DECMIL

# FINANCIAL REPORT

**30 JUNE 2014**

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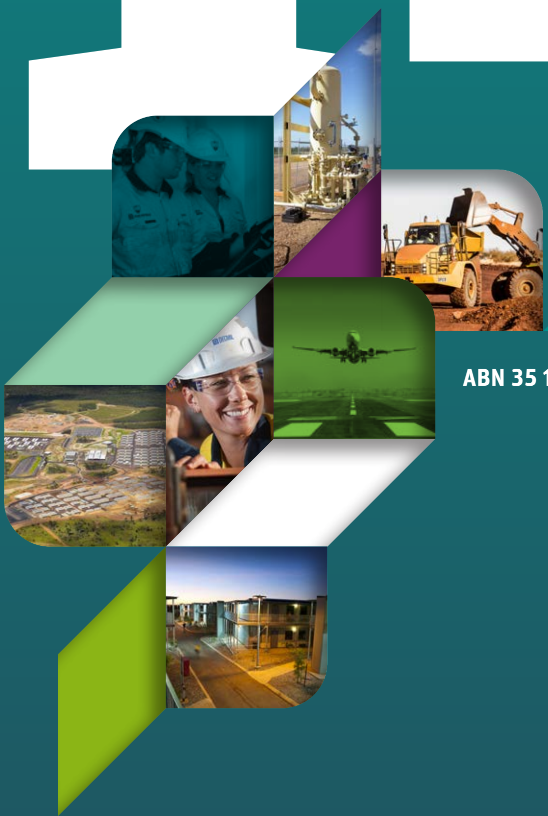

ABN 35 111 210 390

# Contents

# CORPORATE DIRECTORY

## DECMIL GROUP LIMITED

### DIRECTORS

**Bill Healy**, Non-Executive Chairman
**Scott Criddle**, Managing Director
**Denis Criddle**, Non-Executive Director
**Trevor Davies**, Non-Executive Director
**Giles Everist**, Non-Executive Director
**Lee Verios**, Non-Executive Director

### EXECUTIVE TEAM

**Scott Criddle**, Chief Executive Officer
**Craig Amos**, Chief Financial Officer
**Jon Holmes**, Executive General Manager – Construction
**Pamela Rosenthall**, General Manager – Accommodation

### COMPANY SECRETARY

**Alison Thompson**

### AUSTRALIAN BUSINESS NUMBER

35 111 210 390

### PRINCIPAL REGISTERED ADDRESS

20 Parkland Road
Osborne Park WA 6017
Telephone: 08 9368 8877
Facsimile: 08 9368 8878

### POSTAL ADDRESS

PO Box 1233
Osborne Park WA 6916

### OPERATIONAL OFFICES

**Decmil Australia Pty Ltd &**
**Homeground Villages Pty Ltd**
20 Parkland Road
Osborne Park WA 6017
Telephone: 08 9368 8877
Facsimile: 08 9386 8878

**Decmil Australia Pty Ltd &**
**Homeground Villages Pty Ltd**
Level 5, 60 Edward Street
Brisbane QLD 4000
Telephone: 07 3640 4600
Facsimile: 07 3640 4690

**Eastcoast Development Engineering Pty Ltd &**
**Decmil Engineering Pty Ltd**
265 Queensport Road North
Murarrie QLD 4172
Telephone: 07 3908 4900
Facsimile: 07 3908 4955

### AUDITOR

RSM Bird Cameron
8 St Georges Terrace
Perth WA 6000
Telephone: 08 9261 9100
Facsimile: 08 9261 9111

### SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000
Telephone: 08 9323 2000
Facsimile: 08 9323 2033
Email: web.queries@computershare.com.au
Website: www-au.computershare.com

### LAWYERS

Ashurst
2 The Esplanade
Perth WA 6000
Telephone: 08 9366 8000
Facsimile: 08 9366 8111

### BANKERS

National Australia Bank Limited
100 St Georges Terrace
Perth WA 6000
Telephone: 13 10 12

### CONTROLLED ENTITIES

Decmil Australia Pty Ltd
Decmil Engineering Pty Ltd
Decmil PNG Limited
Eastcoast Development Engineering Pty Ltd
Homeground Villages Pty Ltd
Homeground Gladstone Pty Ltd ATF
Homeground Gladstone Unit Trust
Decmil Properties Pty Ltd
Decmil Infrastructure Pty Ltd
Cornelisse Shoal Pty Ltd

### ASX CODE

DCG

## 1. DIRECTORS

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2014.

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**

### Giles Everist
**Non-Executive Director**

### Bill Healy
**Non-Executive Chairman**

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

Bill Healy was appointed Non-Executive Chairman on 1 July 2014, replacing Giles Everist who served as Non-Executive Chairman from November 2011. Giles Everist remains a Non-Executive Director of the Company.

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

## 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 20 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, Trevor is 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 Director**

### 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
Giles was appointed as Non-Executive Director in December 2009 and appointed as Non-Executive Chairman in November 2011, resigning from this position in June 2014. He was formerly the Chief Financial Officer and Company Secretary of Monadelphous Group Limited between 2003 and 2009 and has more than 20 years' experience in the resources and engineering services industry. During his career Giles has held financial executive roles with Rio Tinto in the United Kingdom and Australia plus major design engineering group Flour Australia.

### Other Directorships
Austal Ltd
LogiCamms Ltd
Macmahon Holdings Ltd

### Former Directorships
None

## Bill Healy
**Non-Executive Chairman**

### Qualifications
- Bachelor of Commerce

### Experience
Bill Healy was appointed as Non-Executive Director in April 2009 and appointed as Non-Executive Chairman in June 2014. He was a director and shareholder in Sealcorp Holdings from 1985 which then established and developed the diversified financial services group. Bill 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 he remained on the Board until 1999. He 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
Lee was 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. Lee also has broad experience as a Company director in each of the public, large private and not for profit sectors.

### Other Directorships
Finbar Group Ltd - Director

### Former Directorships
Port Bouvard Ltd - Chairman
Vmoto Ltd - Chairman

CONTINUED

## Craig Amos
**Chief Financial Officer**

### Qualifications
- Bachelor of Commerce (Hons), University of Cape Town, South Africa
- Graduate Diploma of Advanced Auditing, University of Cape Town
- Graduate Diploma of Applied Finance, Financial Services Institute of Australasia
- Fellow of the Financial Services Institute of Australasia
- Member of Chartered Accountants Australia & New Zealand

### Experience
Craig held the role of Group Manager for Corporate Development before being appointed Chief Financial Officer in March 2014. Prior to joining Decmil, he held the position of Executive Director in the Corporate Finance division of Ernst & Young. Craig has over 15 years experience in finance, accounting, corporate transactions and commercial projects in both corporate and professional service environments.

## Alison Thompson
**Company Secretary**

### Qualifications
- Bachelor of Commerce, Murdoch University, Western Australia
- Fellow of Chartered Accountants Australia & New Zealand

### Experience
Holding several senior financial positions within the group since August 2007, Alison is currently the Group Financial Controller for Decmil and was appointed Company Secretary in January 2014. She has extensive technical experience gained from 4 years with PricewaterhouseCoopers and prior to joining Decmil gained valuable industry experience at international construction firm Balfour Beatty based in the United Kingdom.

## 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 | 1,016,790 | - |
| Trevor Davies | 10,000 | - |
| Giles Everist | 513,332 | - |
| Bill Healy | 418,190 | - |
| Lee Verios | 66,667 | - |
| TOTAL | **20,798,211** | - |

## 4. DIRECTORS' MEETINGS

During the financial year, 14 directors' meetings 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 | 14 | 13 | 4 | 3 | - | - |
| Scott Criddle | 14 | 13 | - | - | - | - |
| Trevor Davies | 14 | 14 | 2 | 2 | 3 | 3 |
| Giles Everist | 14 | 14 | 4 | 4 | 4 | 4 |
| Bill Healy | 14 | 14 | 4 | 4 | 1 | 1 |
| Lee Verios | 14 | 12 | - | - | 4 | 4 |

## 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**
- **Giles Everist**
- **Bill Healy**
- **Lee Verios**

## REMUNERATION PHILOSOPHY

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.

## REMUNERATION COMMITTEE

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 leadership 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 consolidated entity's financial performance 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 performance rights. 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 during the year was 9.25%, 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 approves 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.

## PERFORMANCE BASED REMUNERATION

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 goals.

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

## SHORT TERM INCENTIVE PLAN

The Short Term Incentive (STI) scheme is applicable to the CEO and other senior roles within the business upon Board or CEO approval. The STI is determined for each individual based on allocated key performance indicators linked to their incentive payment with final determination post audited results, typically September. A balanced scorecard approach is typically used.

The STI scheme is structured with clear guidelines provided to participants to ensure fair and equitable outcomes. The STI scheme consists of key performance indicators that are aligned to Company strategy, financial objectives and the annual business plan.

Allocations are based on a percentage of an individual's base salary earned as at 30 June of the review year. All monies are paid based on the previous financial year's base salary earnings to date to 30 June before performance based remuneration reviews where applicable. No incentives are payable prior to presentation of the audited financial accounts.

## PERFORMANCE RIGHTS PLAN

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.

As a result of passing of Resolution 7 at the 30 November 2009 Annual General Meeting, a Performance Rights Plan (PRP) was approved. Under the PRP the number of rights issued was calculated by dividing up to 100% (as approved 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 60 days prior to the relevant grant date.

The PRP plan was revised as a result of Resolution 3 at the 14 November 2012 Annual General Meeting (PRP-2012). Under the PRP-2012 the number of Performance Rights issued is calculated by dividing up to 150% (as determined by the Board) of the of total fixed annual remuneration for each executive by the volume weighted average closing price of shares, as quoted on the ASX, over the 60 days prior to the relevant grant date.

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 arrangement for the performance rights issued under the PRP-2012 is that the Performance Rights vest two, three and four years after the initial grant date depending upon vesting performance measures. The number of Performance Rights granted in respect of each of the relevant financial years will be subject to the following vesting performance measures:

**a)** Two thirds of the Performance Rights are subject to earnings per share compound annual growth rate (EPS CAGR) performance and;

**b)** One third of the Performance Rights are subject to total shareholder returns (TSR) performance relative to the other companies in the ASX 200.

The Performance Rights in respect of a financial year will vest in tranches as follows:

| Years after the financial year in respect of which the grant of Performance Rights is made | % of Performance Rights Eligible for Vesting |
|---|---|
| 2 | 25% |
| 3 | 25% |
| 4 | 50% |

For Performance Rights subject to EPS CAGR performance, vesting will occur as follows:

| **EPS CAGR** Measured from the year in respect of which grant of Performance Rights is made | % Performance Rights that Vest |
|---|---|
| < 6% | 0% |
| 6% | 25% |
| > 6% < 24% | Pro rata vesting between 25% - 100% |
| 24% or more | 100% |

For Performance Rights subject to TSR performance, vesting will occur as follows:

| **TSR** Measured from the year in respect of which grant of Performance Rights is made | % Performance Rights that Vest |
|---|---|
| < 50th percentile | 0% |
| 50th percentile | 50% |
| > 50th percentile < 75th percentile | Pro rata vesting between 50% to 100% |
| >75th percentile or more | 100% |

Prior to the 2013 financial year, Performance Rights vested three, five and seven years after the initial grant date depending upon DGL's Total Shareholder Return ("TSR") performance relative to a comparator group identified at the time of grant (S&P/ASX 300 Index). Any and all performance rights issued prior to 2013 financial year remain under these terms and conditions. The rights vest:

| Company TSR Rank in S&P/ASX 300 Index | % of Performance Rights that Vest |
|---|---|
| Below the 50th percentile | 0% |
| 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.

Vesting criteria is at the Board's discretion to amend as required without notice.

## REMUNERATION PRACTICES

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 experience, qualifications, job level and overall performance of the Company. The service agreements between the Company and specified directors and executives are on a continuing basis which are not expected to change in the immediate future.

Upon retirement, specified directors and executives are paid employee entitlements and incentives accrued to the date of their retirement. The Company may terminate the respective contracts without cause by providing written notice of the required termination period or by making payment in lieu of notice based on the individual's annual salary component together with a discretionary 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.

## COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTORS' AND EXECUTIVES' REMUNERATION

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.

## DETAILS OF REMUNERATION

**Year ended 30 June 2014**

| Directors | Salary and fees | Super-annuation contribution | Rights | Bonus | Other | Total | Total Perfor-mance Related | Total Fixed Remu-neration |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | % | % |
| Denis Criddle | 73,394 | 6,789 | - | - | - | 80,183 | - | 100.0 |
| Scott Criddle | 833,530 | 20,738 | 359,937 | 425,000 | - | 1,639,205 | 47.9 | 52.1 |
| Trevor Davies | 73,394 | 6,789 | - | - | - | 80,183 | - | 100.0 |
| Giles Everist | 120,000 | - | - | - | - | 120,000 | - | 100.0 |
| Bill Healy | 73,394 | 6,789 | - | - | - | 80,183 | - | 100.0 |
| Lee Verios | 73,394 | 6,789 | - | - | - | 80,183 | - | 100.0 |
| TOTAL | **1,247,106** | **47,894** | **359,937** | **425,000** | **-** | **2,079,937** | | |

**Year ended 30 June 2014**

| Specified executives | Salary and fees | Super-annuation contribution | Rights | Bonus | Other[1] | Total | Total Perfor-mance Related | Total Fixed Remu-neration |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | % | % |
| Jon Holmes<br>Executive General Manager Decmil Australia[2] | 591,539 | 17,775 | - | 50,000 | - | 659,314 | - | 100.0 |
| Pamela Rosenthall<br>General Manager Homeground Villages | 280,000 | 17,775 | - | 65,333 | - | 363,108 | 18.0 | 82.0 |
| Craig Amos<br>Chief Financial Officer[3] | 224,038 | 14,813 | - | - | - | 238,851 | - | 100.0 |
| Justine Campbell<br>Chief Financial Officer & Company Secretary[4] | 272,353 | 14,773 | - | 170,000 | 318,536 | 775,662 | 21.9 | 78.1 |
| Todd Strathdee<br>Chief Strategy & Operating Officer[5] | 469,839 | 14,773 | - | 175,000 | - | 659,612 | 26.5 | 73.5 |
| TOTAL | **1,837,769** | **79,909** | **-** | **460,333** | **318,536** | **2,696,547** | | |

[1] Other includes payments made on termination of employment
[2] Jon Holmes was appointed Executive General Manager Decmil Australia on 8 July 2013
[3] Craig Amos was appointed Chief Financial Officer on 7 March 2014, previously Group Manager for Corporate Development. Started with the Company on 2 September 2013
[4] Justine Campbell resigned from the position of Chief Financial Officer & Company Secretary on 10 January 2014
[5] Todd Strathdee vacated the position of Chief Strategy & Operating Officer on 9 March 2014

## DETAILS OF REMUNERATION

**Year ended 30 June 2013**

| Directors | Salary and fees | Super-annuation contribution | Rights | Bonus | Other | 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 |
| Bill 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 | Rights | Bonus | Other | Total | Total Perfor-mance Related | Total Fixed Remu-neration |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | % | % |
| Justine Campbell<br>Chief Financial Officer & Company Secretary[1] | 406,504 | 16,470 | 182,906 | 150,000 | - | 755,880 | 44.0 | 56.0 |
| Todd Strathdee<br>Chief Strategy & Operating Officer[2] | 342,500 | 8,235 | - | - | - | 350,735 | - | 100.0 |
| Ray Sputore<br>Managing Director Decmil Australia[3] | 833,997 | 16,470 | 485,843 | 867,877 | - | 2,204,187 | 61.4 | 38.6 |
| Brad Kelman<br>Managing Director Homeground Villages[4] | 374,223 | 16,470 | 393,258 | - | - | 783,951 | 50.2 | 49.8 |
| TOTAL | **1,957,224** | **57,645** | **1,062,007** | **1,017,877** | **-** | **4,094,753** | | |

## OPTIONS ISSUED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2014

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

[1] Justine Campbell resigned from the position of Chief Financial Officer & Company Secretary on 10 January 2014
[2] Todd Strathdee vacated the position of Chief Strategy & Operating Officer on 9 March 2014
[3] Ray Sputore resigned from the position of Managing Director Decmil Australia on 30 June 2013 but remains with the Company within the Senior Management team
[4] Brad Kelman resigned from the position of Managing Director, Homeground Villages Pty Ltd on 31 October 2012

## EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES

The Company has in place executive service agreements with key executives, which includes terms and conditions relating to confidentiality, restraint on employment and intellectual property. The executive service agreements in place are not fixed term agreements and continue on an ongoing basis until terminated.

