



DECMIL GROUP LIMITED

ANNUAL REPORT

144



ABN 35 111 210 390



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AUSTRALIAN BUSINESS NUMBER

35 111 210 390

ASX CODE

DCG

REGISTERED ADDRESS

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Osborne Park

WA 6017

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ANNUAL GENERAL MEETING

Shareholders are advised that the Decmil Group Limited 2014 Annual General Meeting (AGM) will be held on 12 November 2014 at Decmil Head Office 20 Parkland Road, Osborne Park, Western Australia, commencing at 10.00 am (AWST).

www.decmil.com.au

ABOUT THIS REPORT

This Annual Report is a summary of Decmil Group Limited's (ASX: DCG) ("Decmil" or "Company") operations, activities and financial position as at 30 June 2014.

Decmil Group Limited (ABN 35 111 210 390) is the parent Company of the Decmil Group of companies. In this report, unless otherwise stated, references to 'Decmil', 'DGL' and 'the Company', and 'we', 'us' and 'our' refer to Decmil Group Limited and its controlled entities.

References in the report to 'the year' or 'the reporting period' relate to the financial year, which is 1 July 2013 to 30 June 2014, unless otherwise stated. All dollar figures are expressed in Australian currency.

In an effort to reduce its impact on the environment, Decmil will only post printed copies of this Annual Report to those shareholders who elect to receive one through the share registry. An electronic copy of this Annual Report will be available on our website at www.decmil.com.au

ABOUT US

Decmil offers a diversified range of services to the mining, oil & gas, infrastructure and Government sectors in Australia and overseas.

Established in 1979, Decmil has over 35 years' experience delivering integrated solutions to its blue-chip clients.

Capabilities within the Group specialise in design, engineering, construction, accommodation services, mechanical fabrication and maintenance, particularly in regional and remote locations.

Listed on the Australian Securities Exchange (ASX Code: DCG) Decmil's goal is to maximise returns from its operations to deliver value to its shareholders, clients and stakeholders.

Decmil's reputation is founded on a culture of safety, people, leadership, client relationships, teamwork and community. These principles are embedded in all processes and systems and embodied in all aspects of how we conduct our business.



MAKE IT.



VISION AND VALUES

At the heart of Decmil's philosophy is our strong, values-based culture that focusses less on what we do, and more on how we do it.

It's no surprise then that our vision and values are incredibly important to each and every one of us.

VISION

To be the market leader in project delivery, achieving sustainable growth through the quality of our people and the strength of our relationships.

Decmil is proudly built on a strong foundation of six values, which underpin everything we do.

OUR CORE VALUES ARE



Safety: Safety and health are what matter most.

People: The people we have are the strength of our business.

Leadership: We take ownership and lead by example at all levels.

Teamwork: We work together and support each other to achieve success.

Client Relationships: We have trusting relationships with our clients.

Community: We show respect for the community, Indigenous Australians and the environment.





Revenue

↑ 17%
to \$617.7m

EBITDA¹

↑ 10%
to \$78.2m

NPAT¹

↑ 10%
to \$49.7m

**Earnings¹
per share**

of 29.50 ^{cps}
(FY13: 26.94cps)

Cash on hand

of \$59.3m

(no core senior debt – net cash position)

**Strong outlook
for 2014/15**

with total order book of approximately
\$400m
as at June 2014 *and a visible tender pipeline*

Final dividend

of 8.5 ^{cps}

Note:

¹ – Excluding business combination gains from both FY13 & FY14 reporting periods

CHAIRMAN'S REPORT



Not only have we adapted to the challenging year that was 2014, but we have come out on top winning work in new areas with new clients in diversified ways.



It is with great pleasure that I present to you Decmil's 2014 Annual Report.

Decmil has been very busy in WA in recent years with the iron ore and LNG project boom. We did not know when, but we knew that conditions would at some time return to normal. So, a few years ago we developed a diversification strategy to prepare our business for the next phase.

During the past 12 months, the mood in Decmil's traditional industry has changed, with some businesses in difficulty or downgrading their profit.

In Decmil's case, we have driven through the changed market conditions with record revenues from a much wider geographic, customer and industry base.

It is Decmil's ability to adapt and think outside the square that has allowed us to move forward and to finish the financial year in a strong position.

Not only have we adapted to the challenging year that was 2014, but we have come out on top winning work in new areas with new clients.

It is with great pleasure that I share with you the year that was, and acknowledge the outstanding achievements of our people.

Net Assets & Cash Position

Operating cash flow for the year ended 30 June 2014 was \$66.1m, which was greater than FY13 by \$33.7m (103%). The Company 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).

Decmil paid down all core senior debt during the financial year and is currently debt-free (excluding \$2.0m in hire purchase related debt).

