9	**38.32**	26.43

The accompanying notes form part of these financial statements.

Decmil Group Limited

Statement of Financial Position

As at 30 June 2013

	Note	Consolidated Entity 2013 $000	2012 $000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**11**	**43,712**	141,352
Trade and other receivables	**12**	**62,819**	111,320
Work in progress	**13**	**14,975**	28,548
Other assets	**19**	**7,962**	8,247
TOTAL CURRENT ASSETS		**129,468**	289,467
NON-CURRENT ASSETS			
Investment property	**17**	**192,923**	-
Property, plant and equipment	**16**	**42,477**	36,773
Deferred tax assets	**22**	**5,730**	4,612
Intangible assets	**18**	**68,613**	48,601
Investments accounted for using the equity method	**15**	**-**	41,710
Loan to joint venture	**15**	**-**	19,697
Loan to joint venture partner	**15**	**-**	3,346
TOTAL NON-CURRENT ASSETS		**309,743**	154,739
TOTAL ASSETS		**439,211**	444,206
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**20**	**123,236**	183,667
Current tax payable		**5,842**	11,953
Borrowings	**21**	**21,661**	9,485
Provisions	**23**	**5,874**	7,274
TOTAL CURRENT LIABILITIES		**156,613**	212,379
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**22**	**10,313**	-
Borrowings	**21**	**1,089**	6,366
TOTAL NON-CURRENT LIABILITIES		**11,402**	6,366
TOTAL LIABILITIES		**168,015**	218,745
NET ASSETS		**271,196**	225,461
EQUITY			
Issued capital	**24**	**163,451**	162,787
Retained earnings		**107,745**	62,674
TOTAL EQUITY		**271,196**	225,461

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For year ended 30 June 2013

	Note	Issued Capital	Retained Earnings	Total
		$000	$000	$000
Consolidated Entity				
Balance at 1 July 2011		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	**10**	-	(11,618)	(11,618)
Balance at 30 June 2012		162,787	62,674	225,461
Balance at 1 July 2012		162,787	62,674	225,461
Net profit for the year		-	64,367	64,367
Total comprehensive income for the year		-	64,367	64,367
Shares issued during the year		868	-	868
Transaction costs net of tax benefit		(291)	-	(291)
Equity based payments		550	-	550
Performance rights converted to shares		(463)	-	(463)
Dividends recognised for the period	**10**	-	(19,296)	(19,296)
Balance at 30 June 2013		163,451	107,745	271,196

The accompanying notes form part of these financial statements.

Decmil Group Limited

Statement of Cash Flows

For year ended 30 June 2013

	Note	Consolidated Entity 2013 $000	2012 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**602,986**	527,369
Payments to suppliers and employees		**(546,331)**	(437,920)
Interest received		**2,251**	3,588
Finance costs		**(2,625)**	(704)
Income tax paid		**(23,834)**	(12,309)
Net cash provided by operating activities	**27(a)**	**32,447**	80,024
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(65,620)**	(17,032)
Purchase of investments, net of cash acquired	**27(b)**	**(26,435)**	(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		**2,467**	367
Net cash (used in) investing activities		**(89,588)**	(80,748)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from/(repayment of) borrowings		**(21,594)**	6,319
Proceeds from issue of shares and conversion of options		**405**	86,232
Costs of issuing shares		**(14)**	(3,219)
Dividends paid by parent entity		**(19,296)**	(11,618)
Net cash provided by / (used in) financing activities		**(40,499)**	77,714
Net increase in cash held		**(97,640)**	76,990
Cash at beginning of financial year		**141,352**	64,362
Cash at end of financial year	**11**	**43,712**	141,352

The accompanying notes form part of these financial statements.

The financial statements of Decmil Group Limited ('the Company') for the year ended 30 June 2013 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 21 August 2013.

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.

(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.

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.

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 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:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%
Computer equipment	33%
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) **Intangibles**

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to each class of intangible assets. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement, through the "amortisation expenses" line item.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of intangible assets with indefinite useful lives, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(j) **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 an equity-settled share-based payment employee performance rights scheme. 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 performance rights are ascertained using a Binomial option pricing model which incorporates all market vesting conditions. The number of shares and performance rights 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.

(k) **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.

(l) **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.

(m) **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).

(n) **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.

(o) **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.

(p) **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, 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.

(q) **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.

(r) **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.

(s) **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.

(t) **Comparative Figures**

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

(u) **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 and intangibles

The company determines whether goodwill and intangible assets are 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 and intangibles are discussed in note 18.

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 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.

Note 2: New Accounting Standards for Application in Future Periods

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2013. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee’s returns. The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

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

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The latter will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is not expected to have a material impact on the consolidated entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

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

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039

This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the consolidated entity.

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments

These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on the consolidated entity.

Note 3: Parent Entity Disclosures

	Parent Entity	
	2013	**2012**
	$000	**$000**
Profit for the year	**4,895**	628
Total comprehensive income for the year	**4,895**	628
ASSETS		
Current assets	**50,851**	53,606
Non-current assets	**253,934**	139,175
TOTAL ASSETS	**304,785**	192,781
LIABILITIES		
Current liabilities	**12,020**	1,211
Non-current liabilities	**180,945**	66,014
TOTAL LIABILITIES	**192,965**	67,225
EQUITY		
Issued capital	**163,451**	162,787
Retained earnings	**(51,631)**	(37,231)
TOTAL EQUITY	**111,820**	125,556

a) Guarantees
Cross guarantees have been provided by Decmil Group Limited and its controlled entities and are listed in note 14. 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 31.