These agreements may be terminated by notice of either party or earlier in the event of certain breaches. In the event of termination for any reason, the Company will pay accrued and untaken annual leave, and subject to legislation, any accrued and untaken long service leave owing to the executive.

The Company entered into a service agreement with Mr Scott Criddle who commenced in the role of CEO on 1 July 2009. Mr Criddle's service agreement can be terminated by giving a three month written notice unless in relation to certain circumstances such as serious misconduct or gross neglect of duty.

## PERFORMANCE RIGHTS

During the year ended 30 June 2014, the following performance rights were granted.

| Grant Date | Number of Rights Granted | Fair Value of Rights Granted |
|---|---|---|
| 1 July 2013 | 1,733,481 | $871,074 |

During the year ended 30 June 2014, none of the performance rights have met their vesting criteria under the Performance Rights Plan.

During the year ended 30 June 2014, 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 2010 | 92,943 | $81,655 |
| 1 July 2011 | 167,304 | $266,333 |
| 1 July 2012 | 390,854 | $598,724 |
| 1 July 2013 | 978,511 | $491,702 |
| **Total** | **1,629,612** | **$1,438,414** |

The following rights have been granted but remain unvested at 30 June 2014:

| Grant Date | Number of Unvested Rights | Fair Value of Unvested Rights |
|---|---|---|
| 1 July 2010 | 120,976 | $106,284 |
| 1 July 2011 | 250,239 | $398,357 |
| 1 July 2012 | 310,738 | $476,000 |
| 1 July 2013 | 754,970 | $379,373 |
| **Total** | **1,436,923** | **$1,360,014** |

### SHAREHOLDINGS AND PERFORMANCE RIGHTS HOLDINGS

For details of directors and specified executives shareholdings and performance rights holdings, refer to note 7 to the financial statements.

### RELATED PARTY TRANSACTIONS

For details of other transactions with directors and specified executives and their related parties, refer to note 29 to the financial statements.

### 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 2014 there were no ordinary shares of Decmil Group Limited issued on the exercise of options.

## 6. 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 $63,913.

## 7. PRINCIPAL ACTIVITIES

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

**Construction and Engineering**

- 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 accommodation, office buildings, administration buildings and storage facilities
- Mechanical fabrication and manufacture and installation of high pressure piping and tanking

**Accommodation**

- Build, own and operate accommodation villages in remote areas

**Infrastructure Ownership**

- During the period the Group created a third business division to focus on pursuing opportunities for the Group in build-own-operate (BOO) infrastructure assets and public-private-partnerships (PPP)

## 8. OPERATING RESULTS

The consolidated profit of the Group after providing for income tax expense amounted to $52,627,000 (2013: $64,367,000).

## 9. DIVIDENDS PAID OR RECOMMENDED

The Company announces a fully franked 8.5 cent per share final dividend with a record date of 5 September 2014 and payment date of 26 September 2014.

## 10. REVIEW OF OPERATIONS

### FINANCIAL PERFORMANCE

The Group has delivered a statutory net profit after tax for FY14 of $52.6m (FY13: $64.4m). The prior year operating profit before tax comparative includes a gain arising from the business combination of Homeground Villages of $29.8m and the current financial year includes gains in connection with the deferred settlement of the Eastcoast Development Engineering Pty Ltd ("EDE") acquisition and the acquisition of VDM Construction (Eastern Operations) Pty Ltd (VDM), totalling $2.9m. To the extent these gains are removed from each financial year, the Group has grown the net profit after tax by $4.5m (10%) over the comparative period.

Excluding the gains arising from the business combinations, earnings per share has grown by 2.56 cents (9.5%).

| $m | FY12 | FY13[1] | FY14[1] | 13-14 change% |
|---|---|---|---|---|
| Revenue | 550.3 | 526.5 | 617.7 | 17% |
| Gross profit | 83.7 | 116.2 | 121.6 | 5% |
| EBITDA* | 55.7 | 71.0 | 78.2 | 10% |
| NPAT | 39.1 | 45.2 | 49.7 | 10% |
| NPAT margin | 7.1% | 8.6% | 8.0% | -0.6pp |

1 Excludes the impact of gains arising from business combinations from both reporting periods

* EBITDA means earnings before interest, tax, depreciation and amortisation

The growth in year on year profit has been underpinned by the $91.2m (17%) increase in revenue from key contracts for clients such as the Department of Immigration and Border Protection (DIBP), Roy Hill, Atlas Iron, Queensland Gas Corporation, Rio Tinto and Chevron.

The Group has continued to evolve its client base and core capability during the financial year, with work for Government (both Federal and State) and a broader base of civil work (including roads and bridges) becoming key features of the business. The Group continues to see significant revenue potential in these areas of the business and they will continue to provide the Group with greater sources and diversity of revenue in coming years.

A more competitive landscape for construction in the natural resources sector and greater proportion of Government and civil work has seen profit margins decline in the current financial year compared with those realised during the resources and construction boom of recent years.

## OPERATIONS

### Construction and Engineering

*Key highlights:*
- Manus Island contracts for DIBP commenced and progressing
- Successful integration of EDE and VDM
- Expanded civil capability including roads and bridges
- Continued award of non-process infrastructure (NPI) contracts with Tier 1 clients

| Construction and Engineering | FY12 | FY13 | FY14 | 13-14 change % |
|---|---|---|---|---|
| Revenue | 550.0 | 489.3 | 560.5 | 15% |
| Gross profit | 83.7 | 92.7 | 86.1 | -7% |
| EBITDA | 56.5 | 56.4 | 48.4 | -14% |
| Gross margin % | 15.2% | 18.9% | 15.4% | -3.5pp |
| EBITDA margin % | 10.3% | 11.5% | 8.6% | -2.9pp |

Revenue with the construction and engineering division increased by $71.2m (or 15%), from $489.3m to $560.5m. During the year, the Group has generated revenue on a number of key projects including the following:

- **DIBP:** two Manus Island contracts relating to facilities in Papua New Guinea;
- **Atlas Iron:** Mount Webber accommodation village and road works;
- **Shell:** onshore supply base in Darwin for the Prelude LNG project;
- **Rio Tinto:** NPI in connection with Western Turner. Two additional NPI projects were also recently awarded at West Angeles and Cape Lambert;
- **QGC:** upstream coal seam gas wellhead installation work in Queensland;
- **Department of Main Roads:** various civil works; and
- **Roy Hill:** three key projects in connection with rail terminal buildings, fuel tanks and port buildings for their Pilbara iron ore operations.

Management believes that construction and engineering margins, particularly in the second half of the financial year, are returning closer to long term averages largely due to decreased resource sector related expansionary capital spend and a greater proportion of Government and civil work.

During the current financial year, the Group completed the integration of EDE and VDM and these businesses are now operating under Decmil Management and operational structure.

The Group has achieved initial success with its civil capability including a number of works for the Western Australia and Queensland Main Roads authorities and is actively looking for further opportunities and enhancement of capability via strategic alliances and joint venture partnerships.

The Construction and Engineering division is well positioned entering the 2015 financial year, with ~$400m work in hand for the forecast financial year to 30 June 2015. Key projects included in the work in hand relate to the two Manus Island projects, the Cape Lambert and West Angeles NPI projects, the three Roy Hill projects as well as the QGC wellhead installation program.

### Accommodation Services

*Key highlights:*
- Strong occupancy throughout financial year 2014 (average of ~79%)
- Improved systems such as remote check-in capability
- Diversified clients base including over 30 major companies operating in the Gladstone region

| Accommodation Services | FY13 | FY14 | 13-14 change % |
|---|---|---|---|
| Revenue | 37.3 | 56.7 | 52% |
| EBITDA | 16.0 | 30.3 | 89% |
| EBITDA margin % | 42.9% | 53.4% | 10.5pp |

Homeground Villages experienced strong occupancy throughout the year (both from contracted and non-contracted sources) and will continue to do so into the early part of the 2015 financial year.

The village now enjoys a diversified customer base across the resource and construction sectors and is the preferred accommodation provider for major projects, namely WICET (anchor tenant) and Tier 1 contractors operating in the Gladstone region.

## FINANCIAL POSITION

Operating cash flow for the year ended 30 June 2014 was $66.1m, which was greater than FY13 by $33.6m (103%). The group maintained a strong net cash position, with cash on hand of $59.3m at the end of the period ($43.7m at 30 June 2013). The Group paid down all core senior debt and is currently debt-free (excluding $2.0m in hire purchase related debt). During the period, net assets increased to $302.8m from $271.2m at 30 June 2013.

| $m | Jun-12 | Jun-13 | Jun-14 | 13-14 Mvmt (%) |
|---|---|---|---|---|
| Operating cash flow | 80.0 | 32.5 | 66.1 | 103% |
| Gross cash | 141.4 | 43.7 | 59.3 | 36% |
| Debt | 15.9 | 22.7 | 2.0 | -91% |
| Net cash position | 125.5 | 21.0 | 57.3 | 173% |
| Bank guarantees & surety bonds | | | | |
| - Utilised | 86.8 | 88.7 | 103.4 | 17% |
| - Available | 78.2 | 116.3 | 121.6 | 5% |

The Group retains significant bank guarantee and bonding facilities to undertake future works.

## LIKELY DEVELOPMENTS AND STRATEGY

The Group's medium to long term strategy continues to be focused on seeking further diversification of revenue sources in response to macroeconomic trends, in particular the decline in capital spend in the natural resources sectors. Decmil enters the 2015 financial year with a healthy order book and a solid net cash position. This provides the Group with a solid platform for the 2015 financial year.

### Construction and Engineering

The Group's Construction and Engineering division enters the FY15 financial year with work in hand of ~$400m.

Within the Construction and Engineering division, Decmil continues to seek new markets and grow adjacent capabilities and services. Over the past year Decmil has successfully executed a diversification strategy securing work in new regions (Northern Territory and Papua New Guinea); in new sectors (Government and Coal Seam Gas) and with new service offerings (structural mechanical piping, fabrication and installation and R4/B2 Main Roads accreditation to extend the Group's civil offering).

The Group continues to seek opportunities to expand its construction and engineering capability via a focussed approach on those sectors the Company anticipates growth in, as well as expansion into other geographies.

Government work (both Federal and State) continues to be a focus for the Group given the success achieved during the FY14 financial year. The Group has a significant ability to deliver complex civil construction projects, particularly in remote locations and in the key areas of immigration, main roads, defence, health and education.

### Accommodation Services

The Accommodation division has solidified its long term position. During the 2015 calendar year the current peak construction activity being experienced in the Gladstone region (largely the Wiggins Island Coal Terminal development and the LNG construction on Curtis Island) will start to abate as key construction projects near completion. However, Management expects that new opportunities will arise for Homeground Gladstone as the LNG sector in Gladstone moves from the construction to operational and maintenance stages. In addition, there are a number of potential projects in close proximity to Gladstone earmarked that Homeground Gladstone will be well placed to capture future tenancy.

The Accommodation division also continues to focus on operating efficiency as its key customer value proposition. The division continues to look at organic growth opportunities based on existing capability which include a travel and mobilisation solution for resource companies and an expanded facilities and asset management service offering.

### Infrastructure Ownership

During the period the Group created a third business division to focus on pursuing opportunities for the Group in build-own-operate (BOO) infrastructure assets and public-private-partnerships (PPP). Decmil has a long history of successfully delivering complex, large scale construction and engineering projects for clients in the natural resources and government infrastructure sectors.

Leveraging off this history, expertise and relationships, Decmil is currently evaluating BOO infrastructure opportunities in fuel and energy storage and resource sector non process infrastructure. Further, the Group is also considering a number of PPP opportunities in Western Australia and Queensland in both the health and education sectors (amongst others).

These opportunities have the ability to generate long term, stable revenues with counterparties that are either Tier 1 resource companies or Government and to create a high quality infrastructure asset base in the Group.