Dividends

For the third consecutive year, the Company has paid both interim and final dividends. A final dividend of 8.5 cents per share has been declared and paid on 26 September 2014. Combined with the 4.5 cents per share interim dividend (paid on 27 March 2014) fully franked dividends totalling 13.0 cents per share have been paid to shareholders from profits generated during 2013/14.

The full year dividend distribution represents a 44% payout ratio which is in line with the Boards' dividend payout policy. This policy will continue to be reviewed in line with trading conditions, requirements for significant cash and investment opportunities.

CHAIRMAN'S REPORT



Health, Safety & Environment

A focus on health, safety and the environment remains central to everything we do. With the aim of ensuring zero harm to our people, it's pleasing to note that no serious injuries were reported during the year.

During 2013/14 the Company recorded an improved safety performance as measured by the Total Recordable Incident Frequency Rate ("TRIFR"). Our TRIFR decreased from 6.75 to 5.93. This is a great result and highlights that measures implemented to improve our TRIFR are working.

Community

I am proud of the steps we have taken to implement a meaningful corporate social responsibility program into our business. Based on our core values, we have developed a program called Decmil in the Community that sees us taking part in a wide range of initiatives that give back to those who need it most.

As well as providing local employment and service opportunities, we support a range of ongoing initiatives that help create healthy, vibrant and cohesive communities.

We believe the best way that Decmil can make a broad and meaningful contribution to the communities in which we operate is through engagement. We do this in a number of ways including charity events, corporate friendships, charity partnerships, volunteering and donating.

Workforce Capacity and Capability

During the past year employee numbers have stabilised to reflect current requirements. As at 30 June 2014 Decmil employed 644 people consisting of 371 salaried and 273 wages employees.

To attract, retain and develop our people, we have commenced a number of programs that focus on career development to ensure we have the best people in the business.

Future Focus


Our FY14 results demonstrate the success of the Group's ability to diversify through a broadening of services and extending reach into new markets.

A more competitive landscape for construction in the natural resources sector and greater proportion of Government and civil work is seeing margins decline compared with those realised during the resources and construction boom of recent years.


However, 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.

In closing, I would like to take this opportunity on behalf of the Board to thank our loyal shareholders for their ongoing support and of course our staff for their hard work over the past 12 months. We have a young team who bring high levels of energy and creativity to their roles, combined with a strong focus on client service.

Bill Healy
Non-Executive Chairman



We have reported a
10% increase
in net profit after tax to
\$49.7 million¹ for the full year
ended 30 June 2014.



I am pleased to report that Decmil has delivered another solid result this financial year.

This result was underpinned by:

- Key contracts with the Department of Immigration and Border Protection, Atlas Iron, Shell, Roy Hill, QGC, Rio Tinto, Chevron, Main Roads WA and Department of Transport and Main Roads QLD;
- Contract awards in new competencies (civil works such as roads and bridges) and sectors (Government); and
- Consistent occupancy at Homeground Gladstone.

While we continue to work on major projects within the resources sector, we are taking concerted steps to diversify our business, with the Government sector being a particular focus.

Business Performance

Over the past 12 months we have put a new structure in place that better reflects our growth and national reach.

As a result, we now have two operational units; Construction and Engineering and Accommodation Services.

Decmil has continued to win new work during a period when many contractors in the Australian market have struggled to make headway.

During 2013/14 the Australian Government's Department of Immigration and Border Protection awarded us two contracts, totalling \$284 million, for the construction of facilities on Manus Island, Papua New Guinea. These projects have great significance for the business, as they demonstrate our ability to transfer our core skills in carrying out major building works in remote areas to another industry, in this case the Government sector. It also expands Decmil's footprint to new geographic markets.

We continued to expand our Government capability with contract wins from Main Roads Western Australia, Department of Transport and Main Roads Queensland and the Australian Defence Force.

These project wins are significant achievements for Decmil as they represent firsts for the Company. Decmil's strategy is to broaden the range of services that we can offer to our clients, with a key focus on the Government sector.

Note:

¹ – Excluding business combination gains from both FY13 & FY14 reporting periods

MANAGING DIRECTOR'S REPORT



We have continued to add to the projects we are carrying out at the Roy Hill Iron Ore Project in the Pilbara, Western Australia. In April 2013, the Company was awarded two contracts totalling more than \$73 million to design and construct rail and port facilities at Roy Hill, along with associated infrastructure. In November 2013 we were awarded a \$37.5 million contract for the design and construction of diesel fuel infrastructure including a rail fuel yard, mine fuel yard, go-line fuel facility, mine services fuel and rail wet commissioning. These wins demonstrate the Group's design, civil engineering and construction expertise and increases the range of services Decmil is providing at Roy Hill.