Note 4: Revenue	**Note**	**Consolidated Entity 2013 $000**	**2012 $000**
Construction and engineering revenue		**489,281**	550,347
Accommodation revenue		**37,254**	-
Other revenue			
— interest received	**4(a)**	**2,251**	5,247
Total revenue		**528,786**	555,594

(a) Other revenue

Interest revenue from:		
— joint venture	**370**	1,079
— joint venture partner	**64**	367
— other persons	**1,817**	3,801
Total interest revenue	**2,251**	5,247

Note 5: Expenses

Employee benefits costs	**147,821**	134,327
Borrowing costs:		
— external	**2,625**	704
Total borrowing costs	**2,625**	704
Depreciation and amortisation of non-current assets:		
— plant and equipment owned	**5,607**	2,584
— plant and equipment leased	**506**	1,474
— building	**519**	213
— amortisation of intangible assets	**1,500**	-
Total depreciation	**8,132**	4,271
Rental expense on operating leases	**1,201**	900

Note 6: Income Tax Expense		Note	Consolidated Entity 2013 $000	2012 $000
(a)	The components of tax expense comprise:			
	Current tax		**(17,898)**	(19,457)
	Deferred tax	**22**	**(9,817)**	2,559
	Over/(under) provision for tax in prior year		**(124)**	(9)
			(27,839)	(16,907)
(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% (2012: 30%)		**(27,662)**	(16,789)
	Adjusted by the tax effect of:			
	— shares and options expensed during year		**(165)**	(98)
	— deductible capital raising costs		**197**	241
	— non-deductible items		**(85)**	(252)
	— over/(under) provision for tax in prior year		**(124)**	(9)
	Income tax (expense)/benefit attributable to profit before income tax		**(27,839)**	(16,907)
The applicable weighted average effective tax rates are as follows:			**30%**	30%

Notes to the Financial Statements

For the year ended 30 June 2013

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

Denis Criddle

Scott Criddle

Trevor Davies (Appointed 28 March 2013)

Giles Everist

William Healy

Lee Verios

Specified Executives

Justine Campbell Chief Financial Officer and Company Secretary

Todd Strathdee Chief Strategy & Operating Officer

Ray Sputore Managing Director, Decmil Australia Pty Ltd

(b) **Options and Rights Holdings**

At 30 June 2013 there were no options held by directors or specified executives.

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
Directors:							
Denis Criddle	625,000	-	(625,000)	-	-	-	-
TOTAL	**625,000**	**-**	**(625,000)**	**-**	**-**	**-**	**-**

Note 7: Key Management Personnel (Continued)

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

Number of Rights Held by Directors and Specified Executives

30 June 2013	Balance 1.7.12	Granted as Remun-eration	Exercised/ Cancelled	Net Change Other	Balance 30.6.13	Total Vested & Exercisable 30.6.13	Total Unexer-cisable 30.6.13
Directors:							
Scott Criddle	581,328	261,194	-	-	842,522	257,073	585,449
Specified Executives:							
Justine Campbell	277,987	119,403	-	-	397,390	122,930	274,460
Todd Strathdee	-	-	-	-	-	-	-
Ray Sputore	303,770	317,164	(620,934)[1]	-	-	-	-
Brad Kelman[2]	168,632	72,761	-	-	241,393	-	241,393
TOTAL	**1,331,717**	**770,522**	**(620,934)**	**-**	**1,481,305**	**380,003**	**1,101,302**

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
Directors:							
Scott Criddle	817,766	203,279	-	-	1,021,045	439,717	581,328
Specified Executives:							
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
TOTAL	**1,303,956**	**663,223**	**-**	**-**	**1,967,179**	**635,462**	**1,331,717**

[1] Performance rights cancelled on resignation from Managing Director position 30 June 2013.
[2] Brad Kelman resigned from the position of Managing Director, Homeground Villages Pty Ltd on 31 October 2012 and is no longer key management personnel from that date. This has no effect on performance rights held.

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 2013	Balance 1.7.12	Received as Remuneration	Rights Exercised	Options Exercised	Net Change Other[1]	Balance 30.6.13
Directors:						
Denis Criddle	22,273,232	-	-	-	(3,500,000)	18,773,232
Scott Criddle	320,000	-	439,717	-	-	759,717
Trevor Davies	-	-	-	-	10,000	10,000
Giles Everist	513,332	-	-	-	-	513,332
William Healy	418,190	-	-	-	-	418,190
Lee Verios	66,667	-	-	-	-	66,667
Specified Executives:						
Justine Campbell	-	-	195,745	-	-	195,745
Todd Strathdee	-	-	-	-	-	-
Ray Sputore	17,728	-	-	-	(17,728)	-
TOTAL	**23,609,149**	**-**	**635,462**	**-**	**(3,507,728)**	**20,736,883**

30 June 2012	Balance 1.7.11	Received as Remuneration	Rights Exercised	Options Exercised	Net Change Other[1]	Balance 30.6.12
Directors:						
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
Specified Executives:						
Justine Campbell	-	-	-	-	-	-
Ray Sputore	-	-	-	-	17,728	17,728
Brad Kelman	-	-	-	-	-	-
TOTAL	**22,206,422**	**-**	**-**	**625,000**	**777,727**	**23,609,149**

[1] Net Change Other refers to shares purchased or sold in the financial year or shares included on appointment or excluded on resignation.