## MATERIAL BUSINESS RISKS

Material risks that could adversely affect the Group achieving its financial outlook include the following:

- Continued weakness in the broader construction and engineering sector and a reduction in growth capital expenditure across major new natural resource projects. The Group is responding to this risk with diversification into new sectors (Government) and an increasing focus on winning work in the sustaining capital, non-process infrastructure and operating cycles/sustaining capital works of major resource projects.
- In order for the Group to continue working on resource related projects, a robust safety methodology needs to be in place. Decmil mitigates this safety risk via its 'SHIELD' safety methodology, ensuring that all employees (including Senior Management) and sub-contractors are aligned and engaged with the approach to safety.
- A large portion of the Group's contracts are 'lump sum' in nature and to the extent costs exceed the contracted price, there is a risk these amounts may not be recovered. In order to mitigate this risk, the Group has a sophisticated estimating function that utilises a robust estimating methodology and project teams monitor costs closely and maintain good working relationships with clients.
- Decmil from time to time operates in foreign jurisdictions (such as Papua New Guinea) and at times faces operational and regulatory issues not generally experienced in Australia. The Group constantly refines its operating and compliance processes to manage these risks.
- During the 2015 calendar year the current peak construction activity being experienced in the Gladstone region (largely the Wiggins Island Coal Terminal development and the LNG construction on Curtis Island) may start to abate as key construction projects near completion. This may result in a short term diminution in the occupancy levels at the Homeground Village. However, Management expects that in the medium term new opportunities will arise for Homeground Gladstone as the LNG sector in Gladstone moves from the construction to operational and maintenance stages. In addition, there are a number of potential projects in close proximity to Gladstone that may provide future tenancy.

### CAPITAL MANAGEMENT

Management is continually assessing the optimal capital structure to ensure the Group is working towards providing shareholders with adequate returns based on assessment of market risks and opportunities. This includes the management of debt levels, distributions to shareholders and the requirement for further equity funding in the Group.

The deployment of capital to the Group's assets and business units is also reviewed regularly and managed to ensure rates of return continue to be at an acceptable level. Where necessary, Management may consider redeploying capital within the Group or alternatively returning capital to shareholders.

## 11. 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:

- The incorporation of Decmil PNG Limited in July 2013 for the purpose of executing the Manus Island Regional Processing Centre project for the Department of Immigration and Border Protection. The entity was incorporated in Papua New Guinea and is a controlled entity of Decmil Australia Pty Ltd.
- Purchase of 100% interest in VDM Construction (Eastern Operations) Pty Ltd for $2,750,000, acquired on 1 October 2013. The entity is a controlled entity of Decmil Australia Pty Ltd.
- The incorporation of Decmil Infrastructure Pty Ltd and Cornelisse Shoal Pty Ltd in June 2014 for the purpose of developing and owing infrastructure assets in Australia.

## 12. AFTER BALANCE DATE EVENTS

On 19 August 2014, the Company proposed a fully franked 8.5 cent per share final dividend with a record date of 5 September 2014 and payment date of 26 September 2014. The total amount of this dividend payment will be $14.336 million.

## 13. 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.

## 14. PROCEEDINGS ON BEHALF OF COMPANY

During the year ended 30 June 2013 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 has progressed throughout the year ended 30 June 2014 and is being vigorously defended by the Company. A provision has been made in the financial report ended 30 June 2014.

## 15. 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 2014:

| | $ |
|---|---|
| Taxation services | 101,365 |
| Corporate finance services | 2,625 |
| Accounting assistance | 6,500 |
| | 110,490 |

## 16. AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found within this financial report.

## 17. 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.

## 18. 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 as detailed at the end of this report.

Signed in accordance with a resolution of the Board of Directors.

**Bill Healy**
**Chairman**

19 August 2014

**RSM Bird Cameron Partners**
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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 2014, 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: 19 August 2014

J A KOMNINOS
Partner

# Statement of Profit or Loss and Other Comprehensive Income

**For year ended 30 June 2014**

| | Note | Consolidated Entity 2014 $000 | 2013 $000 |
|---|---|---|---|
| Revenue from operations | 4 | **618,401** | 528,786 |
| Cost of sales | | **(496,096)** | (410,321) |
| Gross profit | | **122,305** | 118,465 |
| Administration expenses | | **(43,149)** | (45,076) |
| Borrowing expenses | 5 | **(941)** | (2,625) |
| Depreciation and amortisation expense | 5 | **(6,801)** | (8,132) |
| Equity based payments | | **(266)** | (550) |
| Share of profit or (loss) in joint venture | | **-** | 372 |
| Gain arising from business combination | 27 | **2,902** | 29,752 |
| **Profit before income tax expense** | | **74,050** | 92,206 |
| Income tax (expense) | 6 | **(21,423)** | (27,839) |
| **Net profit for the year** | | **52,627** | 64,367 |
| | | | |
| **Other Comprehensive Income** | | **-** | - |
| **Total Comprehensive Income for the year** | | **52,627** | 64,367 |
| | | | |
| **Earnings Per Share** | | | |
| Basic earnings per share (cents per share) | 9 | **31.22** | 38.32 |
| Diluted earnings per share (cents per share) | 9 | **31.22** | 38.32 |

The accompanying notes form part of these financial statements.

# Statement of Financial Position

**As at 30 June 2014**

| | Note | Consolidated Entity | |
|---|---|---|---|
| | | **2014 $000** | **2013 $000** |
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | **11** | **59,308** | 43,712 |
| Trade and other receivables | **12** | **113,861** | 62,819 |
| Work in progress | **13** | **19,607** | 14,975 |
| Other assets | **19** | **11,265** | 7,962 |
| TOTAL CURRENT ASSETS | | **204,041** | 129,468 |
| NON-CURRENT ASSETS | | | |
| Investment property | **17** | **188,182** | 192,923 |
| Property, plant and equipment | **16** | **40,450** | 42,477 |
| Deferred tax assets | **22** | **3,728** | 5,730 |
| Intangible assets | **18** | **69,343** | 68,613 |
| Investments accounted for using the equity method | **15** | **-** | - |
| TOTAL NON-CURRENT ASSETS | | **301,703** | 309,743 |
| TOTAL ASSETS | | **505,744** | 439,211 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | **20** | **178,599** | 123,236 |
| Current tax payable | | **5,804** | 5,842 |
| Borrowings | **21** | **1,178** | 21,661 |
| Provisions | **23** | **5,763** | 5,874 |
| TOTAL CURRENT LIABILITIES | | **191,344** | 156,613 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | **22** | **10,796** | 10,313 |
| Borrowings | **21** | **797** | 1,089 |
| TOTAL NON-CURRENT LIABILITIES | | **11,593** | 11,402 |
| TOTAL LIABILITIES | | **202,937** | 168,015 |
| NET ASSETS | | **302,807** | 271,196 |
| **EQUITY** | | | |
| Issued capital | **24** | **163,517** | 163,451 |
| Retained earnings | | **139,290** | 107,745 |
| TOTAL EQUITY | | **302,807** | 271,196 |

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

**For year ended 30 June 2014**

| | Note | Issued Capital $000 | Retained Earnings $000 | Total $000 |
|---|---|---|---|---|
| **Consolidated Entity** | | | | |
| **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 |
| **Balance at 1 July 2013** | | 163,451 | 107,745 | 271,196 |
| Net profit for the year | | - | 52,627 | 52,627 |
| Total comprehensive income for the year | | - | 52,627 | 52,627 |
| Shares issued during the year | | 399 | - | 399 |
| Transaction costs net of tax benefit | | (200) | - | (200) |
| Equity based payments | | 266 | - | 266 |
| Performance rights converted to shares | | (399) | - | (399) |
| Dividends recognised for the period | **10** | - | (21,082) | (21,082) |
| **Balance at 30 June 2014** | | 163,517 | 139,290 | 302,807 |

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

**For year ended 30 June 2014**

| | Note | Consolidated Entity 2014 $000 | 2013 $000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | **566,419** | 602,986 |
| Payments to suppliers and employees | | **(480,988)** | (546,331) |
| Interest received | | **674** | 2,251 |
| Finance costs | | **(941)** | (2,625) |
| Income tax paid | | **(19,028)** | (23,834) |
| Net cash provided by operating activities | **27(a)** | **66,136** | 32,447 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(5,278)** | (65,620) |
| Purchase of investments, net of cash acquired | **27(b)** | **(1,640)** | (26,435) |
| Proceeds from sale of non-current assets | | **451** | 2,467 |
| Net cash (used in) investing activities | | **(6,467)** | (89,588) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net proceeds from/(repayment of) borrowings | | **(22,986)** | (21,594) |
| Proceeds from issue of shares and conversion of options | | **-** | 405 |
| Costs of issuing shares | | **(5)** | (14) |
| Dividends paid by parent entity | | **(21,082)** | (19,296) |
| Net cash provided by / (used in) financing activities | | **(44,073)** | (40,499) |
| Net increase in cash held | | **15,596** | (97,640) |
| Cash at beginning of financial year | | **43,712** | 141,352 |
| Cash at end of financial year | **11** | **59,308** | 43,712 |

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

**For the year ended 30 June 2014**

The financial statements of Decmil Group Limited ('the Company') for the year ended 30 June 2014 comprise of the Company and its subsidiaries (collectively referred to as 'the consolidated entity') and the consolidated entity's interests in joint operations. 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 the directors dated 19 August 2014.

**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 the Corporations Act 2001, Australian Accounting Standards, Interpretations of the Australian Accounting Standards Board, and International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Decmil Group Limited at the end of the reporting period. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the consolidated entity from the date on which control is obtained by the consolidated entity. The consolidation of a subsidiary is discontinued from the date that control ceases.

Intercompany balances and transactions between entities in the consolidated entity are fully 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 profit or loss and other comprehensive income. The non-controlling interests in the net assets of the subsidiary 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.

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

# Notes to the Financial Statements
**For the year ended 30 June 2014**

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

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. 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 profit or loss and other 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 profit or loss and other comprehensive income.

(b) **Income Tax**

The income tax expense/(income) 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. Current tax liabilities/(assets) are 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.

No except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, 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, 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

# Notes to the Financial Statements

**For the year ended 30 June 2014**

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 controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of the entities are set off in the consolidated financial statements.

(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 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) **Interests in Joint Arrangements**

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The consolidated entity’s interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties’ interests. When the consolidated entity makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

(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 but excluding freehold land 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.

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

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Building | 2.5% |
| Owned plant and equipment | 20% |
| Leased plant and equipment | 20% |

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

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.

# Notes to the Financial Statements

**For the year ended 30 June 2014**

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

(f) **Investment Property**

Investment property, comprising investment interests in land and buildings, is held to generate long-term rental yields. All tenant leases are on an arm's length basis. Investment property is initially measured at cost and subsequently measured at fair value. Investment property is carried at fair value which is based on discounted cash flow projections. Investment property is valued at least every 3 years by independent external valuers. Any resultant changes in fair value are shown separately in the consolidated statement of profit or loss and other comprehensive income as net gains/(losses) from fair value adjustments on investment property.

(g) **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 recognised as expenses in the periods in which they are incurred.

(h) **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 profit or loss and other 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.

(i) **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 acquisition date fair value of any previously held equity interest over the acquisition-date fair value 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 being larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Impairment losses recognised for goodwill are not subsequently reversed.

(j) **Intangibles other than Goodwill**

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 statement of profit or loss and other comprehensive income, through the "amortisation expenses" line item.

# Notes to the Financial Statements

**For the year ended 30 June 2014**

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.

(k) **Employee Benefits**

Provision is made for the consolidated entity's obligation for short-term employee benefits. Short-term employee benefits are benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The consolidated entity's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The consolidated entity's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

**Other long-term employee benefits**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in statement of profit or loss and other comprehensive income in the periods in which the changes occur.

The consolidated entity's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the consolidated entity does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**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.

(l) **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. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(m) **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 6 months or less.

(n) **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).

# Notes to the Financial Statements

**For the year ended 30 June 2014**

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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

(o) **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 profit or loss and other comprehensive income in the period in which they are incurred.

(p) **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.

(q) **Financial Instruments**

**Initial recognition and 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 cumulative 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) over 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 the statement of profit or loss or other comprehensive income.

# Notes to the Financial Statements
**For the year ended 30 June 2014**

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. Gains or losses are recognised in the statement of profit or loss and other comprehensive income through the amortisation process and when the financial asset is derecognised.

*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 assets 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 profit or loss and other comprehensive income.

(r) **Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(s) **Trade and other Payables**

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

(t) **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. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair value were determined.

(u) **Fair Value of Assets and Liabilities**

The consolidated entity measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the consolidated entity would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the consolidated entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the consolidated entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(v) **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.

(w) **Comparative Figures**

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

(x) **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.

*Share-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

# Notes to the Financial Statements

**For the year ended 30 June 2014**

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.

*Provision for maintenance*

In determining the level of provision required for maintenance, the consolidated entity has made judgements in respect of the expected outcome of construction contracts and the costs of fulfilling the maintenance obligations. The provision is based on estimates made from historical data associated with past constructions contracts.

*Fair value measurement hierarchy*

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and level 3: Unobservable inputs for the asset or liability. Considerable judgment is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**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 and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).*

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the consolidated entity on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

The adoption of this standard will not have a material impact on the consolidated entity.

*AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).*

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the consolidated entity’s financial statements.

*Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).*

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the consolidated entity’s financial statements.

*AASB 2013–3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).*

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the consolidated entity’s financial statements.

# Notes to the Financial Statements

**For the year ended 30 June 2014**

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

*AASB 2013–5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).*

AASB 2013–5 amends AASB 10: Consolidated Financial Statements to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the consolidated entity's financial statements.

# Notes to the Financial Statements

**For the year ended 30 June 2014**

| **Note 3: Parent Entity Disclosures** | **Parent Entity** | |
|---|---|---|
| | **2014** | **2013** |
| | **$000** | **$000** |
| Profit/(loss) for the year | **(3,129)** | 4,895 |
| Total comprehensive income for the year | **(3,129)** | 4,895 |
| ASSETS | | |
| Current assets | **78,277** | 50,851 |
| Non-current assets | **79,254** | 253,934 |
| TOTAL ASSETS | **157,531** | 304,785 |
| LIABILITIES | | |
| Current liabilities | **69,857** | 12,020 |
| Non-current liabilities | **-** | 180,945 |
| TOTAL LIABILITIES | **69,857** | 192,965 |
| EQUITY | | |
| Issued capital | **163,517** | 163,451 |
| Retained earnings | **(75,843)** | (51,631) |
| TOTAL EQUITY | **87,674** | 111,820 |

**a) Guarantees**

Cross guarantees have been provided by Decmil Group Limited and its controlled entities listed in note 14 with the exception of Decmil Engineering Pty Ltd, Decmil Infrastructure Pty Ltd and Cornelisse Shoal Pty Ltd.