In May 2014, we were awarded a contract by Rio Tinto to design, supply, fabricate, transport, construct and commission the West Angelas Deposit B Project Non Process Infrastructure. Valued in excess of \$35 million the contract highlights the strength of our relationship with Rio Tinto. Two months later we were awarded another win to design, supply, install and commission Cape Lambert Port B Non Process Infrastructure valued at approximately \$26 million. Rio Tinto is a long standing, valued client of Decmil and these awards further reinforce our reputation in the iron ore sector.

Eastcoast Development Engineering ('EDE'), the Company which Decmil acquired in April 2013, has continued to move forward, securing an additional contract worth up to \$80 million with QGC for wellsite installation services. This was an extension of an existing contract with QGC, demonstrating the strong relationship between QGC and EDE, built up over a period of more than three years. Importantly, the contract strengthens our position in the oil & gas sector, which has become an increasing focus for the Group.

The 2014 calendar year commenced with the Company securing a contract with Atlas Iron for the design and construction of a major road project in the Pilbara. Demonstrating the Group's civil capabilities, the project involves works and realignment to approximately 55km of road, including sealing works, floodways and intersection works valued at over \$34 million.

Management Changes

The Company appointed Craig Amos as Chief Financial Officer in March 2014. Mr Amos is a Chartered Accountant with over 15 years' experience in finance, accounting, corporate transactions and commercial projects in both corporate and professional services environments. He had previously served as our Group Manager for Corporate Development.

Ms Alison Thompson, who has held a number of senior finance roles within the Group over the past seven years, was appointed Company Secretary in January 2014. Both these appointments followed the departure of Ms Justine Campbell, who left the Group in early 2014, having served as Chief Financial Officer and Company Secretary. The fact we were able to fill these roles with internal candidates reflects the strength of the Group's executive team and our ability to foster talent.

Outlook

Decmil started FY15 with committed construction and engineering work in hand of ~\$520 million², providing strong revenue visibility for the financial year ahead.

We continue to seek opportunities to expand our existing construction and engineering capability via a focussed approach on those sectors the Company anticipates growth in, as well as expansion into other geographical areas.

Government infrastructure and civil work continues to be a focus for the Company given the success achieved during the FY14 financial year.

On behalf of myself and the Board, thank you to every member of the Decmil team for your dedicated service and hard work during the past 12 months.

Scott Criddle
Managing Director & CEO

Note:

¹ – Excluding business combination gains from both FY13 & FY14 reporting periods

² – As at August 2014

OVERVIEW OF FINANCIAL PERFORMANCE

The financial information contained in this section should be read in conjunction with the Financial Statements and accompanying notes, which have been prepared in accordance with the requirements of the Corporations Act 2001 and other relevant standards as outlined in Note 1 of the Financial Statements.

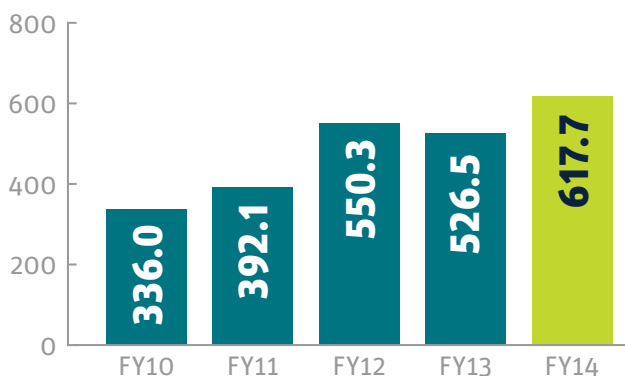
Financial highlights

- Revenue up \$91.2m (17.3%) to \$617.7m
- EBITDA¹ up \$7.2m (10.1%) to \$78.2m
- NPAT¹ up \$4.5m (10.0%) to \$49.7m
- EPS¹ up 2.56 cents (9.5%) to 29.50 cents
- Full year dividend of 13.0 cents
- Gross cash at 30 June 2014 of \$59.3m
- Nil gearing at 30 June 2014 (excluding minor hire purchase liabilities)

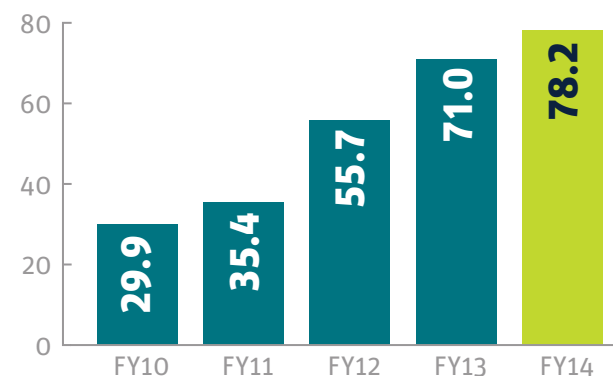
The year ended 30 June 2014 delivered another record year of revenue (\$617.7) and profit (\$49.7m) and represents the fifth consecutive year of profit growth. The result was underpinned by strong performance across both the Construction and Engineering and Accommodation Services divisions (as discussed on the following pages).