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:

	2013 $000	2012 $000
Short term benefits	**4,205**	2,755
Share based payments	**1,069**	308
	5,274	3,063

(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:

	2013	2012
— auditing or reviewing the financial report	**178**	130
— taxation services	**8**	-
— corporate finance services	**5**	-
— due diligence investigations	**209**	-
	400	130

Note 9: Earnings per Share

		Consolidated Entity	
		2013	**2012**
		$000	**$000**
(a)	Reconciliation of earnings to profit or loss		
	Profit	**64,367**	39,056
	Earnings used to calculate basic and dilutive EPS from overall operations	**64,367**	39,056
		No.	No.
(b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**167,976,326**	147,327,069
	Weighted average number of dilutive options outstanding	**-**	450,000
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**167,976,326**	147,777,069

Note 10: Dividends

Distributions paid		
Interim fully franked ordinary dividend of 4.0 cents (2012: 2.5 cents) per share franked at the tax rate of 30% (2012: 30%)	6,728	4,162
Final fully franked ordinary dividend of 7.5 cents (2012: 6.0 cents) per share franked at the tax rate of 30% (2012: 30%)	12,568	7,456
	19,296	11,618
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables and franking debits arising from payment of proposed dividends	47,756	24,979

Note 11: Cash and Cash Equivalent

Cash at bank and in hand	**43,712**	61,352
Deposits at call	**-**	80,000
	43,712	141,352

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	**43,712**	141,352

Note 12: Trade and Other Receivables	**Consolidated Entity**	
	2013 $000	**2012 $000**
CURRENT		
Trade receivables	**63,125**	111,854
Provision for impairment of receivables	**(306)**	(534)
	62,819	111,320
Provision for impairment of receivables		
Current		
Trade receivables:		
— opening balance	**534**	-
— charge for the year	**-**	534
— bad debts written off	**(228)**	-
	306	534

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.

			Past due but not impaired (days overdue)				
	Gross amount $000	**Within initial trade terms $000**	**31–60 $000**	**61–90 $000**	**91-120 $000**	**> 120 $000**	**Past due and impaired $000**
2013							
Trade and term receivables	63,125	57,084	4,153	732	180	976	306
Total	**63,125**	**57,084**	**4,153**	**732**	**180**	**976**	**306**
2012							
Trade and term receivables	111,854	101,311	8,295	1,647	14	53	534
Total	**111,854**	**101,311**	**8,295**	**1,647**	**14**	**53**	**534**

Note 13: Work in Progress	**Note**	**Consolidated Entity**	
		2013 $000	**2012 $000**
CURRENT			
Construction and engineering contracts			
Cost incurred to date plus profit recognised		**1,357,444**	826,699
Consideration received and receivables as progress billings		**(1,367,145)**	(843,927)
Retention		**-**	-
		(9,701)	(17,228)
Advanced billings to customers	**20**	**(24,676)**	(45,776)
Unbilled amounts due from customers		**14,975**	28,548
		(9,701)	(17,228)

Note 14: Controlled Entities

(a) **Controlled Entities**

	Country of Incorporation	**Percentage Owned (%)**	
		2013	**2012**
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%
Eastcoast Development Engineering Pty Ltd#	Australia	100%	-
Homeground Villages Pty Ltd (formerly known as Decmil Investments Pty Ltd)	Australia	100%	100%
Controlled entity of Homeground Villages Pty Ltd:			
Homeground Gladstone Pty Ltd ATF Homeground Gladstone Unit Trust#*	Australia	100%	50%
Homeground Gladstone Unit Trust#*	Australia	100%	50%

For details of acquisition during the financial year 30 June 2013, refer to note 27(b).
* The Homeground Gladstone Unit Trust was previously a 50% joint venture. Refer to note 15(d).

Decmil Group Limited

Notes to the Financial Statements

For the year ended 30 June 2013

Note 14: 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, Eastcoast Development Engineering Pty Ltd, Homeground Villages Pty Ltd and Decmil Properties Pty Ltd.

Under the deed, Decmil Group Limited and the above named wholly owned subsidiaries guarantee to support each other's 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.

		2013 $000	2012 $000
Financial information in relation to:			
(i)	Statement of Comprehensive Income:		
	Profit before income tax	**78,463**	43,506
	Income tax (expense)	**(23,828)**	(12,934)
	Profit after income tax	**54,635**	30,572
	Profit attributable to members of the parent entity	**54,635**	30,572
(ii)	Retained Earnings:		
	Retained profits at the beginning of the year	**41,749**	22,795
	Retained profits at the beginning of the year for controlled entities included in the closed group for the first time	**750**	-
	Profit after income tax	**54,635**	30,572
	Dividends recognised for the period	**(19,296)**	(11,618)
	Retained earnings at the end of the year	**77,838**	41,749
(iii)	Statement of Financial Position:		
	CURRENT ASSETS		
	Cash and cash equivalents	**42,051**	122,803
	Trade and other receivables	**62,367**	105,957
	Work in progress	**14,975**	28,548
	Other assets	**5,243**	5,755
	TOTAL CURRENT ASSETS	**124,636**	263,063
	NON-CURRENT ASSETS		
	Investment Property	**192,894**	-
	Property, plant and equipment	**42,342**	10,989
	Deferred tax assets	**5,730**	4,612
	Intangible assets	**68,613**	48,601
	Loan to subsidiary	**-**	87,459
	TOTAL NON-CURRENT ASSETS	**309,579**	151,661
	TOTAL ASSETS	**434,215**	414,724

Note 14: Controlled Entities (Continued)

	2013 $000	2012 $000
CURRENT LIABILITIES		
Trade and other payables	**160,952**	197,467
Current tax payable	**(6,963)**	2,648
Borrowings	**21,661**	1,688
Provisions	**5,874**	7,271
TOTAL CURRENT LIABILITIES	**181,524**	209,074
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**10,313**	-
Borrowings	**1,089**	1,114
TOTAL NON-CURRENT LIABILITIES	**11,402**	1,114
TOTAL LIABILITIES	**192,926**	210,188
NET ASSETS	**241,289**	204,536
EQUITY		
Issued capital	**163,451**	162,787
Retained earnings	**77,838**	41,749
	241,289	204,536

Note 15: Interests in Joint Ventures

(a) Investments Accounted for Using the Equity Method

Interests in joint venture entities	**15(d)**	**-**	41,710

(b) Joint Venture Loans

CURRENT			
Loan to joint venture		**-**	19,697
Loan to joint venture partner		**-**	3,346
	15(d)	**-**	23,043

Note 15: 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$830m contract for the Gorgon LNG Project Construction Village on Barrow Island. The accommodation facility accommodates 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:

	Consolidated Entity	
	2013 $000	**2012 $000**
CURRENT ASSETS		
Cash and cash equivalents	**1,660**	7,561
Receivables	**452**	5,096
Other assets	**2,719**	2,447
TOTAL CURRENT ASSETS	**4,831**	15,104
NON-CURRENT ASSETS		
Property, plant and equipment	**135**	293
TOTAL NON-CURRENT ASSETS	**135**	293
TOTAL ASSETS	**4,966**	15,397
CURRENT LIABILITIES		
Trade and other payables	**13,773**	15,583
TOTAL LIABILITIES	**13,773**	15,583
Revenue	**39,197**	68,362
Expenses	**(25,827)**	(56,813)
Profit for the year	**13,370**	11,549

Note 15: Interests in Joint Ventures (Continued)

(d) Interest in Joint Venture Entities

On 23 December 2011, Homeground Villages Pty Ltd (formerly known as Decmil Investments Pty Ltd) acquired a 50% interest in the MGA Gladstone Unit Trust and formed the Maroon Decmil Joint Venture. The Joint Venture was 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.

On 13 August 2012, Homeground Villages Pty Ltd acquired the remaining 50% interest in the MGA Gladstone Unit Trust. The unit trust was subsequently renamed to Homeground Gladstone Unit Trust. The results and financial position of the unit trust was wholly incorporated into the consolidated entity from August 2012.

	Consolidated Entity	
	2013 $000	**2012 $000**
Share of joint venture entity's results and financial position:		
Current assets	**-**	4,726
Non-current assets	**-**	44,994
TOTAL ASSETS	**-**	49,720
Current liabilities	**-**	9,191
Non-current liabilities	**-**	23,467
TOTAL LIABILITIES	**-**	32,658
NET ASSETS	**-**	17,062
Revenue	**1,203**	3,239
Expenses	**(831)**	(3,671)
Profit before income tax	**372**	(432)
Income tax expense	**-**	-
Profit after income tax	**372**	(432)

Note 16: Property, Plant and Equipment

	Consolidated Entity 2013 $000	2012 $000
LAND AND BUILDING (Secured)*		
Freehold land, at cost	**5,002**	5,002
Building:		
At cost[#]	**20,856**	20,703
Accumulated depreciation	**(733)**	(213)
	25,125	25,492
PLANT AND EQUIPMENT		
Plant and Equipment:		
At cost	**24,719**	14,098
Accumulated depreciation	**(10,299)**	(6,555)
	14,420	7,543
Leased Plant and Equipment (Secured)*	**4,405**	7,336
Accumulated depreciation	**(1,473)**	(3,598)
	2,932	3,738
Total Property, Plant and Equipment	**42,477**	36,773

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 2012	25,492	7,543	3,738	36,773
Additions	152	5,233	1,133	6,518
Transfer between leased and owned	-	1,972	(1,972)	-
Disposals	-	(809)	(182)	(991)
Additions through acquisition of controlled entity	-	6,088	721	6,809
Depreciation expense	(519)	(5,607)	(506)	(6,632)
Balance at 30 June 2013	25,125	14,420	2,932	42,477

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

* Refer to note 21 for details of the facilities these assets are pledged against.

Notes to the Financial Statements

For the year ended 30 June 2013

Note 16: Property, Plant and Equipment (Continued)

	Land and Building	Owned Plant and Equipment	Leased Plant and Equipment	Total
	$000	$000	$000	$000
Balance at 1 July 2011	15,955	3,422	6,014	25,391
Additions	9,750	5,649	635	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	25,492	7,543	3,738	36,773

Note 17: Investment Property

	Consolidated Entity	
	2013	**2012**
	$000	**$000**
Balance at beginning of year	**-**	-
Additions through acquisition of controlled entity	**79,809**	-
Additions	**60,620**	-
Fair value adjustments	**52,494**	-
Balance at end of year	**192,923**	-

For the year ended 30 June 2013, investment property is stated at fair value based on independent valuation carried out in January 2013 and on directors' valuation carried out in July 2013. The investment property comprises the build-own-operate Homeground Gladstone Accommodation Village located in Gladstone, Queensland.

Note 18: Intangible Assets

	Consolidated Entity	
	2013	**2012**
	$000	**$000**
Goodwill at cost	**68,613**	48,601
Accumulated impairment losses	**-**	-
	68,613	48,601
Customer contracts, at cost	**1,500**	-
Accumulated amortisation	**(1,500)**	-
	-	-
Movements in Carrying Amounts		
Goodwill		
Balance at the beginning of year	**48,601**	48,601
Additions	**20,012**	-
Balance at the end of year	**68,613**	48,601
Customer Contracts		
Balance at the beginning of year	**-**	-
Additions	**1,500**	-
Amortisation	**(1,500)**	-
Balance at the end of year	**-**	-
Allocation of goodwill to CGUs:		
Decmil Australia	**48,601**	48,601
Eastcoast Development Engineering Pty Ltd	**20,012**	-
Balance at the end of year	**68,613**	48,601

Assumptions used in value in use calculation:

	Average Growth Rate	**Discount Rate**
Decmil Australia Pty Ltd	0.9%	12.0%
Eastcoast Development Engineering Pty Ltd	22.0%	12.0%

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.

Intangible assets in the form of customer contracts valued at $1,500,000 were recognised on the acquisition of Eastcoast Development Engineering Pty Ltd for construction and engineering contracts in progress at the time of acquisition. These were amortised 100% over the period since acquisition to 30 June 2013 as they represent short term contracts with a short period remaining to completion since acquisition.