**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 32.

# Notes to the Financial Statements
**For the year ended 30 June 2014**

| **Note 4: Revenue** | **Note** | **Consolidated Entity** | |
|---|---|---|---|
| | | **2014 $000** | **2013 $000** |
| Construction and engineering revenue | | **560,518** | 489,281 |
| Accommodation revenue | | **56,662** | 37,254 |
| Other revenue | | | |
| — rental | | **547** | - |
| — interest received | **4(a)** | **674** | 2,251 |
| Total revenue | | **618,401** | 528,786 |

(a) Other revenue

| | | |
|---|---|---|
| Interest revenue from: | | |
| — joint venture | **-** | 370 |
| — joint venture partner | **-** | 64 |
| — other persons | **674** | 1,817 |
| Total interest revenue | **674** | 2,251 |

**Note 5: Expenses**

| | | |
|---|---|---|
| Employee benefits costs | **123,299** | 147,821 |
| Borrowing costs: | | |
| — external | **941** | 2,625 |
| Total borrowing costs | **941** | 2,625 |
| Depreciation and amortisation of non-current assets: | | |
| — plant and equipment owned | **5,333** | 5,607 |
| — plant and equipment leased | **947** | 506 |
| — building | **521** | 519 |
| — amortisation of intangible assets | **-** | 1,500 |
| Total depreciation | **6,801** | 8,132 |
| Rental expense on operating leases | **1,747** | 1,201 |

# Notes to the Financial Statements

**For the year ended 30 June 2014**

| Note 6: Income Tax Expense | Note | Consolidated Entity 2014 $000 | 2013 $000 |
|---|---|---|---|
| (a) The components of tax expense comprise: | | | |
| Current tax | | **(19,160)** | (17,898) |
| Deferred tax | **22** | **(2,288)** | (9,817) |
| Over/(under) provision for tax in prior year | | **25** | (124) |
| | | **(21,423)** | (27,839) |
| (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% (2013: 30%) | | **(22,215)** | (27,662) |
| Adjusted by the tax effect of: | | | |
| — shares and options expensed during year | | **(79)** | (165) |
| — deductible capital raising costs | | **-** | 197 |
| — non-deductible items | | **(89)** | (85) |
| — income not assessable | | **935** | - |
| — over/(under) provision for tax in prior year | | **25** | (124) |
| Income tax (expense)/benefit attributable to profit before income tax | | **(21,423)** | (27,839) |
| The applicable weighted average effective tax rates are as follows: | | **29%** | 30% |

# Notes to the Financial Statements
**For the year ended 30 June 2014**

**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

Giles Everist

Bill Healy

Lee Verios

**Specified Executives**

| | |
|---|---|
| Jon Holmes | Executive General Manager, Decmil Australia |
| Pamela Rosenthall | General Manager, Homeground Villages |
| Craig Amos | Chief Financial Officer |

(b) **Options and Rights Holdings**

There were no options held by directors or specified executives at 30 June 2014 or at the prior year balance date.

# Notes to the Financial Statements
**For the year ended 30 June 2014**

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

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

Number of Rights Held by Directors and Specified Executives

| 30 June 2014 | Balance 1.7.13 | Granted as Remun-eration | Vested During the Period | Net Change Other | Balance 30.6.14 |
|---|---|---|---|---|---|
| **Directors:** | | | | | |
| Scott Criddle | 842,522 | 716,292 | (257,073) | - | 1,301,741 |
| **Specified Executives:** | | | | | |
| Jon Holmes | - | - | - | - | - |
| Pamela Rosenthall | - | - | - | - | - |
| Craig Amos | - | - | - | - | - |
| Justine Campbell[1] | 397,390 | 179,073 | (122,930) | (453,533) | - |
| Todd Strathdee[2] | - | 689,888 | - | (689,888) | - |
| **TOTAL** | **1,239,912** | **1,585,253** | **(380,003)** | **(1,143,421)** | **1,301,741** |

Number of Rights Held by Directors and Specified Executives

| 30 June 2013 | Balance 1.7.12 | Granted as Remun-eration | Vested During the Period | Net Change Other | Balance 30.6.13 |
|---|---|---|---|---|---|
| **Directors:** | | | | | |
| Scott Criddle | 1,021,045 | 261,194 | (439,717) | - | 842,522 |
| **Specified Executives:** | | | | | |
| Justine Campbell | 473,732 | 119,403 | (195,745) | - | 397,390 |
| Todd Strathdee | - | - | - | - | - |
| Ray Sputore[3] | 303,770 | 317,164 | - | (620,934) | - |
| Brad Kelman[4] | 168,632 | 72,761 | - | - | 241,393 |
| **TOTAL** | **1,967,179** | **770,522** | **(635,462)** | **(620,934)** | **1,481,305** |

[1] Justine Campbell resigned from the position of Chief Financial Officer & Company Secretary on 10 January 2014
[2] Todd Strathdee vacated the position of Chief Strategy & Operating Officer on 9 March 2014
[3] Ray Sputore resigned from the position of Managing Director Decmil Australia on 30 June 2013 but remains with the Company within the Senior Management team
[4] Brad Kelman resigned from the position of Managing Director, Homeground Villages Pty Ltd on 31 October 2012

# Notes to the Financial Statements

**For the year ended 30 June 2014**

## 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 2014 | Balance 1.7.13 | Received as Remuneration | Rights Vested | Net Change Other[1] | Balance 30.6.14 |
|---|---|---|---|---|---|
| **Directors:** | | | | | |
| Denis Criddle | 18,773,232 | - | - | - | 18,773,232 |
| Scott Criddle | 759,717 | - | 257,073 | - | 1,016,790 |
| Trevor Davies | 10,000 | - | - | - | 10,000 |
| Giles Everist | 513,332 | - | - | - | 513,332 |
| Bill Healy | 418,190 | - | - | - | 418,190 |
| Lee Verios | 66,667 | - | - | - | 66,667 |
| **Specified Executives:** | | | | | |
| Jon Holmes | - | - | - | - | - |
| Pamela Rosenthall | - | - | - | - | - |
| Craig Amos | - | - | - | - | - |
| Justine Campbell[2] | 195,745 | - | 122,930 | (318,675) | - |
| Todd Strathdee[3] | - | - | - | - | - |
| **TOTAL** | **20,736,883** | **-** | **380,003** | **(318,675)** | **20,798,211** |

| 30 June 2013 | Balance 1.7.12 | Received as Remuneration | Rights Vested | 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 |
| Bill 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** |

[1] Net Change Other refers to shares purchased or sold in the financial year or shares included on appointment or excluded on resignation.
[2] Justine Campbell resigned from the position of Chief Financial Officer & Company Secretary on 10 January 2014
[3] Todd Strathdee vacated the position of Chief Strategy & Operating Officer on 9 March 2014

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**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:

| | 2014 | 2013 |
|---|---|---|
| | $000 | $000 |
| Short term benefits | **4,417** | 4,205 |
| Share based payments | **360** | 1,069 |
| | **4,777** | 5,274 |

(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 other than that disclosed in note 29.

**Note 8: Auditors' Remuneration**

Remuneration of the auditor of the parent entity for:

| | 2014 | 2013 |
|---|---|---|
| — auditing or reviewing the financial report | **195** | 178 |
| — taxation services | **101** | 8 |
| — accounting advice | **6** | - |
| — corporate finance services | **3** | 5 |
| — due diligence investigations | **-** | 209 |
| | **305** | 400 |

# Notes to the Financial Statements

**For the year ended 30 June 2014**

## Note 9: Earnings per Share

| | Consolidated Entity | |
|---|---|---|
| | **2014 $000** | **2013 $000** |
| (a) Reconciliation of earnings to profit or loss | | |
| Profit | **52,627** | 64,367 |
| Earnings used to calculate basic and dilutive EPS from overall operations | **52,627** | 64,367 |
| | **No.** | **No.** |
| (b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | **168,586,806** | 167,976,326 |
| Weighted average number of dilutive options outstanding | **-** | - |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | **168,586,806** | 167,976,326 |

## Note 10: Dividends

| | | |
|---|---|---|
| **Distributions paid** | | |
| Final dividend for the year ended 30 June 2013 of 8.0 cents (2012: 7.5 cents) per share fully franked at the tax rate of 30% (2012: 30%) | 13,492 | 12,568 |
| Interim dividend for the year ended 30 June 2014 of 4.5 cents (2013: 4.0 cents) per share fully franked at the tax rate of 30% (2013: 30%) | 7,590 | 6,728 |
| | 21,082 | 19,296 |
| 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 | 59,078 | 47,756 |

## Note 11: Cash and Cash Equivalent

| | | |
|---|---|---|
| Cash at bank and in hand | **59,308** | 43,712 |
| | **59,308** | 43,712 |
| *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 | **59,308** | 43,712 |

# Notes to the Financial Statements

**For the year ended 30 June 2014**

| **Note 12: Trade and Other Receivables** | **Consolidated Entity** | |
|---|---|---|
| | **2014 $000** | **2013 $000** |
| CURRENT | | |
| Trade receivables | **113,861** | 63,125 |
| Provision for impairment of receivables | **-** | (306) |
| | **113,861** | 62,819 |
| Provision for impairment of receivables | | |
| Current | | |
| Trade receivables: | | |
| — opening balance | **306** | 534 |
| — charge for the year | **-** | - |
| — bad debts written off | **(306)** | (228) |
| | **-** | 306 |

The following table details the consolidated entity's trade receivables exposed to credit risk 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** |
| **2014** | | | | | | | |
| Trade and term receivables | 113,861 | 111,281 | 1,403 | 396 | 294 | 487 | - |
| Total | **113,861** | **111,281** | **1,403** | **396** | **294** | **487** | **-** |
| **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** |

# Notes to the Financial Statements

**For the year ended 30 June 2014**

## Note 13: Work in Progress

| | Note | Consolidated Entity 2014 $000 | 2013 $000 |
|---|---|---|---|
| CURRENT | | | |
| *Construction and engineering contracts* | | | |
| Cost incurred to date plus profit recognised | | **858,997** | 1,357,444 |
| Consideration received and receivables as progress billings | | **(871,118)** | (1,367,145) |
| Retention | | **-** | - |
| | | **(12,121)** | (9,701) |
| Advanced billings to customers | **20** | **(31,728)** | (24,676) |
| Unbilled amounts due from customers | | **19,607** | 14,975 |
| | | **(12,121)** | (9,701) |

## Note 14: Controlled Entities

### (a) Controlled Entities

| | Country of Incorporation | Percentage Owned (%) 2014 | 2013 |
|---|---|---|---|
| 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% | 100% |
| Homeground Villages Pty Ltd | Australia | 100% | 100% |
| Decmil Infrastructure Pty Ltd | Australia | 100% | - |
| Controlled entities of Homeground Villages Pty Ltd: | | | |
| Homeground Gladstone Pty Ltd ATF Homeground Gladstone Unit Trust | Australia | 100% | 100% |
| Homeground Gladstone Unit Trust | Australia | 100% | 100% |
| Controlled entities of Decmil Australia Pty Ltd: | | | |
| Decmil PNG Ltd | Papua New Guinea | 100% | - |
| Decmil Engineering Pty Ltd# | Australia | 100% | - |
| Controlled entities of Decmil Infrastructure Pty Ltd: | | | |
| Cornelisse Shoal Pty Ltd | Australia | 100% | - |

# For details of acquisition during the financial year 30 June 2014, refer to note 27(b).

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**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.

| | 2014 $000 | 2013 $000 |
|---|---|---|
| **Financial information in relation to:** | | |
| (i) Statement of Profit or Loss and Other Comprehensive Income: | | |
| Profit before income tax | **61,204** | 78,463 |
| Income tax (expense) | **(17,604)** | (23,828) |
| Profit after income tax | **43,600** | 54,635 |
| Profit attributable to members of the parent entity | **43,600** | 54,635 |
| (ii) Retained Earnings: | | |
| Retained profits at the beginning of the year | **77,838** | 41,749 |
| 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 | **43,600** | 54,635 |
| Dividends recognised for the period | **(21,082)** | (19,296) |
| Retained earnings at the end of the year | **100,356** | 77,838 |
| (iii) Statement of Financial Position: | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | **54,905** | 42,051 |
| Trade and other receivables | **113,297** | 62,367 |
| Work in progress | **16,883** | 14,975 |
| Other assets | **10,572** | 5,243 |
| TOTAL CURRENT ASSETS | **195,657** | 124,636 |

# Notes to the Financial Statements
**For the year ended 30 June 2014**

**Note 14: Controlled Entities (Continued)**

| | 2014 $000 | 2013 $000 |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Investment Property | **188,182** | 192,894 |
| Property, plant and equipment | **38,998** | 42,342 |
| Deferred tax assets | **3,466** | 5,730 |
| Intangible assets | **69,343** | 68,613 |
| TOTAL NON-CURRENT ASSETS | **299,989** | 309,579 |
| TOTAL ASSETS | **495,646** | 434,215 |
| CURRENT LIABILITIES | | |
| Trade and other payables | **225,034** | 160,952 |
| Current tax payable | **(11,103)** | (6,963) |
| Borrowings | **1,119** | 21,661 |
| Provisions | **5,080** | 5,874 |
| TOTAL CURRENT LIABILITIES | **220,130** | 181,524 |
| NON-CURRENT LIABILITIES | | |
| Deferred tax liabilities | **10,817** | 10,313 |
| Borrowings | **797** | 1,089 |
| TOTAL NON-CURRENT LIABILITIES | **11,614** | 11,402 |
| TOTAL LIABILITIES | **231,744** | 192,926 |
| NET ASSETS | **263,902** | 241,289 |
| EQUITY | | |
| Issued capital | **163,517** | 163,451 |
| Retained earnings | **100,385** | 77,838 |
| | **263,902** | 241,289 |

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**Note 15: Joint Arrangements**

**(a) Interest in Joint Operations**

(i) Main Roads Western Australia awarded Decmil Australia Pty Ltd, in a joint venture with Obrascon Huarte Lain S.A. (Decmil OHL JV), an AUD$7.6m contract for the demolition and replacement of an existing bridge in Maylands, Western Australia. The principal place of business of the joint operations is Australia.

Under the joint venture agreement entered into in 2014, Decmil Australia Pty Ltd has a 50% direct interest in all the assets used, the revenues generated and the expenses incurred by the joint arrangement. Decmil Australia Pty Ltd is also liable for 50% of any liabilities incurred by the joint arrangement. In addition, pursuant to the joint venture agreement, Decmil Australia Pty Ltd has 50% of the voting rights in relation to the Decmil OHL JV.

Decmil OHL JV is an unincorporated entity and is classified as a joint operation. Accordingly, Decmil Australia Pty Ltd's interests in the assets, liabilities, revenues and expenses attributable to the joint venture have been included in the appropriate line items in the consolidated financial statements.