Earnings per share was a record 29.50 cents and based on a 44% payout ratio, a full year dividend of 13.0 cents has been paid (second half dividend is 8.5 cents).

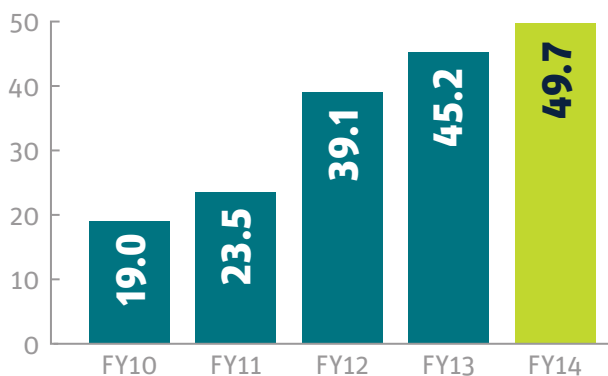
Revenue (\$m)



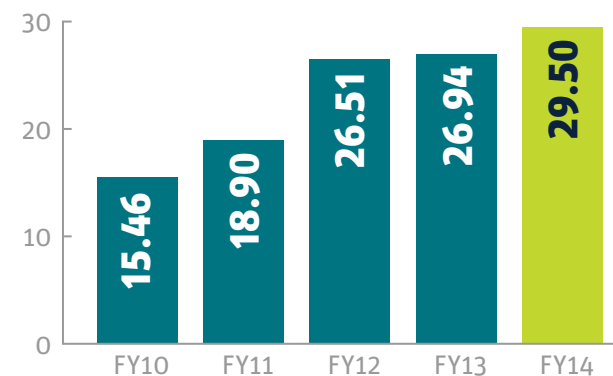
EBITDA¹ (\$m)



NPAT¹ (\$m)



EPS¹ (cps)



The Group has maintained its 'net cash' position, with \$59.3m cash on hand as at 30 June 2014 (Jun13: \$43.7m) and is currently debt-free with all senior debt repaid during the period. A high level of cash conversion was achieved during the financial year FY14 with operating cash flows of \$66.1m, as compared with \$32.5m in financial year FY13. Going forward, the Group has sufficient headroom in bank guarantee and surety bond facilities to ensure future key projects continue to be successfully tendered.

Note:

¹ – Excluding business combination gains from both FY13 & FY14 reporting periods

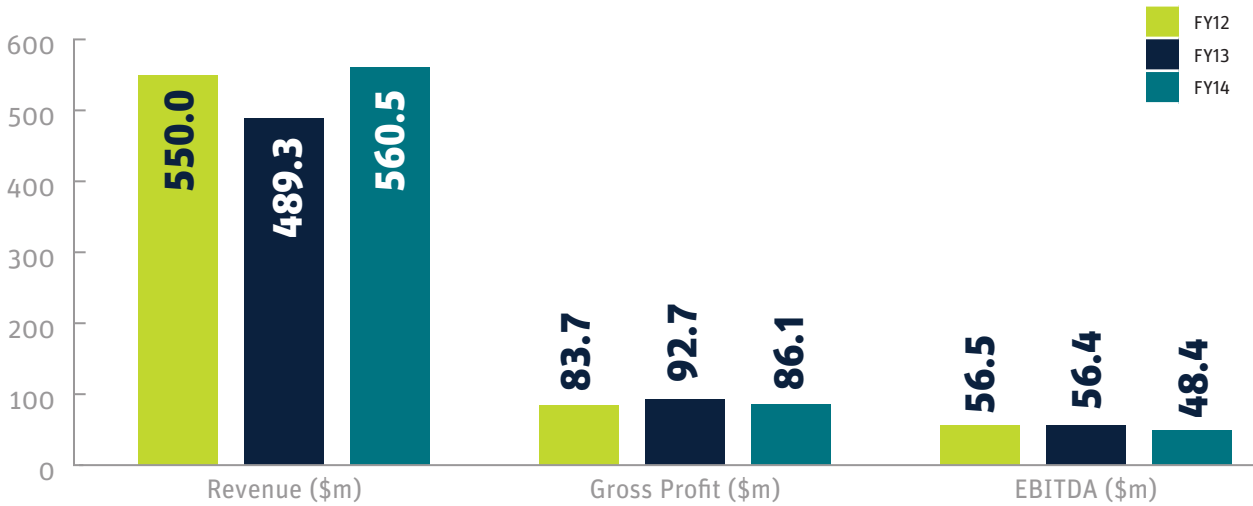
CONSTRUCTION AND ENGINEERING



During the past 12 months, we have continued to execute our diversification strategy winning work in new areas with new clients.