Note 19: Other Current Assets

	Note	Consolidated Entity 2013 $000	2012 $000
CURRENT			
Prepayments		**3,216**	2,899
Others		**4,746**	5,348
		7,962	8,247

Note 20: Trade and Other Payables

	Note	2013 $000	2012 $000
CURRENT			
Unsecured liabilities:			
Trade payables		**37,488**	55,026
Advanced billings to customers	**13**	**24,676**	45,776
Sundry payables and accrued expenses		**61,072**	82,865
		123,236	183,667

Note 21: Borrowings

	Note	2013 $000	2012 $000
CURRENT			
Secured liabilities:			
Hire purchase liability	**25**	**1,103**	1,593
Bank loan		**20,305**	7,797
Premium funding liability	**25**	**253**	95
		21,661	9,485
NON-CURRENT			
Secured liabilities:			
Hire purchase liability	**25**	**1,089**	1,113
Bank loan		**-**	5,253
		1,089	6,366
Total Borrowings		**22,750**	15,851

Hire purchase agreements have an average term of 3 years. The average interest rate implicit in the hire purchase is 6.47% (2012: 8.2%). 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 27(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.

The bank loan facility from the Commonwealth Bank of Australia ("CBA") expires in June 2014. The interest rate is variable and determined by reference to the bank bill of exchange rate plus 3% per annum. Security for the loan comprises the following:

- Guarantee by Decmil Group Limited;

Note 21: Borrowings (Continued)

- Fixed and floating charge by Homeground Villages Pty Ltd and Homeground Gladstone Unit Trust over its assets and undertaking in favour of the CBA; and
- Real property mortgage over property situated at 101 Calliope River Road, Stowe, Calliope, Queensland.

The above bank loans are expected to be repaid by their facility expiry dates, from operating cash flows in the normal course of business.

Note 22: Tax

	Note	Opening Balance	Acquired on acquisition	Charged to Income	Charged Directly to Equity	Closing Balance
2013		**$000**		**$000**	**$000**	**$000**
Deferred tax asset on:						
Transaction costs on equity issue		863	-	-	(277)	586
Provisions – employee benefits		3,688	489	(613)	-	3,564
Restructuring costs		15	-	(7)	-	8
Trademark costs		3	-	(1)	-	2
Investment due diligence costs		43	-	63	-	106
Other		-	504	960	-	1,464
Balance at 30 June 2013		4,612	993	402	(277)	5,730
Deferred tax liabilities on:						
Property plant and equipment:						
— tax allowance		-	94	1,088	-	1,182
Fair value gain		-	-	9,131	-	9,131
Balance at 30 June 2013		-	94	10,219	-	10,313
2012						
Deferred tax asset on:						
Transaction costs on equity issue		12	-		851	863
Provisions – employee benefits		1,164	-	2,524	-	3,688
Restructuring costs		22	-	(7)	-	15
Trademark costs		4	-	(1)	-	3
Investment due diligence costs		-	-	43	-	43
Other		-	-	-	-	-
Balance at 30 June 2012		1,202	-	2,559	851	4,612
Deferred tax liabilities on:						
Property plant and equipment:		-	-	-	-	-
— tax allowance		-	-	-	-	-
Fair value gain		-	-	-	-	-
Balance at 30 June 2012		-	-	-	-	-

Note 23: Provisions

	Consolidated Entity 2013 $000	Consolidated Entity 2012 $000
CURRENT		
Employee entitlements	**5,874**	7,274
Balance at beginning of year	**7,274**	3,991
Additional provision	**6,010**	11,313
Additions through acquisition of controlled entity	**1,613**	-
Amounts used	**(9,023)**	(8,030)
Balance at end of year	**5,874**	7,274

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 24: Issued Capital

	Consolidated Entity 2013 $000	Consolidated Entity 2012 $000
168,203,219 (2012: 167,117,757) fully paid ordinary shares	**163,451**	162,787

(a) Ordinary Shares	2013 No.	2013 $000	2012 No.	2012 $000
At the beginning of reporting period	**167,117,757**	**162,787**	124,214,568	78,596
Shares issued during the year	**-**	**-**	41,423,189	84,918
Options exercised during the year	**450,000**	**405**	1,480,000	1,314
Performance rights converted to shares	**635,462**	**-**	-	-
Equity based payments	**-**	**550**	-	326
Transaction costs of issue	**-**	**(291)**	-	(2,367)
At the end of the reporting date	**168,203,219**	**163,451**	167,117,757	162,787

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.

Note 24: Issued Capital (Continued)

(b) **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 2013 and 30 June 2012 are as follows:

	Note	**Consolidated Entity**	
		2013 $000	**2012 $000**
Total borrowings	**21**	**22,750**	15,851
Trade and other creditors	**20**	**123,236**	183,667
Less cash and cash equivalents	**11**	**(43,712)**	(141,352)
Net debt/(cash)		**102,274**	58,166
Total equity		**163,451**	162,787
Total capital		**265,725**	220,953
Gearing ratio		**38%**	26%

Note 25: Capital and Hire Purchase Commitments

(a) **Hire Purchase Commitments**

Payable — minimum HP payments			
— not later than 1 year		**1,200**	1,747
— between 1 and 5 years		**1,142**	1,174
Minimum HP payments		**2,342**	2,921
Less future finance charges		**(150)**	(215)
Present value of minimum HP payments	**21**	**2,192**	2,706

(b) **Premium Funding Commitments**

Payable — minimum premium funding payments			
— not later than 1 year		**253**	97
— between 1 and 5 years		**-**	-
Minimum premium funding payments		**253**	97
Less future finance charges		**-**	(2)
Present value of minimum premium funding payments	**21**	**253**	95

Note 25: Capital and Hire Purchase Commitments (Continued)

(c) **Operating Lease Commitments**	**Consolidated Entity**	
Non-cancellable operating leases contracted for but not capitalised in the financial statements	**2013 $000**	**2012 $000**
Payable — minimum lease payments		
— not later than 1 year	**1,447**	720
— between 1 and 5 years	**5,817**	1,847
	7,264	2,567

Note 26: 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 & Engineering
   - Decmil Australia Pty Ltd – multi-discipline design, civil engineering and construction services; and
   - Eastcoast Development Engineering Pty Ltd – fabrication and installation of high pressure pipes, vessels and tanks.
2. Accommodation
   - Homeground Villages Pty Ltd – build-own-operation of the Homeground Gladstone 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 18%, 16% and 16% (2012: 30%, 25% and 13%) of its revenues from the top three external customers. All the assets are located in Australia.