The consolidated entity's share of assets employed, liabilities owing and net results of Decmil OHL JV that are included in the consolidated financial statements are as follows:

| | 2014 $000 | 2013 $000 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | **292** | - |
| Work in progress | **311** | - |
| Other assets | **15** | - |
| TOTAL CURRENT ASSETS | **618** | - |
| TOTAL ASSETS | **618** | - |
| | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | **574** | - |
| TOTAL LIABILITIES | **574** | - |
| | | |
| Revenue | **577** | - |
| Expenses | **(533)** | - |
| Profit for the year | **44** | - |

# Notes to the Financial Statements

**For the year ended 30 June 2014**

### Note 15: Joint Arrangements

**(a) Interest in Joint Operations (continued)**

(ii) Chevron Australia Pty Ltd awarded Decmil Australia Pty Ltd, in a joint venture with Thiess Pty Ltd and Kentz Pty Ltd (TDKJV), an AUD$854m contract for the Gorgon LNG Project Construction Village on Barrow Island. The accommodation facility accommodates 4,000 construction workers. The principal place of business of the joint operations is Australia.

Under the joint venture agreement entered into in 2009, Decmil Australia Pty Ltd has a 33.33% direct interest in all the assets used, the revenues generated and the expenses incurred by the joint arrangement. Decmil Australia Pty Ltd is also liable for 33.33% of any liabilities incurred by the joint arrangement. In addition, pursuant to the joint venture agreement, Decmil Australia Pty Ltd has 33.33% of the voting rights in relation to the TDKJV.

TDKJV is an unincorporated entity and is classified as a joint operation. Accordingly, Decmil Australia Pty Ltd's interests in the assets, liabilities, revenues and expenses attributable to the joint venture have been included in the appropriate line items in the consolidated financial statements.

The consolidated entity's share of assets employed, liabilities owing and net results of TDKJV that are included in the consolidated financial statements are as follows:

| | 2014 $000 | 2013 $000 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | **3,023** | 1,660 |
| Receivables | **369** | 452 |
| Other assets | **499** | 2,719 |
| TOTAL CURRENT ASSETS | **3,891** | 4,831 |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | **-** | 135 |
| TOTAL NON-CURRENT ASSETS | **-** | 135 |
| TOTAL ASSETS | **3,891** | 4,966 |
| CURRENT LIABILITIES | | |
| Trade and other payables | **1,417** | 13,773 |
| TOTAL LIABILITIES | **1,417** | 13,773 |
| Revenue | **16,209** | 39,197 |
| Expenses | **(2,097)** | (25,827) |
| Profit for the year | **14,112** | 13,370 |

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**Note 15: Joint Arrangements**

**(b) Interest in Joint Venture**

On 13 August 2012, Homeground Villages Pty Ltd, a wholly owned controlled entity, acquired the remaining 50% interest in the Homeground Gladstone Unit Trust (formerly the Maroon Decmil Joint Venture). Accordingly the Homeground Gladstone Unit Trust became a wholly owned controlled entity and its financial results and financial position were wholly incorporated into the consolidated entity from August 2012.

Prior to the acquisition of the remaining 50% interest, the consolidated entity's interest in the joint venture was accounted for in the consolidated entity using the equity method of accounting.

The joint venture was involved in the build-own-operation of the Gladstone Accommodation Village located in Gladstone, Queensland.

| | 2014 $000 | 2013 $000 |
|---|---|---|
| **Share of joint venture entity's results and financial position:** | | |
| Current assets | - | - |
| Non-current assets | - | - |
| TOTAL ASSETS | - | - |
| Current liabilities | - | - |
| Non-current liabilities | - | - |
| TOTAL LIABILITIES | - | - |
| NET ASSETS | - | - |
| | | |
| Revenue | - | 1,203 |
| Expenses | - | (831) |
| Profit before income tax | - | 372 |
| Income tax expense | - | - |
| Profit after income tax | - | 372 |

**(c) Contingent Liabilities in Respect of Joint Arrangements**

The consolidated entity is liable for the following contingent liabilities owing from its interests in joint arrangements if and when they arise:

| | 2014 $000 | 2013 $000 |
|---|---|---|
| Guarantees given for satisfactory contract performance | **6,709** | 12,919 |
| | **6,709** | 12,919 |

# Notes to the Financial Statements
**For the year ended 30 June 2014**

| **Note 16: Property, Plant and Equipment** | **Consolidated Entity** | |
|---|---|---|
| | **2014 $000** | **2013 $000** |
| LAND AND BUILDING (Secured)* | | |
| Freehold land, at cost | **5,002** | 5,002 |
| Building: | | |
| At cost | **21,639** | 20,856 |
| Accumulated depreciation | **(1,256)** | (733) |
| | **25,385** | 25,125 |
| PLANT AND EQUIPMENT | | |
| Plant and Equipment: | | |
| At cost | **30,509** | 24,719 |
| Accumulated depreciation | **(17,552)** | (10,299) |
| | **12,957** | 14,420 |
| Leased Plant and Equipment (Secured)* | **4,412** | 4,405 |
| Accumulated depreciation | **(2,304)** | (1,473) |
| | **2,108** | 2,932 |
| Total Property, Plant and Equipment | **40,450** | 42,477 |

**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** | **Owned Plant and Equipment** | **Leased Plant and Equipment** | **Total** |
|---|---|---|---|---|
| | **$000** | **$000** | **$000** | **$000** |
| Balance at 1 July 2013 | 25,125 | 14,420 | 2,932 | 42,477 |
| Additions | 109 | 2,767 | 227 | 3,103 |
| Transfer between leased and owned | - | 558 | (558) | - |
| Disposals | - | (413) | (4) | (417) |
| Additions through acquisition of controlled entity | 675 | 955 | 458 | 2,088 |
| Depreciation expense | (524) | (5,330) | (947) | (6,801) |
| Balance at 30 June 2014 | 25,385 | 12,957 | 2,108 | 40,450 |

* 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 2014**

### 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 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 |

### Note 17: Investment Property

| | Consolidated Entity | |
|---|---|---|
| | **2014 $000** | **2013 $000** |
| Balance at beginning of year | **192,923** | - |
| Additions through acquisition of controlled entity | **-** | 79,809 |
| Additions | **1,313** | 60,620 |
| Reduction in provision for costs to complete | **(6,054)** | - |
| Fair value adjustments | **-** | 52,494 |
| Balance at end of year | **188,182** | 192,923 |

The investment property comprises the build-own-operate Homeground Gladstone Accommodation Village located in Gladstone, Queensland. For the year ended 30 June 2014, investment property is carried at fair value, with fair value being determined using a discounted cash flow valuation model based on key assumptions made by the Company as detailed in note 31.

The reduction in the cost base of investment property held within the Group is attributable to a reduction in estimated statutory charges, previously capitalised.

# Notes to the Financial Statements

**For the year ended 30 June 2014**

| Note 18: Intangible Assets | Consolidated Entity | |
|---|---|---|
| | **2014 $000** | **2013 $000** |
| Goodwill at cost | **69,343** | 68,613 |
| Accumulated impairment losses | **-** | - |
| | **69,343** | 68,613 |
| | | |
| Customer contracts, at cost | **-** | 1,500 |
| Accumulated amortisation | **-** | (1,500) |
| | **-** | - |
| *Movements in Carrying Amounts* | | |
| *Goodwill* | | |
| Balance at the beginning of year | **68,613** | 48,601 |
| Additions | **-** | 20,012 |
| Adjustment to purchase consideration | **730** | - |
| Balance at the end of year | **69,343** | 68,613 |
| *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 | **20,742** | 20,012 |
| Balance at the end of year | **69,343** | 68,613 |

The assumptions used in the value in use calculations include an average growth rate of 2.5% and a pre-tax discount rate of circa 17%.

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 pre-tax and are adjusted to incorporate risks associated with a particular industry.

Intangible assets 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.

# Notes to the Financial Statements
**For the year ended 30 June 2014**

## Note 19: Other Current Assets

| | Note | Consolidated Entity 2014 $000 | 2013 $000 |
|---|---|---|---|
| CURRENT | | | |
| Prepayments | | **890** | 3,216 |
| Others | | **10,375** | 4,746 |
| | | **11,265** | 7,962 |

## Note 20: Trade and Other Payables

| | Note | 2014 $000 | 2013 $000 |
|---|---|---|---|
| CURRENT | | | |
| Unsecured liabilities: | | | |
| Trade payables | | **42,880** | 36,386 |
| Advanced billings to customers | **13** | **31,728** | 24,676 |
| Sundry payables and accrued expenses | | **103,991** | 62,174 |
| | | **178,599** | 123,236 |

## Note 21: Borrowings

| | Note | 2014 $000 | 2013 $000 |
|---|---|---|---|
| CURRENT | | | |
| Secured liabilities: | | | |
| Hire purchase liability | **25** | **912** | 1,103 |
| Bank loan | | **-** | 20,305 |
| Premium funding liability | **25** | **266** | 253 |
| | | **1,178** | 21,661 |
| NON-CURRENT | | | |
| Secured liabilities: | | | |
| Hire purchase liability | **25** | **797** | 1,089 |
| | | **797** | 1,089 |
| Total Borrowings | | **1,975** | 22,750 |

Hire purchase agreements have an average term of 3 years. The average interest rate implicit in the hire purchase is 5.60% (2013: 6.47%). The hire purchase liability is secured by a charge over the underlying hire purchase assets.

The bank loan facilities from the Commonwealth Bank of Australia and National Australia Bank were fully repaid in January 2014 and March 2014, respectively.

Security for the National Australia Bank 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.

# Notes to the Financial Statements
**For the year ended 30 June 2014**

**Note 22: Deferred Tax**

| 2014 | Opening Balance $000 | Acquired on acquisition $000 | Charged to Income $000 | Charged Directly to Equity $000 | Closing Balance $000 |
|---|---|---|---|---|---|
| **Deferred tax asset on:** | | | | | |
| Transaction costs on equity issue | 586 | - | - | (197) | 389 |
| Provisions – employee benefits | 3,564 | 228 | (849) | - | 2,943 |
| Restructuring costs | 8 | - | 6 | - | 14 |
| Trademark costs | 2 | - | (1) | - | 1 |
| Investment due diligence costs | 106 | - | (29) | - | 77 |
| Other | 1,464 | - | (1,160) | - | 304 |
| **Balance at 30 June 2014** | 5,730 | 228 | (2,033) | (197) | 3,728 |
| | | | | | |
| **Deferred tax liabilities on:** | | | | | |
| Property plant and equipment: | | | | | |
| Tax allowance | 1,182 | 84 | 399 | - | 1,665 |
| Fair value gain | 9,131 | - | - | - | 9,131 |
| **Balance at 30 June 2014** | 10,313 | 84 | 399 | - | 10,796 |
| | | | | | |
| **2013** | | | | | |
| **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 |

# Notes to the Financial Statements

**For the year ended 30 June 2014**

| Note 23: Provisions | Consolidated Entity 2014 $000 | 2013 $000 |
|---|---|---|
| CURRENT | | |
| Employee entitlements | **5,763** | 5,874 |
| Balance at beginning of year | **5,874** | 7,274 |
| Additional provision | **5,974** | 6,010 |
| Additions through acquisition of controlled entity | **537** | 1,613 |
| Amounts used | **(6,622)** | (9,023) |
| Balance at end of year | **5,763** | 5,874 |

**Provision for Employee Entitlements**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the consolidated entity does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the consolidated entity does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

| Note 24: Issued Capital | Consolidated Entity 2014 $000 | 2013 $000 |
|---|---|---|
| 168,657,794 (2013: 168,203,219) fully paid ordinary shares | **163,517** | 163,451 |

| | 2014 | | 2013 | |
|---|---|---|---|---|
| (a) **Ordinary Shares** | **No.** | **$000** | **No.** | **$000** |
| At the beginning of reporting period | **168,203,219** | **163,451** | 167,117,757 | 162,787 |
| Shares issued during the year | **-** | **-** | - | - |
| Options exercised during the year | **-** | **-** | 450,000 | 405 |
| Performance rights converted to shares | **454,575** | **-** | 635,462 | - |
| Equity based payments | **-** | **266** | - | 550 |
| Transaction costs of issue | **-** | **(200)** | - | (291) |
| At the end of the reporting date | **168,657,794** | **163,517** | 168,203,219 | 163,451 |

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.

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**Note 24: Issued Capital (Continued)**

(b) **Capital Management**

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

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. This includes the management of debt levels, distributions to shareholders and the requirement for further equity funding in the Group. The deployment of capital to the Group's assets and business units is also reviewed regularly and managed to ensure rates of return continue to be at an acceptable level. Where necessary, Management may consider redeploying capital within the consolidated entity or alternatively returning capital to shareholders.

The consolidated entity's debt and capital includes ordinary share capital and financial liabilities (including bank guarantee and surety bonding facilities), supported by financial assets.

| | | Consolidated Entity | |
|---|---|---|---|
| **Note 25: Commitments** | | **2014** | **2013** |
| | | **$000** | **$000** |
| (a) **Hire Purchase Commitments** | | | |
| Payable — minimum HP payments | | | |
| — not later than 1 year | | **983** | 1,200 |
| — between 1 and 5 years | | **825** | 1,142 |
| Minimum HP payments | | **1,808** | 2,342 |
| Less future finance charges | | **(99)** | (150) |
| Present value of minimum HP payments | **21** | **1,709** | 2,192 |
| (b) **Premium Funding Commitments** | | | |
| Payable — minimum premium funding payments | | | |
| — not later than 1 year | | **266** | 253 |
| — between 1 and 5 years | | **-** | - |
| Minimum premium funding payments | | **266** | 253 |
| Less future finance charges | | **-** | - |
| Present value of minimum premium funding payments | **21** | **266** | 253 |

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**Note 25: Capital and Hire Purchase Commitments (Continued)**

(c) **Operating Leases Payable**

| | Consolidated Entity | |
|---|---|---|
| Non-cancellable operating leases contracted for but not recognised as liabilities | **2014 $000** | **2013 $000** |
| Payable — minimum lease payments | | |
| — not later than 1 year | **1,846** | 1,447 |
| — between 1 and 5 years | **3,399** | 5,817 |
| | **5,245** | 7,264 |

(d) **Operating Leases Receivable**

| | Consolidated Entity | |
|---|---|---|
| Future minimum rentals receivable for operating leases at the end of the reporting period but not recognised as assets | **2014 $000** | **2013 $000** |
| Receivable – minimum lease receipts | | |
| — not later than 1 year | **841** | - |
| — between 1 and 5 years | **1,319** | - |
| | **2,160** | - |

**Note 26: Segment Reporting**

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

The consolidated entity operates as three segments.