Our Construction and Engineering division has gone from strength to strength expanding our geographic reach and customer base.

Our financial performance reflects this strategy and our current key projects demonstrate our capabilities in these expanding areas.



CONSTRUCTION AND ENGINEERING

FINANCIAL PERFORMANCE

The Construction and Engineering division achieved revenue in FY14 of \$560.5m, representing an increase of \$71.2m (15%) from the previous year. Key clients strengthened the FY14 revenue growth including the Department of Immigration and Border Protection, Atlas Iron, Rio Tinto, QGC, Roy Hill, Main Roads Western Australia and Department of Transport and Main Roads Queensland.

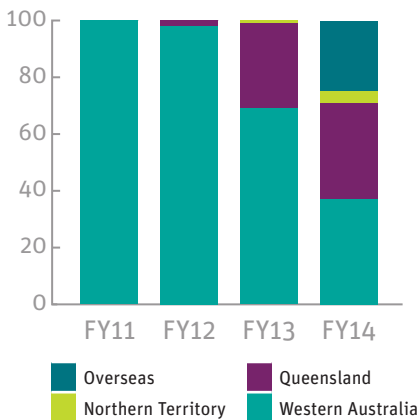
There has been an encouraging growth in revenue, associated with the division’s diversification. The margins on projects in the current market has returned to more sustainable levels driven by a more competitive landscape for construction in the natural resources sector, combined with a greater proportion of work being undertaken for Government in infrastructure and civil works.

During the period, we have successfully integrated EDE and VDM into the business, providing Decmil enhanced delivery capability to the oil & gas and civil infrastructure sectors. The division continues to expand its civil capability through delivering a number of projects for the Western Australian and Queensland Main Roads authorities and is actively looking for further opportunities through the formation of strategic alliances and joint venture partnerships.

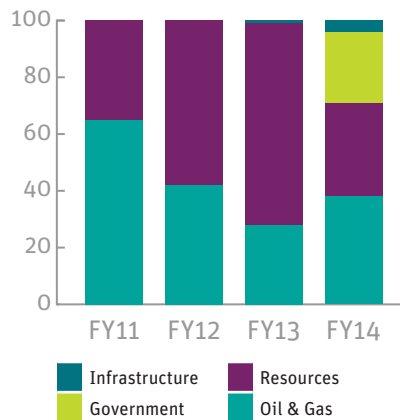
The Group has identified significant opportunities in the oil & gas sector and has established a solid platform of capability and vertical offering from which to capitalise upon. The basis for increasing the divisions exposure to this sector will be predicated on further developing the relationships from the successful execution of recent projects with the major oil & gas producers.

Decmil’s journey of diversification over recent years is continuing as illustrated below:

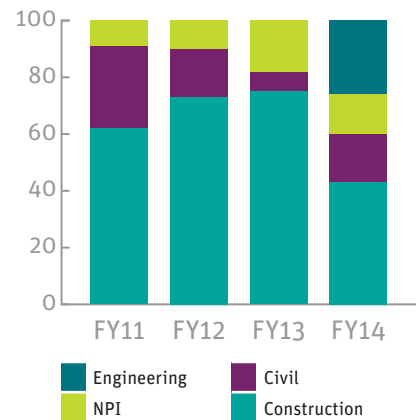
Revenue by Geography (%)



Revenue by Sector (%)