(a) **Segment performance 2013**	**Construction & Engineering $000**	**Accommodation $000**	**Total $000**
REVENUE			
External sales	489,281	37,254	**526,535**
Interest revenue	1,650	601	**2,251**
Total segment revenue	490,931	37,855	**528,786**
Segment net profit before tax	48,241	43,965	**92,206**
Included in segment performance:			
– gain arising from business combination	-	29,752	**29,752**
Segment performance 2012			
REVENUE			
External sales	550,347	-	**550,347**
Interest revenue	3,801	1,446	**5,247**
Total segment revenue	554,148	1,446	**555,594**

Decmil Group Limited

Notes to the Financial Statements

For the year ended 30 June 2013

Note 26: Segment Reporting (Continued)

(a) **Segment performance 2012 (Continued)**	**Construction & Engineering $000**	**Accommodation $000**	**Total $000**
Segment net profit before tax	56,395	(432)	**55,963**

(b) **Segment assets 2013**	**Construction & Engineering $000**	**Accommodation $000**	**Total $000**
Current assets	117,163	12,305	**129,468**
Non-current assets	110,722	199,021	**309,743**
Total segment assets	227,885	211,326	**439,211**

Segment assets 2012	**Construction & Engineering $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**

(c) **Segment liabilities 2013**	**Construction & Engineering $000**	**Accommodation $000**	**Total $000**
Current liabilities	118,777	37,836	**156,613**
Non-current liabilities	1,065	10,337	**11,402**
Total segment liabilities	119,842	48,173	**168,015**

Segment liabilities 2012	**Construction & Engineering $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**

Note 27: Cash Flow Information	**Consolidated Entity**	
	2013	**2012**
	$000	**$000**
(a) **Reconciliation of Cash Flow from Operations with Profit after Income Tax**		
Profit after income tax	**64,367**	39,056
Non-cash flows in profit		
Depreciation and amortisation	**8,132**	4,271
Equity based payments	**550**	326
Gain arising from business combination	**(29,752)**	-
(Profit)/Loss on sale of non-current assets	**(1,489)**	14
(Profit)/Loss in share of joint venture	**(372)**	432
Interest income	**-**	(1,446)
Provision for doubtful debts	**-**	531
Changes in assets and liabilities		
Trade receivables	**69,605**	(54,740)
Other assets	**(4,043)**	(4,242)
Work in progress	**12,378**	(21,143)
Trade payables and accruals	**(82,793)**	117,092
Current tax liabilities	**(5,078)**	-
Deferred tax assets	**(125)**	(3,410)
Deferred tax liabilities	**9,942**	-
Provisions	**(3,029)**	3,283
Loan to joint venture	**(5,846)**	-
Cash flow from operations	**32,447**	80,024

Note 27: Cash Flow Information (Continued)

(b) **Acquisition of Entities**

(i) During the year ended 30 June 2013, the Company acquired the remaining 50% ownership interest of the MGA Gladstone Unit Trust (now renamed Homeground Gladstone Unit Trust). In the prior year, the Company acquired an initial 50% ownership of the Trust. Details of the transaction are:

	Consolidated Entity	
	2013	**2013**
	$000	**$000**
Purchase consideration consisting of:		
Cash consideration	**15,000**	42,486
Loan forgiveness	**3,594**	-
	18,594	42,486
Less: cash acquired	**(7,399)**	-
Less: loan forgiveness	**(3,594)**	-
Cash outflow	**7,601**	42,486
Assets and liabilities held at acquisition date		
Cash	**7,399**	-
Receivables	**4,399**	-
Investment property	**90,952**	-
Plant and equipment	**4,358**	-
Loan from JV partner	**(25,654)**	-
Payables	**(6,060)**	-
Borrowings	**(27,048)**	-
	48,346	-
Gain arising from business combination	**(29,752)**	-
Purchase consideration	**18,594**	42,486

(ii) During the year ended 30 June 2013, the Company acquired the 100% ownership interest of Eastcoast Development Engineering Pty Ltd. Details of the transaction are:

	Consolidated Entity	
	2013	**2013**
	$000	**$000**
Purchase consideration consisting of:		
Cash consideration	**27,695**	-
Less: cash acquired	**(441)**	-
Less: deferred consideration	**(8,420)**	-
Cash outflow	**18,834**	-
Assets and liabilities held at acquisition date		
Cash	**441**	-
Receivables	**17,761**	-
Work in progress	**(1,195)**	-
Plant and equipment	**2,451**	-

Note 27: Cash Flow Information (Continued)

(b) **Acquisition of Entities (Continued)**	**Consolidated Entity**	
	2013	**2013**
	$000	**$000**
Payables	**(13,266)**	-
Tax receivable	**1,033**	-
Deferred tax assets (net)	**899**	-
Provisions	**(1,629)**	-
Hire purchase liabilities	**(312)**	-
	6,183	-
Goodwill on consolidation	**20,012**	-
Intangible assets on consolidation	**1,500**	-
Purchase consideration	**27,695**	-

(c) **Non-cash Financing and Investing Activities**		
(i) Finance leases:		
- Finance leases to acquire plant and equipment	**1,265**	697
(d) **Credit Standby Facilities with Banks**		
Credit facilities	**255,379**	194,500
Amount utilised		
- Bank and performance guarantees	**(88,681)**	(86,829)
- Equipment finance	**(2,192)**	(2,330)
- Bank loan	**(20,305)**	(13,050)
	144,201	92,291
The credit facilities are summarised as follows:		
Bank loan	**35,879**	15,000
Equipment finance	**14,500**	14,500
Bank and performance guarantees	**205,000**	165,000
	255,379	194,500

The majority of credit facilities are provided by National Australia Bank Limited and are subject to annual review. This comprises of $21 million bank loan facility, $100 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 21. 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 Vero respectively. The consolidated entity also has a bank loan facility of $15 million with the Commonwealth Bank of Australia. Terms are also detailed in note 21.