1. Construction and Engineering
   - Decmil Australia Pty Ltd – multi-discipline design, civil engineering and construction services;
   - Eastcoast Development Engineering Pty Ltd – fabrication and installation of high pressure pipes, vessels and tanks; and
   - Decmil Engineering Pty Ltd – civil construction including roads and bridges primarily for the Government sector.
2. Accommodation
   - Homeground Villages Pty Ltd – build-own-operation of the Homeground Gladstone Accommodation Village located in Gladstone, Queensland.
3. Other
   - Decmil Properties Pty Ltd – owner and manager of a commercial office building located at 20 Parkland Road, Osborne Park which derives internal and external revenue.

The consolidated entity is domiciled in Australia. All the revenue from external customers is generated from Australia.

The consolidated entity derives 23%, 19% and 5% (2013: 18%, 16% and 16%) of its revenues from the top three external customers. 99% of the consolidated entity’s assets are located in Australia and 1% is located in Papua New Guinea.

# Notes to the Financial Statements
**For the year ended 30 June 2014**

**Note 26: Segment Reporting (Continued)**

**Basis of accounting for purposes of reporting by operating segments**

a. **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the consolidated entity.

b. **Intersegment transactions**

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the consolidated entity. Management believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

c. **Segment assets**

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d. **Segment liabilities**

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the consolidated entity as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

e. **Unallocated items**

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- gain from business combinations;
- income tax expense;
- deferred tax assets and liabilities; and
- current tax liabilities.

The segment information for the prior year comparative has been restated to reflect an additional segment for the ownership and management of a commercial office building which is now deriving external revenue.

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**Note 26: Segment Reporting (Continued)**

| (a) **Segment performance 2014** | **Construction & Engineering $000** | **Accommodation $000** | **Other $000** | **Total $000** |
|---|---|---|---|---|
| External sales | 560,518 | 56,662 | 547 | 617,727 |
| **Total segment revenue** | 560,518 | 56,662 | 547 | **617,727** |
| Segment EBITDA | 48,402 | 30,263 | 196 | 78,861 |
| Depreciation & amortisation expense | (4,652) | (1,623) | (526) | (6,801) |
| Net interest | 313 | (472) | (108) | (267) |
| **Segment result** | **44,063** | **28,168** | **(438)** | **71,793** |
| Gain from business combination | | | | 2,902 |
| Other unallocated expenses | | | | (645) |
| Income tax expense | | | | (21,423) |
| **Profit for the period** | | | | **52,627** |

| **Segment performance 2013** | **Construction & Engineering $000** | **Accommodation $000** | **Other $000** | **Total $000** |
|---|---|---|---|---|
| External sales | 489,281 | 37,254 | - | 526,535 |
| **Total segment revenue** | 489,281 | 37,254 | - | **526,535** |
| Segment EBITDA | 56,416 | 15,977 | (797) | 71,596 |
| Depreciation & amortisation expense | (6,184) | (1,429) | (519) | (8,132) |
| Net interest | 1,077 | (944) | (507) | (374) |
| **Segment result** | **51,309** | **13,604** | **(1,823)** | **63,090** |
| Gain from business combination | | | | 29,752 |
| Other unallocated expenses | | | | (636) |
| Income tax expense | | | | (27,839) |
| **Profit for the period** | | | | **64,367** |

# Notes to the Financial Statements
**For the year ended 30 June 2014**

**Note 26: Segment Reporting (Continued)**

(b)

| **Segment assets 2014** | **Construction & Engineering $000** | **Accommodation $000** | **Other $000** | **Total $000** |
|---|---|---|---|---|
| Current assets | 188,094 | 10,796 | 499 | **199,389** |
| Non-current assets | 78,417 | 192,470 | 24,714 | **295,601** |
| Other unallocated assets | - | - | - | **10,754** |
| Total segment assets | 266,511 | 203,266 | 25,213 | **505,744** |
| *Total assets includes* | | | | |
| Acquisition of non-current assets | 3,111 | 1,389 | 2,004 | **6,504** |

| **Segment assets 2013** | **Construction & Engineering $000** | **Accommodation $000** | **Other $000** | **Total $000** |
|---|---|---|---|---|
| Current assets | 115,939 | 12,210 | 99 | **128,248** |
| Non-current assets | 80,897 | 198,623 | 25,125 | **304,645** |
| Other unallocated assets | - | - | - | **6,318** |
| Total segment assets | 196,836 | 210,833 | 25,224 | **439,211** |
| *Total assets includes* | | | | |
| Acquisition of non-current assets | 13,122 | 140,459 | 175 | **153,756** |

(c)

| **Segment liabilities 2014** | **Construction & Engineering $000** | **Accommodation $000** | **Other $000** | **Total $000** |
|---|---|---|---|---|
| Current liabilities | 175,470 | 7,379 | 78 | **182,927** |
| Non-current liabilities | 776 | 21 | - | **797** |
| Other unallocated liabilities | - | - | - | **19,213** |
| Total segment liabilities | 176,246 | 7,400 | 78 | **202,937** |

| **Segment liabilities 2013** | **Construction & Engineering $000** | **Accommodation $000** | **Other $000** | **Total $000** |
|---|---|---|---|---|
| Current liabilities | 101,900 | 30,648 | 5,309 | **137,857** |
| Non-current liabilities | 1,150 | 33 | - | **1,183** |
| Other unallocated liabilities | - | - | - | **28,975** |
| Total segment liabilities | 103,050 | 30,681 | 5,309 | **168,015** |

# Notes to the Financial Statements
**For the year ended 30 June 2014**

## Note 27: Cash Flow Information

| | Consolidated Entity 2014 $000 | 2013 $000 |
|---|---|---|
| **(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax** | | |
| Profit after income tax | **52,627** | 64,367 |
| Non-cash flows in profit | | |
| Depreciation and amortisation | **6,801** | 8,132 |
| Equity based payments | **266** | 550 |
| Gain arising from business combination | **(2,902)** | (29,752) |
| (Profit)/Loss on sale of non-current assets | **(35)** | (1,489) |
| (Profit)/Loss in share of joint venture | **-** | (372) |
| Changes in assets and liabilities | | |
| Trade receivables | **(50,871)** | 69,605 |
| Other assets | **(2,464)** | (4,043) |
| Work in progress | **2,062** | 12,378 |
| Trade payables and accruals | **58,709** | (82,793) |
| Current tax liabilities | **(38)** | (5,078) |
| Deferred tax assets | **2,230** | (125) |
| Deferred tax liabilities | **399** | 9,942 |
| Provisions | **(648)** | (3,029) |
| Loan to joint venture | **-** | (5,846) |
| Cash flow from operations | **66,136** | 32,447 |

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**Note 27: Cash Flow Information (Continued)**

(b) **Acquisition of Entities**

(i) During the year ended 30 June 2014, the Company acquired 100% of the issued capital of VDM Construction (Eastern Operations) Pty Ltd (now renamed Decmil Engineering Pty Ltd). The Company's activities include civil construction primarily for the Government sector. Details of the transaction are:

| | Consolidated Entity | |
|---|---|---|
| | **2014** | **2013** |
| | **$000** | **$000** |
| Purchase consideration | **2,750** | - |
| Less: cash acquired | **(3,665)** | - |
| Net cash inflow on acquisition | **(915)** | - |
| Assets and liabilities held at acquisition date | | |
| Cash | **3,665** | - |
| Receivables | **171** | - |
| Work in progress | **6,693** | - |
| Other assets | **840** | |
| Plant and equipment | **2,088** | - |
| Payables | **(9,948)** | - |
| Deferred tax assets (net) | **144** | |
| Provisions | **(537)** | |
| Hire purchase liabilities | **(159)** | |
| | **2,957** | - |
| Bargain purchase on consolidation | **(207)** | - |
| Purchase consideration | **2,750** | - |

# Notes to the Financial Statements
**For the year ended 30 June 2014**

**Note 27: Cash Flow Information (Continued)**

(b) **Acquisition of Entities (Continued)**

(ii) 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). During the year ended 30 June 2012, the Company acquired an initial 50% ownership of the Trust. Details of the transaction are:

| | Consolidated Entity | |
|---|---|---|
| | **2014** | **2013** |
| | **$000** | **$000** |
| Cash consideration | - | 15,000 |
| Loan forgiveness | - | 3,594 |
| Purchase consideration | - | 18,594 |
| Less: cash acquired | - | (7,399) |
| Less: loan forgiveness | - | (3,594) |
| Net cash outflow on acquisition | - | 7,601 |
| 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 |

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**Note 27: Cash Flow Information (Continued)**

(b) **Acquisition of Entities (Continued)**

(iii) During the year ended 30 June 2013, the Company acquired 100% of the issued capital of Eastcoast Development Engineering Pty Ltd (EDE). During the year ended 30 June 2014, and in final settlement of the acquisition, the Company paid $1,825,000 of the $10,000,000 initially accrued as deferred consideration, with the difference being reversed due to the vendor's failure to achieve certain conditions as set out in the Shared Purchase Agreement. A further $730,000 was paid to satisfy EDE's taxation obligations arising from the acquisition. Details of the transaction are:

| | Consolidated Entity | |
|---|---|---|
| | **2014** | **2013** |
| | **$000** | **$000** |
| Purchase consideration# | **(5,865)** | 27,695 |
| Less: cash acquired | **-** | (441) |
| Less: deferred consideration | **8,420** | (8,420) |
| Net cash outflow on acquisition | **2,555** | 18,834 |
| Assets and liabilities held at acquisition date | | |
| Cash | **-** | 441 |
| Receivables | **-** | 17,761 |
| Work in progress | **(4,077)** | (1,195) |
| Plant and equipment | **-** | 2,451 |
| Payables | **177** | (13,266) |
| Tax receivable | **-** | 1,033 |
| Deferred tax assets (net) | **-** | 899 |
| Provisions | **-** | (1,629) |
| Hire purchase liabilities | **-** | (312) |
| | **(3,900)** | 6,183 |
| Goodwill on consolidation | **730** | 20,012 |
| Intangible assets on consolidation | **-** | 1,500 |
| Gain from reversal of deferred purchase consideration | **(2,695)** | - |
| Purchase consideration | **(5,865)** | 27,695 |

# The negative purchase consideration represents amounts recorded as being payable at acquisition date that were not required to be paid at completion date due to the vendor's failure to achieve certain conditions as set out in the Share Purchase Agreement. Accordingly, the total purchase consideration for the acquisition of EDE amounts to $21,830,000.

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**Note 27: Cash Flow Information (Continued)**

(b) **Acquisition of Entities (Continued)**

(iv) Gain arising from business combination

| | Consolidated Entity | |
|---|---|---|
| | **2014** | **2013** |
| | **$000** | **$000** |
| Decmil Engineering Pty Ltd (refer 27(b)(i)) | **207** | - |
| Homeground Gladstone Unit Trust (refer 27(b)(ii)) | **-** | 29,752 |
| Eastcoast Development Engineering Pty Ltd (refer 27(b)(iii)) | **2,695** | - |
| | **2,902** | 29,752 |

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**Note 27: Cash Flow Information (Continued)**

| | Consolidated Entity | |
|---|---|---|
| | **2014** | **2013** |
| | **$000** | **$000** |
| (c) **Non-cash Financing and Investing Activities** | | |
| (i) Finance leases: | | |
| - Finance leases to acquire plant and equipment | **2,223** | 1,265 |
| | | |
| (d) **Credit Standby Facilities with Banks** | | |
| Credit facilities | **254,500** | 255,379 |
| Amount utilised | | |
| - Bank guarantees and surety bond facilities | **(103,352)** | (88,681) |
| - Equipment finance | **(1,709)** | (2,192) |
| - Loan facility | **-** | (20,305) |
| | **149,439** | 144,201 |
| The credit facilities are summarised as follows: | | |
| Bank overdraft | **15,000** | 15,000 |
| Loan facility | **-** | 20,879 |
| Equipment finance | **14,500** | 14,500 |
| Bank guarantees and surety bond facilities | **225,000** | 205,000 |
| | **254,500** | 255,379 |

The majority of credit facilities are provided by National Australia Bank Limited and are subject to annual review. This comprises a $100 million bank guarantee facility, a $15m overdraft 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
- Surety bond facilities of $50 million, $40 million and $35 million with Asset Insure, QBE and Vero respectively.

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**Note 28: Share-based Payments**

*Performance Rights Plan*

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. For details of the Performance Rights Plan refer to the Directors' Report.

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 2012** | 450,000 | $0.90 |
| Granted | - | - |
| Forfeited | - | - |
| Exercised | (450,000) | $0.90 |
| Expired | - | - |
| **Options outstanding as at 30 June 2013** | - | - |
| Granted | - | - |
| Forfeited | - | - |
| Exercised | - | - |
| Expired | - | - |
| **Options outstanding as at 30 June 2014** | - | - |

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 |
|---|---|
| **Performance Rights outstanding as at 30 June 2012** | 2,048,592 |
| Granted | 1,068,244 |
| Forfeited | (693,745) |
| Vested | (635,462) |
| Expired | - |
| **Performance Rights outstanding as at 30 June 2013** | 1,787,629 |
| Granted | 1,733,481 |
| Forfeited | (1,629,612) |
| Vested | (454,575) |
| Expired | - |
| **Performance Rights outstanding as at 30 June 2014** | 1,436,923 |

# Notes to the Financial Statements

**For the year ended 30 June 2014**

### Note 28: Share-based Payments (Continued)

The fair value of the Performance Rights granted during the financial year was $871,074. 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 $0.525 (2013: $1.532). These values were calculated using a Binomial option pricing model applying the following inputs:

| | |
|---|---|
| Expected vesting period for the performance rights to vest: | 4 years |
| Expected share price volatility: | 50% |
| Risk-free interest rate: | 3.40% |
| Dividend yield: | 5.70% |

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

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

| | Consolidated Entity | |
|---|---|---|
| | **2014** **$000** | **2013** **$000** |
| Performance rights | | |
| — expenses | **556** | 743 |
| — written back on forfeiture | **(292)** | (193) |
| | **264** | 550 |

### 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 | |
|---|---|---|
| (a) **Director Related Transactions** | **2014** **$000** | **2013** **$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 | **331** | 286 |
| (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** | 11 |

[#] Transactions relating to Directors fees are included in the Directors' report details of remuneration

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**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.

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

(i) **Financial Risk Management Policies**

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.

(ii) **Specific 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, price risk and foreign exchange 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.

*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, 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 2014.

In respect of the parent entity, credit risk also incorporates the exposure of Decmil Group Limited to the liabilities of all the parties to 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.