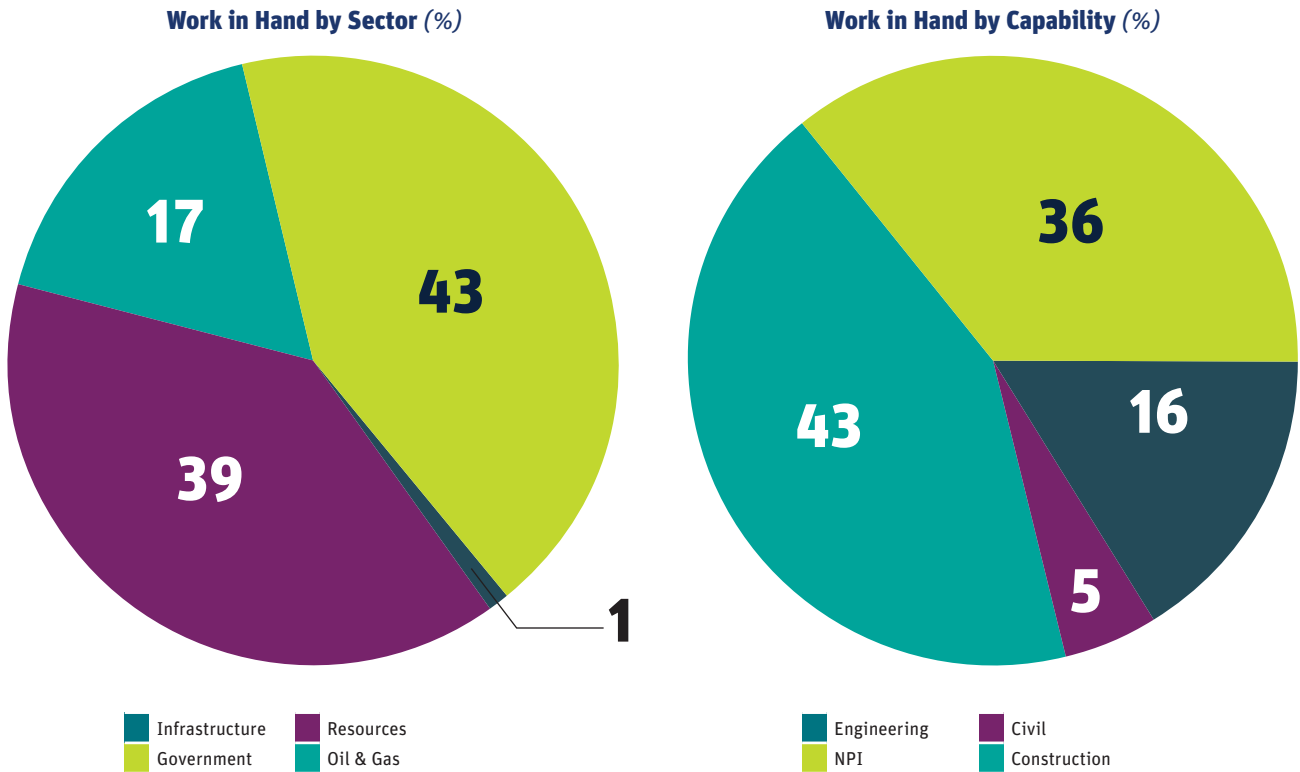
Revenue by Capability (%)



CONSTRUCTION AND ENGINEERING



The sustainability of the Construction and Engineering division is underpinned by a work in hand as at 30 June 2014 of ~\$400m across multiple market sectors and capabilities. The current work in hand combined with visibility to a strong pipeline of diversified projects for the division provides confidence that revenue growth is achievable in the medium term. The composition of work in hand as at 30 June 2014 by sector and capability are presented below:



Over the past year, Decmil has successfully executed its diversification strategy securing work in:

- new regions (Northern Territory and Papua New Guinea);
- new sectors (Government, Coal Seam Gas and fuel infrastructure); and
- new service offerings (fabrication, SMP, E&I, R4/B2 Main Roads accreditation).

The division continues to seek opportunities to expand its existing construction and engineering capability via a focused approach on those sectors and geographies with anticipated future growth. Government infrastructure and oil & gas work continues to be a focus for the division, building upon the success achieved during the FY14 financial year. The Divisions' proven ability and significant reputation in delivering construction projects, particularly in remote and challenging environments, is supporting this expansion.

CONSTRUCTION AND ENGINEERING

CURRENT KEY PROJECTS

Manus Island Offshore Processing Centres

CLIENT:
Department of Immigration and Border Protection (“DIBP”),
Australian Government

LOCATION:
Lombrum, Manus Island,
Papua New Guinea (PNG)