Note 28: Share-based Payments

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 as a result of Resolution 3 at the 14 November 2012 Annual General Meeting, the number of Performance Rights issued will be calculated by dividing up to 150% (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 two 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 hurdles are satisfied. For each tranche issued, any Performance Rights which do not vest at the two year measurement date, a further vesting date exist at four 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.

Note 28: Share-based Payments (Continued)

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

	Number	Weighted average exercise price
Options outstanding as at 30 June 2011	1,930,000	$0.89
Granted	-	-
Forfeited	-	-
Exercised	(1,480,000)	$0.89
Expired	-	-
Options outstanding as at 30 June 2012	450,000	$0.90
Granted	-	-
Forfeited	-	-
Exercised	(450,000)	$0.90
Expired	-	-
Options outstanding as at 30 June 2013	-	-

Options exercisable as at 30 June 2013:	-
Options exercisable as at 30 June 2012:	450,000

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 rights issued is as follows:

	Number	Weighted average exercise price
Performance Rights outstanding as at 30 June 2011	1,303,956	-
Granted	775,576	-
Forfeited	(30,940)	-
Exercised	-	-
Expired	-	-
Performance Rights outstanding as at 30 June 2012	2,048,592	-
Granted	1,068,244	-
Forfeited	(693,745)	-
Exercised	(635,462)	-
Expired	-	-
Performance Rights outstanding as at 30 June 2013	1,787,629	-

Performance Rights exercisable as at 30 June 2013:	454,575
Performance Rights exercisable as at 30 June 2012:	635,462

Note 28: Share-based Payments (Continued)

The fair value of the Performance Rights granted during the financial year was $1,636,375. 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 rights granted during the year was $1.532 (2012: $1.592). 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:	2.75%
Dividend yield:	3.77%

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.

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

	Consolidated Entity	
	2013 $000	**2012 $000**
Performance rights		
— expenses	**743**	333
— written back on forfeiture	**(193)**	(7)
	550	326

Note 29: 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	
	2013	**2012**
(a) **Director Related Transactions**	**$000**	**$000**
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	**286**	291
(b) **Director Related Balances**		
Amounts owing to The Nevern Group Pty Ltd, an entity in which Mr Giles Everist has a beneficial interest, for directors' fees#	**11**	-

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

Note 30: Financial Instruments

Financial Risk Management Policies

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

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 2013.

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.

Notes to the Financial Statements

For the year ended 30 June 2013

Note 30: Financial Instruments (Continued)

	Weighted Average Effective Interest Rate	Non-Interest Bearing	Within 1 year	1 to 5 years	Carrying Amount
2013	**%**	**$000**	**$000**	**$000**	**$000**
Financial assets					
Cash and cash equivalents	3.1	-	43,712	-	43,712
Receivables	-	62,819	-	-	62,819
		62,819	43,712	-	106,531
Financial liabilities					
Payables	-	(123,236)	-	-	(123,236)
Borrowings	7.0	-	(21,661)	(1,089)	(22,750)
		(123,236)	(21,661)	(1,089)	(145,986)
2012					
Financial assets					
Cash and cash equivalents	4.2	-	141,352	-	141,352
Receivables	-	111,320	-	-	111,320
		111,320	141,352	-	252,672
Financial liabilities					
Payables	-	(183,667)	-	-	(183,667)
Borrowings	6.8	-	(9,485)	(6,366)	(15,851)
		(183,667)	(9,485)	(6,366)	(199,518)

	Consolidated Entity	
	2013	**2012**
	$000	**$000**
Trade and other payables are expected to be paid as followed:		
Less than 6 months	**123,236**	183,667
	123,236	183,667

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.

Note 30: 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 2013, 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 2013, 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	
	2013	**2012**
Change in Profit	**$000**	**$000**
— Increase in labour costs by 5% (CPI assumption)	**(7,391)**	(6,716)
Change in Equity		
— Increase in labour costs by 5% (CPI assumption)	**(7,391)**	(6,716)

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 have 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 31: Contingent Liabilities

	Consolidated Entity	
	2013	**2012**
	$000	**$000**
Guarantees given to various clients for satisfactory contract performance	**88,681**	86,829
	88,681	86,829

Note 32: Subsequent Events

On 21 August 2013, the company proposed a fully franked 8 cent per share final dividend with a record date of 6 September 2013 and payment date of 27 September 2013. The total amount of this dividend payment will be $13.456 million. After this dividend payment, the franking account balance will be $47.756 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

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 compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated entity;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

The company and its controlled entities as disclosed in note 14(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 21st day of August 2013

RSM Bird Cameron Partners

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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 2013, 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 2013 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 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Perth, WA
Dated: 21 August 2013

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 2012/13**
Principle 1 – Lay solid foundations for management and oversight	• Structure and Operation of the Board (page 70) • Performance (page 73)
Principle 2 – Structure the board to add value	• Structure and Operation of the Board (page 70) • Nomination Committee (page 71)
Principle 3 – Promote ethical and responsible decision-making	• Code of Conduct (page 75 + refer to the Code of Conduct Policy, provided in the Corporate Governance section of the company's website) • Trading Policy (page 75 + refer to the Securities Trading Policy, provided in the Corporate Governance section of the company's website)
Principle 4 – Safeguard integrity in financial reporting	• Audit and Risk Committee (page 72) • Risk Management (page 73)
Principle 5 – Make timely and balanced disclosure	• Refer to the Continuous Disclosure Policy, provided in the Corporate Governance section of the company's website
Principle 6 – Respect the rights of shareholders	• Refer to the Corporate Governance section of the company's website
Principle 7 – Recognise and manage risk	• Risk Management (page 73; page 74)

Principle 8 – Remunerate fairly and responsibly	• Remuneration Committee (page 71) • Remuneration (page 75)

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 4 of the Directors are independent as follows:

Name	*Position*
Giles Everist	Non-Executive Chairman
Trevor Davies	Non-Executive Director
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:

Name	*Term in office*
Denis Criddle	Appointed August 2007
Scott Criddle	Appointed April 2010
Trevor Davies	Appointed March 2013
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 polices 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 polices 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).