# Notes to the Financial Statements
**For the year ended 30 June 2014**

**Note 30: Financial Instruments (Continued)**

(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.

| | Weighted Average Effective Interest Rate | Non-Interest Bearing | Within 1 year | 1 to 5 years | Carrying Amount |
|---|---|---|---|---|---|
| **2014** | **%** | **$000** | **$000** | **$000** | **$000** |
| Financial assets | | | | | |
| Cash and cash equivalents | 2.5 | - | 59,308 | - | 59,308 |
| Receivables | - | 113,861 | - | - | 113,861 |
| | | 113,861 | 59,308 | - | 173,169 |
| Financial liabilities | | | | | |
| Payables | - | (178,599) | - | - | (178,599) |
| Borrowings | 5.2 | - | (1,178) | (797) | (1,975) |
| | | (178,599) | (1,178) | (797) | (180,574) |
| **2013** | | | | | |
| 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) |

The cashflows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

(iv) **Net Fair Values of financial instruments**

Unless otherwise stated, the carrying amount of financial instruments reflect their fair value.

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**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, price risk and foreign exchange 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 2014, 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 2014, 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** | |
|---|---|---|
| | **2014** | **2013** |
| Change in Profit | **\$000** | **\$000** |
| — Increase in labour costs by 5% (CPI assumption) | **(6,165)** | (7,391) |
| Change in Equity | | |
| — Increase in labour costs by 5% (CPI assumption) | **(6,165)** | (7,391) |

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

The above sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

*Foreign Exchange Sensitivity Analysis*

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

# Notes to the Financial Statements

**For the year ended 30 June 2014**

**Note 31: Fair Value Measurement**

*Fair value hierarchy*

The following tables detail the consolidated entity's assets measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets that the consolidated entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

Level 3: Unobservable inputs for the asset

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Consolidated - 2014** | | | | |
| Assets | | | | |
| Investment property | - | - | 188,182 | 188,182 |
| Total assets | - | - | 188,182 | 188,182 |
| | | | | |
| **Consolidated - 2013** | | | | |
| Assets | | | | |
| Investment property | - | - | 192,923 | 192,923 |
| Total assets | - | - | 192,923 | 192,923 |

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Investment property has been valued using a discounted cash flow model.

Movements in level 3 assets during the current and previous financial year are set out below:

| **Consolidated** | Investment Properties $'000 | Total $'000 |
|---|---|---|
| **Balance at 1 July 2012** | - | - |
| Additions through acquisition of controlled entity | 79,809 | 79,809 |
| Gains recognised in statement of profit or loss and other comprehensive income | 52,494 | 52,494 |
| Additions | 60,620 | 60,620 |
| | | |
| **Balance at 30 June 2013** | 192,923 | 192,923 |
| Additions | 1,313 | 1,313 |
| Reduction in provision for costs to complete | (6,054) | (6,054) |
| | | |
| **Balance at 30 June 2014** | 188,182 | 188,182 |

# Notes to the Financial Statements
**For the year ended 30 June 2014**

### Note 31: Fair Value Measurement

The level 3 assets unobservable inputs and sensitivity are as follows:

| Unobservable Inputs | Range | Sensitivity |
|---|---|---|
| Room rate growth | 2.5% to 3.5% | 0.25% change would increase/decrease fair value by approximately $4,500,000. |
| Long-term occupancy | 65% (average) | 5.0% change would increase/decrease fair value by $18,600,000. |
| Post-tax discount rate | 9.0% to 11.0% | 0.5% change would increase/decrease fair value by approximately $12,200,000. |

### Note 32: Contingent Liabilities

| | Consolidated Entity | |
|---|---|---|
| | **2014** | **2013** |
| | **$000** | **$000** |
| Guarantees given to various clients for satisfactory contract performance for the consolidated entity | **103,352** | 88,681 |
| | **103,352** | 88,681 |

On 20 December 2012, a subsidiary of the consolidated entity, Homeground Gladstone Pty Limited as trustee for the Homeground Gladstone Unit Trust (HGG), commenced an action in the Federal Court against the previous facilities manager of the village, Evolution Facility Management (Qld) Pty Ltd (EFM), seeking damages for misleading and deceptive conduct and accordingly terminated the facilities management agreement with EFM. On 6 March 2013 EFM filed a defence to the claim and on 7 March 2013, EFM filed a cross claim against HGG. The action is being vigorously defended by the Company and advice from legal counsel indicates that it is not practicable to estimate the potential liability at this stage.

Apart from the above there are no further contingent liabilities relating to the consolidated entity.

### Note 33: Subsequent Events

On 19 August 2014, the Company proposed a fully franked 8.5 cent per share final dividend with a record date of 5 September 2014 and payment date of 26 September 2014. The total amount of this dividend payment will be $14.336 million. After this dividend payment, the franking account balance will be $60.197 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.

# 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 2014 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(a) have entered into a deed of cross guarantee under which the Company and certain 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.

Bill Healy
**Chairman**
Dated this 19th day of August 2014

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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 2014, the consolidated statement of profit or loss and other 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 2014 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 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Perth, WA
Dated: 19 August 2014

J A KOMNINOS
Partner

# Corporate Governance Statement

The Board of directors (**Board**) of Decmil Group Limited (**Decmil** or **Company**) is responsible for the corporate governance of Decmil and its subsidiary companies (**Group**). The Board determines all matters relating to the strategic direction and governance, policies, practices, Management and operations of the Group with the aim of protecting the interests of 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. The Council has introduced the third edition of the Principles and Recommendations which are to take effect for an ASX listed entity's first full financial year commencing on or after 1 July 2014.

The Company has elected to report on the third edition of the Principles and Recommendations earlier than the prescribed time and to report against them for the 2013/2014 financial year.

Pursuant to ASX Listing Rule 4.10.3 Decmil is required to provide a statement in its annual report disclosing the extent to which it has followed the 29 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's corporate governance statement is current as at the date of this annual report and has been approved by the Board. It is structured with reference to the Council's third edition of the Principles and Recommendations, which are as follows:

**Adherence to the Council's Third Edition of Principles and Recommendations**

| | **Recommendation** | **Comply Yes / No** |
|---|---|---|
| | **Principal 1 – Lay Solid Foundations for Management and Oversight** | |
| 1.1 | Disclose the respective roles and responsibilities of the Board and Management and disclose those matters expressly reserved to the Board and those delegated to Management. | Yes |
| 1.2 | Undertake appropriate checks before appointing a director or putting forward their election and provide security holders with all relevant information in its possession relevant to their election or re-election as a director. | Yes |
| 1.3 | Written agreement with each director and senior executive setting out the terms of their appointment. | Yes |
| 1.4 | The Company Secretary should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board. | Yes |
| 1.5 | Have a diversity policy which includes requirements for the Board or a committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them. Disclose the policy and the measurable objectives and respective proportions of men and women on the Board, Senior Management and the whole organisation. | Yes |
| 1.6 | Have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors and disclose whether a performance evaluation was undertaken during a reporting period. | Yes |
| 1.7 | Have and disclose a process for periodically evaluating the performance of senior executives and disclose whether a performance evaluation was | Yes |

| | | |
|---|---|---|
| | undertaken during a reporting period. | |
| | **Principal 2 – Structure the Board to Add Value** | |
| 2.1 | The Board should have a nomination committee which has at least 3 members, a majority of whom are independent and chaired by an independent director and disclose the charter, the members and the number of times the committee met. Alternatively, if there is no nomination committee, disclose the processes it employs to address succession issues and ensure the Board has appropriate balance of knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities. | Yes |
| 2.2 | Have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board has or is looking to achieve. | No |
| 2.3 | Disclose the independent directors and length of service of directors. | Yes |
| 2.4 | Majority of the Board should be independent directors. | Yes |
| 2.5 | Chair of the Board should be an independent director and should not be the same person as the chief executive officer of the Company. | Yes |
| 2.6 | Have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain their skills and knowledge. | Yes |
| | **Principal 3 – Act Ethically and Responsibly** | |
| 3.1 | Establish a code of conduct for directors, senior executives and employees and disclose the code or a summary of the code. | Yes |
| | **Principal 4 – Safeguard Integrity in Corporate Reporting** | |
| 4.1 | Establish an audit committee which has at least 3 members, a majority of whom are independent and chaired by an independent director (who is not the chairperson of the Board) and disclose the charter, the members and the number of times the committee met. | Yes |
| 4.2 | Before the Board approves its' financial statements for a financial period, the Board should receive from its Chief Financial Officer and Chief Executive Officer a declaration that, in their opinion, the financial records of the Company have been properly maintained and the financial statements comply with appropriate accounting standards and the opinion has been formed on the basis of a sound system of risk management and internal control. | Yes |
| 4.3 | The external auditor should attend the entity's annual general meeting. | Yes |
| | **Principal 5 – Make Timely and Balanced Disclosure** | |
| 5.1 | Establish and disclose a written policy for complying with its continuous disclosure obligations under the Listing Rules. | Yes |
| | **Principal 6 – Respect the Rights of Shareholders** | |
| 6.1 | Provide information about the entity and its governance to investors via its website. | Yes |
| 6.2 | Design and implement an investor relations program to facilitate effective two-way communication with investors. | Yes |
| 6.3 | Disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | Yes |
| 6.4 | Provide security holders the option to receive and provide communications electronically. | Yes |
| | **Principal 7 – Recognise and Manage Risk** | |
| 7.1 | Have a committee to oversee risk which has at least 3 members, a majority of which is independent, and which is chaired by an independent director and disclose the charter, members of the committee and the number of times the | Yes |

| | | |
|---|---|---|
| | committee met during the period. | |
| 7.2 | The Board or committee of the Board should review the Company's risk management framework annually and disclose each reporting period whether such a review has taken place. | Yes |
| 7.3 | Disclose whether it has an internal audit function and how it is structured and performed. | Yes |
| 7.4 | Disclose whether it has any material exposure to economic, environmental and social sustainability risks and how it manages or intends to manage those risks. | Yes |
| | **Principal 8 – Remunerate Fairly and Responsibly** | |
| 8.1 | Establish a remuneration committee which has at least 3 members, a majority of which is independent, and which is chaired by an independent director and disclose the charter, members of the committee and the number of times the committee met during the period. | Yes |
| 8.2 | Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | Yes |
| 8.3 | A Company which has an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme and disclose that policy. | No |

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

**Structure and Operation of the Board**

The Board operates pursuant to a formal Board Charter which sets out matters of corporate governance including the composition, functions and responsibilities of the Board and matters affecting Directors in execution of their duties. The charter recognises that the Board is elected to represent shareholders' interests in the direction and management of the Company and the interests of its employees, customers and the local community where it operates.

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 or an officer of, or otherwise associated directly with a substantial shareholder of Decmil (as defined in section 9 of the Corporations Act);
- is employed, or has previously been employed in an executive capacity by the 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 Group, or an employee materially associated with the services provided;
- is a material supplier or customer of the Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the 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 be Non-Executive (preferably independent) Directors and that the Chair will be a Non-Executive Director.

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* |
|---|---|
| Bill Healy | Non-Executive Chairman |
| Trevor Davies | Non-Executive Director |
| Giles Everist | 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, Directors must declare immediately to the Board any potential or active conflicts of interest and the Board will determine whether to declare to the market, any loss of independence.

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 April 2013 |
| Giles Everist | Appointed December 2009 |
| Bill Healy | Appointed April 2009 |
| Lee Verios | Appointed April 2010 |

Powers specifically reserved by the Board include:

- reviewing and approving systems of risk management, internal control and compliance, codes of conduct, continuous disclosure and legal compliance, external financial reporting and major capital expenditure, capital management and acquisitions/divestments;
- any matters in excess of delegated authorities;
- providing input into, and approval of, the Company's strategic plan;
- reviewing and approving business plans and budgets including performance objectives;
- monitoring operational and financial position and performance;
- approving financial policies and financial statements;
- monitoring compliance with controls and accountability systems, regulatory requirements and ethical standards;
- on the Chief Executive Officer's recommendation, ratifying the appointment and removal of the Chief Financial Officer, Company Secretary and other senior executives;
- reviewing and approving remuneration and conditions of services for the Executive Management team;
- approving the issue of any securities;
- approving any public statements which reflect significant issues;
- appointing/removing auditors; and
- approving any changes to the discretions delegated from the Board.

The Board has delegated to the Chief Executive Officer and his Executive Management team, authority for the day to day management of the Company and its operations.

**Board Committees**

To facilitate achieving its objectives, the Board has established an audit and risk committee and a remuneration committee, comprising members of the Board. Each of these committees has formal charters that outline the committee's roles and responsibilities and the authorities delegated to it by the Board.

***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. This view is reviewed annually.

The Board does not currently have a formal Board skills matrix however, the Board will look to implement a skills matrix in the 2015 financial year. Appointments to the Board are currently based on merit against objective criteria that serve to maintain an appropriate balance of skills and experience on the Board. In appointing new Board members, consideration is given to the appointee's ability to contribute to the Board's ongoing effectiveness, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role and to contribute to the development of the Company's strategic direction. In addition, Directors should have the relevant blend of personal experience in accounting and financial management, legal and Director-level business experience.

***Remuneration Committee***

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

Pursuant to the charter, all members of the Remuneration Committee are to be Non-executive and the majority being independent Directors. The Remuneration Committee currently comprises the following members:

- Lee Verios (Chair)
- Bill Healy
- Trevor Davies

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

The overall purpose of the Remuneration Committee is to provide assistance and recommendations to the Board relating to:

- overall remuneration strategy of the Group;
- remuneration of Non-Executive Directors of Decmil; and
- remuneration of the Managing Director and/or the Chief Executive Officer and Executive Management team of the Group.

The Remuneration Committee does not make decisions on behalf of the Board unless such authority in respect of any matter is expressly delegated by the Board.

The Remuneration Committee shall assist the Board in the implementation of its remuneration policy by:

- ensuring the Group's remuneration policies and practices fit with its strategic goals;
- undertaking periodic reviews of policies and practices in respect to total fixed remuneration, incentive remuneration and share and equity based plans;
- reviewing remuneration policies and practices to ensure they comply with regulatory requirements and good governance principles and practise;
- obtaining external advice on the market position of the Managing Director/Chief Executive Officer's remuneration package and making recommendations to the Board as to the total target review to be offered to the Managing Director/Chief Executive Officer for the coming year;
- approving the remuneration of Executive Management reporting to the chief Executive officer;
- establishing the process for review of the Non-Executive Directors' remuneration and making recommendations on the appropriate remuneration levels and other benefits provided to Non-Executive Directors;

- monitoring compliance with the Company's Code of Conduct, review of any breaches of the Code and actions taken by Management in relation to breaches;
- reviewing any annual increases to the base salary of award and staff employees taking into account the recommendations of the Managing Director and/or Chief Executive Officer;
- considering and recommending to the Board the total target reward, including short term incentives and long term incentives for each member of the executive leadership team taking into account the recommendations of the Managing Director and/or Chief Executive Officer;
- reviewing with the Managing Director and/or Chief Executive Officer the performance of members of the executive leadership team;
- reviewing and commenting on the Managing Director and/or Chief Executive Officer's succession plans for members of the executive leadership team and other key positions in the Group; and
- reviewing the Managing Director and/or Chief Executive Officer's recommendation for the remuneration package of new members of the executive leadership team.