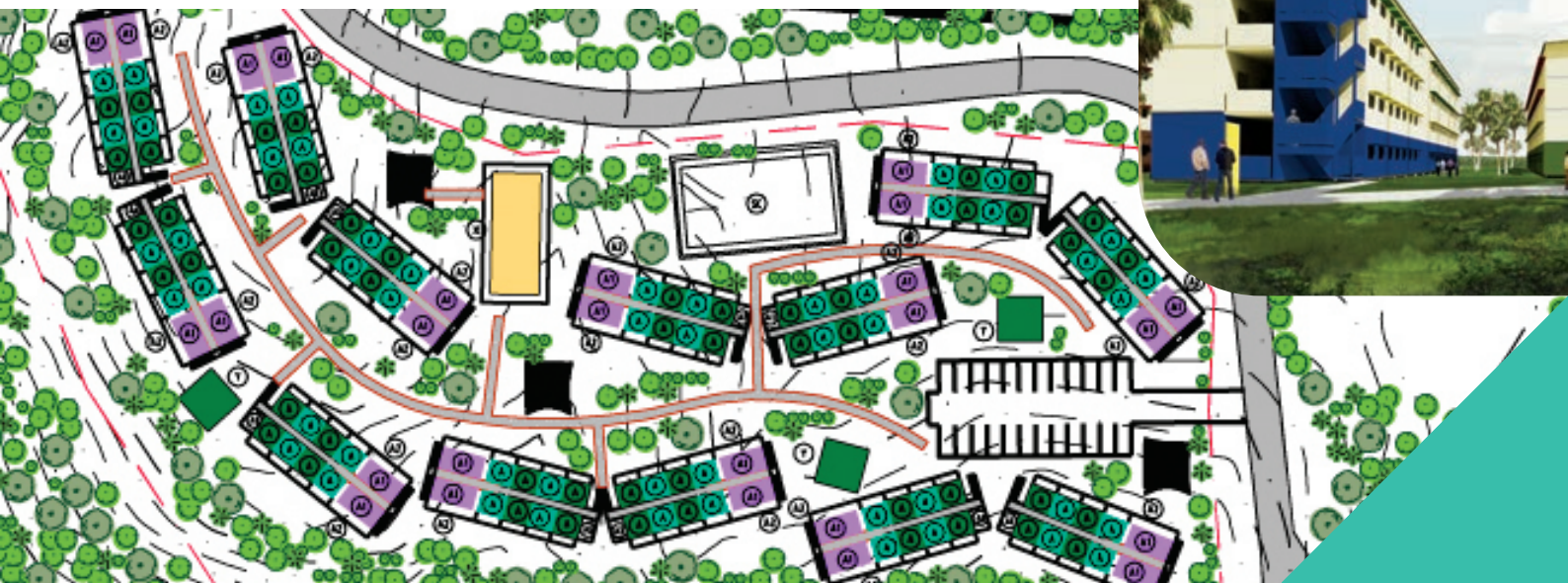
VALUE (A\$):
\$253 million

START TO ESTIMATED COMPLETION DATE:
July 2013 – January 2015

LOCATION:
Lorengau, Manus Island,
Papua New Guinea (PNG)

VALUE (A\$):
\$137 million

START TO ESTIMATED COMPLETION DATE:
July 2013 – October 2014





CURRENT KEY PROJECTS

West Angelas Deposit B and Cape Lambert Port B Non Process Infrastructure Facilities

CLIENT:
Rio Tinto

LOCATION:
Pilbara, Western Australia

WEST ANGELAS VALUE (A\$):
\$35 million

START TO ESTIMATED COMPLETION DATE:
May 2014 – March 2015



CAPE LAMBERT VALUE (A\$):
\$26 million

START TO ESTIMATED COMPLETION DATE:
June 2014 – February 2015

Elizabeth Quay Pedestrian Bridge Construction

CLIENT:
Leighton Broad for the West Australian State Government

LOCATION:
Elizabeth Quay, Perth, Western Australia

VALUE (A\$):
\$20 million
(Decmil share \$9 Million)