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 polices 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 advanced 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.

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)
- Denis Criddle
- Trevor Davies
- Giles Everist

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.

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.

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. 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.

Diversity

The Group's Diversity Policy commits all employees to value diversity and equal opportunity in the workplace. Our intent, to ensure our commitment to shareholders, is achieved year to year, by ensuring our approach is focussed on attracting a diverse range of skills, values, backgrounds and experience, resulting is attraction and retention of the best talent in the market.

Group Subsidiaries align with or have extended further the principles of the Group's Diversity policy, through establishment of their own policies and objectives, to ensure the Group is free from discrimination in the workplace and supports employees with care commitments outside of work and attracts a diverse talent pool to the Group.

Decmil Group Limited

The measureable objectives adopted by the Board in respect of developing gender diversity for the 2013 financial year are set out below and our achievements.

Measure	Results Achieved
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	• 100% Retention of Female Senior Managers across the Group; • Executive Development Program established for Senior Managers resulting in 100% readiness for promotion of Decmil Australia Female Middle Management employees.
Senior managers to meet or formally contact women on parental leave at least quarterly	• Three Maternity Leave employees identified across the Group with 2 already engaged in return to work programs. • The Group harnesses family support through: o Family support seminars delivered as part of our Safety and Health programs; o Online access to Expect-A-Star babysitting services for families moving to new environments with limited support; o Agreed part-time return to work plans to support transitioning back to work; o Agreed flexibility arrangements on start and finish times to support individual needs.
Formal annual review of all part-time work arrangements to ensure roles are appropriate to maintain career development	• Currently previous part-time roles within the Group have, at the Employees request, moved to full-time positions with 100% retention.
Reduce the attrition of female employees identified as high talent, through a formal mentoring program	• Formal engagement of female Indigenous mentors in Department of Employment and Workplace Relations (DEWR) Indigenous mentoring programs on construction projects, where traineeships are established to harness local capacity building and retention. • Mentoring currently occurring across female middle management roles resulting in 100% readiness for promotion and succession plans in place for next steps. • Female participation in senior roles currently greater than 38%. • Female participation within administration roles currently at greater than 56% with 17% promoted through internal career and mentoring programs.
Continued promotion of career opportunities in the resources sector including presentation at career expositions, schools, universities and other suitable forums	• A focus on increasing female attraction to Decmil's Graduate program was targeted this year resulting in 4 out of 5 vacation studies currently female, with remote experience in the resource sector a key component of the period of tenure with the business.

Decmil Group Limited

Decmil Workforce Gender Profile

	Female	Female %	Male	Male %
Administration	75	56	58	44
Workforce	9	2	403	98
Supervisory/Professional	11	6	173	94
Middle Management	5	7	69	93
Executive Management	5	38	8	62
Total	**105**	**13**	**711**	**87**
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 2013 are:

Shareholder	Shares	%
Denis Criddle	18,773,232	11.16
Acorn Capital Ltd.	15,526,987	9.23
Commonwealth Bank Group	14,478,168	8.61
Thorney Investments	13,000,000	7.73
Franco Family Holdings (Retail Group)	12,275,000	7.30
Denver Investments	9,213,666	5.48

The following information is made up as at 31 July 2013.

2. Distribution of shareholdings

Range of Holding	No. of Shareholders	No. of Ordinary Shares	%
1 – 1,000	1,506	734,079	0.44
1,001 – 5,000	1,656	4,688,178	2.79
5,001 – 10,000	590	4,558,058	2.71
10,001 – 100,000	603	14,896,936	8.86
100,001 and over	62	143,325,968	85.20
Total	4,417	168,203,219	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	%
JP Morgan Nominees Australia Ltd	27,723,013	16.48
National Nominees Ltd	21,520,202	12.79
HSBC Custody Nominees (Australia) Ltd	20,426,370	12.14
Citicorp Nominees Pty Ltd	15,738,052	9.36
Broadway Pty Ltd - The Decmil Australia Fund A/C	10,475,000	6.23
Broadway Pty Ltd - The Decmil Australia A/C	6,500,000	3.86
L, M & R Franco - LMR Franco Unit A/C	4,800,000	2.85
Thorney Holdings Pty Ltd	4,381,370	2.60
HSBC Custody Nominees (Australia) Ltd - NT-Comnwlth Super Corp A/C	3,214,573	1.91
JP Morgan Nominees Australia Ltd - Cash Income A/C	2,623,012	1.56
Delauney Pty Ltd - The Franco Family A/C	2,300,000	1.37
Fairview Pty Ltd - Ernest Franco Family A/C	2,300,000	1.37
Citicorp Nominees Pty Ltd - Colonial First State Inv A/C	1,580,048	0.94
BNP Paribas Nominees Pty Ltd – DRP	1,446,754	0.86
Mrs Nola Isabel Criddle – Criddle Investment Fund	1,398,232	0.83
Aust Executor Trustees Ltd - Charitable Foundation	1,141,604	0.68
Navigator Australia Ltd - MLC Investment Sett A/C	1,063,789	0.63
Mr Mario Franco & Mrs Immacolata Franco - The Mario Franco S/F A/C	1,000,000	0.59
O'Neill Administration Pty Ltd – O'Neill Super Fund Account	782,500	0.47
AMP Life Limited	732,822	0.44
Total	131,147,341	77.96