***Audit and Risk Committee***

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

Pursuant to the terms of the charter, all member of the Audit and Risk Committee are Non-Executive Directors with the majority being independent. The chairman of Decmil may not be chairman of the Audit and Risk Committee. The Audit and Risk Committee currently comprises the following members:

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

Details of the skill and experience of the Audit and Risk 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.

The overall purpose of the Audit and Risk Committee is to protect the interest of the shareholders and other stakeholders in the Company by overseeing, on behalf of the Board:

- the quality and integrity of the Company's financial statements, accounting policies, financial reporting and disclosure practices;
- compliance with applicable legal and regulatory requirements and internal policies and codes of conduct;
- the effectiveness and adequacy of the control environment and the processes of identifying and managing risk;
- the internal and external audit functions; and
- treasury and taxation practices.

**Risk Management**

Decmil recognises the importance of risk management and has a risk management policy in place to support its risk management.

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

The Audit and Risk Committee assists the Board with regard to oversight of the risk management practices and has the following responsibilities in regard to risk management:

- developing an understanding of key risk areas and the consequences of major risk events;
- gaining assurance as to the adequacy of the Company's policies and processes for integrating risk management into is operations; and
- reviewing the insurance strategy and determining the extent to which it aligns with the risk exposure of the Company.

Each business unit within the Group is responsible for the identification, assessment, control, reporting and monitoring of risks. Business units are responsible for implanting the requirements of this policy and for providing assurance to the Board that it has done so.

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 current Group Risk Management system comprises:

- a Group Risk Management Policy Statement and methodology based on the Australian Standard on Risk Management, ASNZS 4360. The Policy outlines Decmil's approach to managing risk including a description of responsibilities;
- an Operational Risk Management Plan for each of the business units;
- a Group Risk Co-ordinator, who is responsible for managing and implementing Decmil's risk management framework;
- the Operational Risk Management Plans for the business units are reviewed every 6 months, such reviews are facilitated by the Group Risk Coordinator;
- an 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;
- a Group wide comprehensive insurance program, which is reviewed annually; and
- regular meetings with Business Unit General Managers.

During the 2015 financial year the Company will develop a formal Enterprise Risk Management Framework (**ERMF**). The ERMF will identify and report on the most material risks facing the Group enterprise wide. The ERMF will bring together the most critical risks (both corporate and operational) identified by the Group Risk Management System and create a structured process for regular reporting to the Board.

The Decmil Internal Control system comprises:

- Management's understanding and acceptance of its responsibility to implement appropriate systems of internal control to effectively manage potential risks;
- ongoing oversight of strategic matters by Executive 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 are centrally located via an intranet;
- monthly reporting and review of financial and budgetary information;
- external auditors independently evaluating the Group's internal control environment and its compliance with the International Financial Reporting Standards on an annual basis; and
- independent internal auditors undertaking specific internal audit work at the direction of the Audit and Risk Committee.

The Company does not have a dedicated internal audit function. However, a comprehensive internal controls review took place during the financial year by an independent third party and recommendations made have been implemented by the Group. The Group proposes to undertake internal audit reviews of this nature using suitably qualified independent internal auditors, with the scope work to be determined by the Audit and Risk Committee as needed, but at least annually.

The Company has exposure to material economic risks including variability of market conditions and legislative changes to the sectors within which Decmil operates. These risks are being mitigated by ongoing research and monitoring of changing market conditions and diversification of the business into a number of complimentary sectors. Decmil's mitigation of environmental risks include maintenance of its certified environmental system (ISO14001) and implementation of the Second Nature program which aims to minimise impact to flora and fauna on worksites to reduce emissions. Social sustainability risks, where they arise, are identified and managed within the Group Risk Management system

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.

**Performance of the Board**

The performance of the Board and its individual Directors are reviewed regularly. During the reporting period the performance of the Board was reviewed externally.

The Board has determined that there is sufficient value in an external Board review process, and accordingly the Board review process is handled externally 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 external reviewer and individual Directors and a final review of completed questionnaires.

The process for evaluating the performance of the Remuneration Committee and the Audit and Risk Committee involves a review of its performance against its objectives and responsibilities as set out in the relevant committee charter. An external performance review of the Remuneration Committee and Audit & Risk Committee was not conducted during the 2014 financial year.

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 Group 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.

**Remuneration**

It is Decmil'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 Committee must ensure that the remuneration packages of Executive 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

All executives receive a base salary, superannuation, performance incentives and retirement benefits. 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 payment of bonuses, equity based payments and other incentive payments are reviewed by the Remuneration Committee periodically as part of the review of executive remuneration.

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 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 Remuneration 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 Remuneration 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 equity based payments, bonus payments, retirement or termination benefits other than statutory superannuation.

There is no scheme to provide retirement benefits, other than statutory superannuation, for Non-Executive Directors.

For a full discussion of Decmil's remuneration philosophy and framework and the remuneration, including all monetary and non-monetary components, received by Directors and specified executives in the current period please refer to the remuneration report, which is contained within the Director's Report.

**Code of Conduct**

The Company requires its Directors, employees and contractors to observe the highest standards of behaviour and business ethics in respect to its operations. These values are enshrined in the Company's Code of Conduct which all officers and employees of the Group are required to comply with. The Code of Conduct imposes high standards of behaviour and business ethics including:

- complying with all relevant laws and acting honestly and with integrity;

- being responsible and accountable for actions and the manner in which functions and duties are performed;
- not allowing any private interests to conflict with obligations and duties to the Company;
- maintaining a safe and healthy work environment;
- conducting operations in an environmentally responsible manner so that the operations are compatible with the maintenance of the environment;
- treating all persons with respect and dignity and not discriminating on the basis of sex, race, religion, politics, age or other personal differences; and
- not allowing any person to be disadvantaged in honestly reporting any breach of the Code of Conduct to Senior Management or any Director.

**Securities Trading Policy**

Decmil has adopted a securities trading policy which details the Company's policy regarding the sale and purchase of Company securities by Directors and employees. The policy prohibits Directors and employees from buying or selling securities in the Company when they are in possession of price sensitive information which is not generally available to the market.

In addition, trading in the Company's securities is not permitted by Directors and employees during closed periods which are the period from the end of the financial year or half financial year to the time of release of the annual or half year results.

It is also contrary to the policy for Directors or employees to be engaged in short term trading of Company securities (ie buying and selling within 12 months).

**Anti-Corruption and Anti-Bribery**

The Company is committed to conducting its business and activities with integrity and has adopted an anti-corruption and anti-bribery policy which prohibits bribery and corruption, in any form, whether direct or indirect, whether in the private or public sector. Areas of concern are highlighted in the policy. Specifically, Decmil prohibits facilitation payments and the giving and receiving of gifts or entertainment in connection with its business and business activities which go beyond common courtesies associated with general commercial practice.

**Diversity**

The Group has a diversity policy in place which warrants all employees to value diversity and equal opportunity in the workplace. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Group's commitment to diversity is achieved year to year, by ensuring our workforce is made up of a diverse range of skills, values, backgrounds and experience. The Group's Diversity policy ensures the Group is free from discrimination in the workplace and provides support to employees.

The Group is committed to:

- equality of opportunity throughout the organisation;
- recruitment and retention of the best candidates for positions;
- treatment of individuals with respect.

The measureable objectives adopted by the Board in respect of developing gender diversity for the 2014 financial year are set out below:

1) Executive Leadership Team to ensure development and retention of female managers.

- Internal promotion of female employees to key roles such as Group HR Manager and Company Secretary.
- Recruitment of females for key group managerial positions such as HR Manager at EDE, Corporate Communications Manager and Corporate Counsel.
- Training and culture development program (Leading Teams) has been rolled out within the Executive Leadership Team and Senior Leadership Team.

2) Line Managers to contact employees on maternity leave at least quarterly.
- Seven employees have taken maternity leave across the Group; four already engaged in return to work programs.
- The Group worked with employees returning from maternity leave to develop return to work plans to support transitioning back to work. These plans have involved agreed part-time return to work or flexibility arrangements on start and finish times to support individual needs.
- DecMail and communication updates have been forwarded to all employees on maternity leave.
- Employees on maternity leave are invited to corporate functions such as end of month drinks and the Christmas party.

3) Success in Female career development through internal career promotion.
- Throughout the financial year the Group made a number of female employee promotions due to career development and business requirements.
- Promotions have included:
    - Contracts Administration Assistant to Junior Contract Administrator;
    - Site Administrator transferring to Head Office as the Proposals Coordinator;
    - Human Resources Advisor to Senior Human Resources Advisor; and
    - Project Engineer to Senior Project Engineer.

The table below shows gender participation across the Group at all levels, in addition to executive and Senior Management:

**Decmil Workforce Gender Profile**

| | Female | Female % | Male | Male % |
|---|---|---|---|---|
| Administration | 40 | 97 | 1 | 3 |
| Wages Workforce | 8 | 3 | 265 | 97 |
| Supervisory/Professional | 86 | 27 | 228 | 73 |
| Middle Management | 5 | 42 | 7 | 58 |
| Executive Management | 1 | 25 | 3 | 75 |
| **Total** | 140 | 22 | 504 | 78 |
| Board | 0 | 0 | 6 | 100 |

**Continuous Disclosure Policy**

The Company has adopted a continuous disclosure policy to ensure compliance by the Company with its continuous disclosure requirements arising from legislation and the ASX listing rules.

Pursuant to this policy, all Management and staff must inform the Managing Director/Chief Executive Officer (or in their absence, the Company Secretary or another Director) of all any potentially material information or proposal as soon as practicable after the person becomes aware of that information. In accordance with ASX listing rule 3.1, the Chairman and Managing Director/Chief Executive Officer must immediately notify the market of any information concerning the Company that they believe a reasonable person would expect to have a material effect on the price or value of shares in the Company.

The policy notes that the Company Secretary is the authorised officer for ASX listing rule purposes and is responsible for overseeing and co-ordinating disclosure of information to ASX and shareholders.

**Shareholder Rights**

Shareholders are entitled to vote on significant matters impacting on the business of the Company, including the election and remuneration of Directors, approval of annual financial statements and amendments to the constitution of the Company. The Board actively encourages shareholders to attend and participate in the annual general meeting of the Company, to lodge questions to be responded to by the Board and to appoint proxies.

The Company maintains a website which contains information regarding the Group, Directors and Management, operations, ASX announcements as well as all corporate governance policies adopted by the Company. Shareholders are able to request, via the Company's website or share registry, shareholder communications to be received electronically.

**Summary**

In summary, Decmil Group Limited concludes that it substantially complied with all of the Recommendations throughout the 2013/2014 financial year other than as previously disclosed in this statement. The Company's corporate governance policies can be found on the Company's website www.decmil.com.au.

# 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 2014 are:

| Shareholder | Shares | % |
|---|---|---|
| Denis Criddle | 18,773,232 | 11.13 |
| Commonwealth Bank Group | 14,088,572 | 8.35 |
| Denver Investments | 12,887,355 | 7.64 |
| Franco Family Holdings (Retail Group) | 12,450,000 | 7.38 |
| Thorney Investments | 12,280,000 | 7.28 |
| Acorn Capital Ltd | 9,621,544 | 5.70 |

The following information is made up as at 31 July 2014.

## 2. Distribution of shareholdings

| Range of Holding | No. of Shareholders | No. of Ordinary Shares | % |
|---|---|---|---|
| 1 – 1,000 | 1,406 | 663,283 | 0.39 |
| 1,001 – 5,000 | 1,340 | 3,840,143 | 2.28 |
| 5,001 – 10,000 | 487 | 3,776,385 | 2.24 |
| 10,001 – 100,000 | 501 | 12,781,850 | 7.58 |
| 100,001 and over | 56 | 147,596,133 | 87.51 |
| Total | 3,790 | 168,657,794 | 100.00 |

There are 456 shareholders with an unmarketable parcel totalling 52,234 shares.

## 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 | % |
|---|---|---|
| HSBC Custody Nominees (Australia) Ltd | 30,826,947 | 18.28% |
| J P Morgan Nominees Ltd | 25,423,248 | 15.07% |
| National Nominees Ltd | 22,325,583 | 13.24% |
| Citicorp Nominees Pty Ltd | 18,982,832 | 11.26% |
| Broadway Pty Ltd - The Decmil Australia Fund A/C | 10,475,000 | 6.21% |
| Broadway Pty Ltd - The Decmil Australia A/C | 6,500,000 | 3.85% |
| L, M & R Franco - LMR Franco Unit Trust | 4,950,000 | 2.93% |
| BNP Paribas Nominees Pty Ltd – DRP | 2,540,592 | 1.51% |
| Delauney Pty Ltd - Franco Family A/C | 2,300,000 | 1.36% |
| Fairview Pty Ltd - Ernest Franco Family A/C | 2,300,000 | 1.36% |
| National Nominees Limited – DB A/C | 1,850,280 | 1.10% |
| Mrs Nola Isabel Criddle - Criddle Investment Fund | 1,398,232 | 0.83% |
| HSBC Custody Nominees (Australia) Ltd - NT-Commonwealth Super Corp A/C | 1,171,489 | 0.69% |
| Navigator Australia Ltd – MLC Investment Sett A/C | 1,053,733 | 0.62% |
| Citicorp Nominees Pty Ltd - Colonial First State Inv A/C | 1,049,676 | 0.62% |
| Mr Mario Franco + Mrs Immacolata Franco - The Mario Franco S/F A/C | 1,000,000 | 0.59% |
| Zero Nominees Pty Ltd | 976,167 | 0.58% |
| O'Neill Administration Pty Ltd - O'Neill Super Fund | 812,500 | 0.48% |
| Aust Executor Trustees Ltd - Charitable Foundation | 710,095 | 0.42% |
| Mr Robert Mario Franco | 700,000 | 0.42% |
| Total | 137,346,374 | 81.43% |

DECMIL

# FINANCIAL REPORT

**30 JUNE 2014**