ESTIMATED COMPLETION DATE:
June 2015



CONSTRUCTION AND ENGINEERING

CURRENT KEY PROJECTS

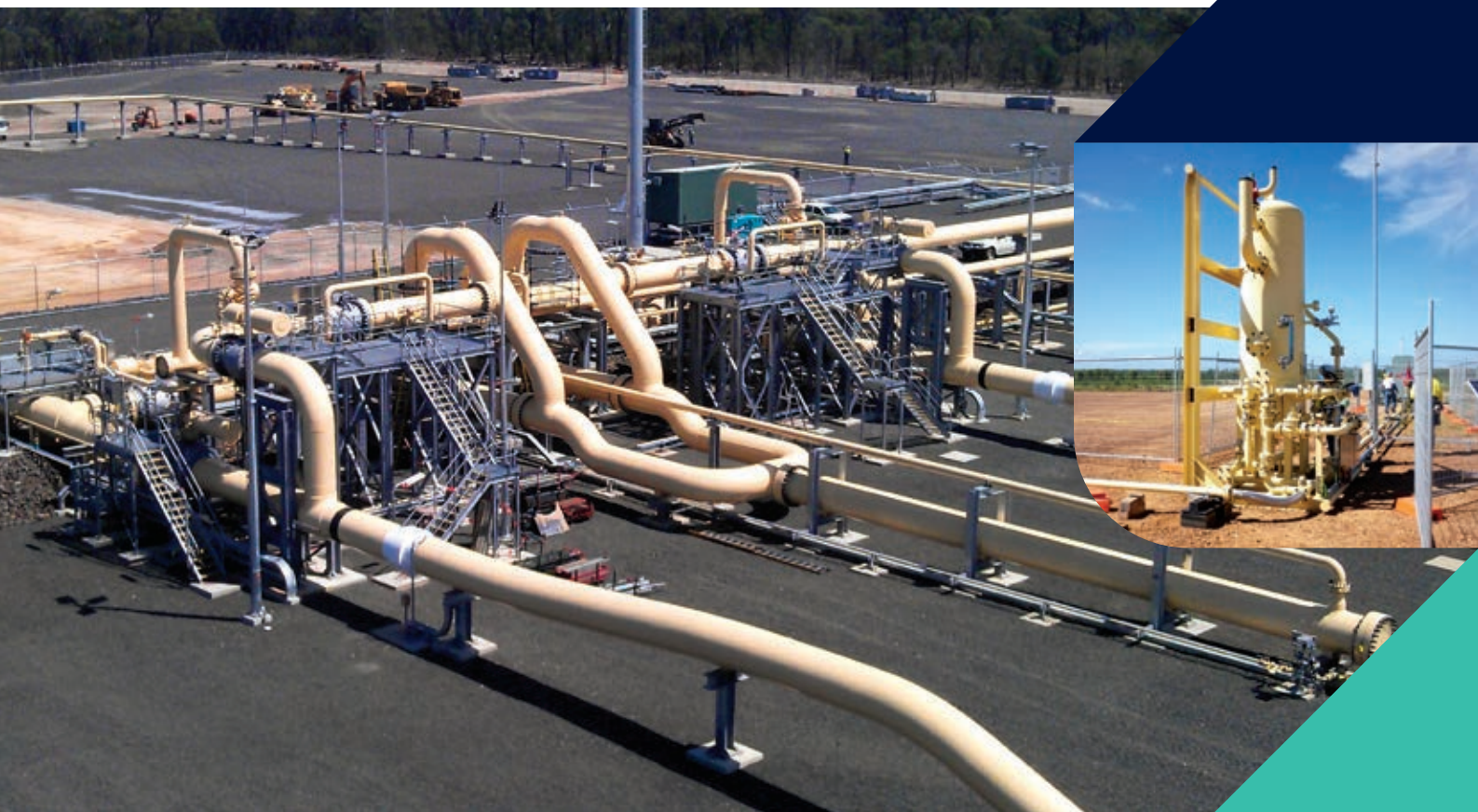
Wellhead Installation Services

CLIENT:
QGC

LOCATION:
Surat Basin, Queensland

VALUE (A\$):
\$203 million

START TO ESTIMATED COMPLETION DATE:
November 2012 – December 2014



Spring Gully Pre-Assembled Units

CLIENT:
Origin Energy

LOCATION:
Queensland

VALUE (A\$):
\$9 million

START TO COMPLETION DATE:
January 2014 – July 2014



CONSTRUCTION AND ENGINEERING



CURRENT KEY PROJECTS

Fuel Tanks, Port Buildings and Rail Buildings

CLIENT:
Roy Hill

LOCATION:
Pilbara, Western Australia

FUEL TANKS VALUE (A\$):
\$38 million

START TO COMPLETION DATE:
November 2013 – March 2015

PORT BUILDINGS VALUE (A\$):
\$15 million

START TO COMPLETION DATE:
April 2013 – October 2015

RAIL BUILDINGS VALUE (A\$):
\$58 million

START TO COMPLETION DATE:
June 2013 – May 2015





DECMIL

DECMIL

SAFETY
MICK

MICK

ACCOMMODATION SERVICES



Homeground Villages' flagship property – Homeground Gladstone is located in the fast-growing area of Gladstone in Queensland. Gladstone's primary industries are mining-related and Homeground Gladstone offers transit workers a home away from home.

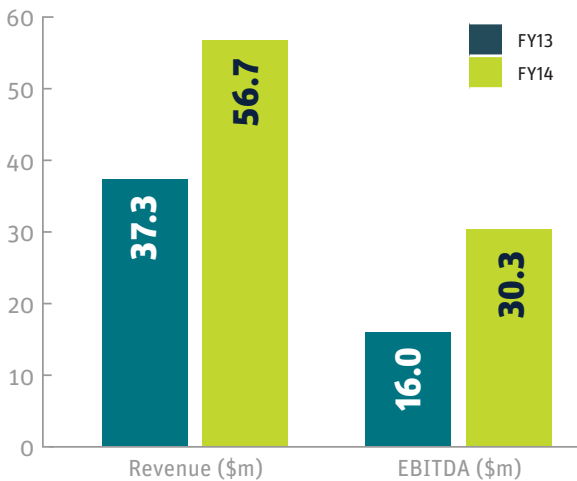
Occupancy at Homeground Gladstone remains consistent, offering a value for money solution for a wide range of clients.

Our financial performance reflects this high occupancy and our strength of service has been reinforced by a recent state award win.

FINANCIAL PERFORMANCE

For the 2014 financial year, the Accommodation Services division delivered record revenue and EBITDA of \$56.7m and \$30.3m respectively. This was significantly greater than both the revenue and EBITDA achieved in the previous financial year.

The result was driven by consistent levels of occupancy throughout the year as the division continued to capitalise on being the preferred accommodation provider for a number of key construction projects in close proximity to Gladstone. These customers include the Wiggins Island Coal Export Terminal ('WICET') as well as the Tier 1 contractors operating in the Gladstone region.



The division expects the strong occupancy levels to continue into the early part of the 2015 financial year and is well placed to capture accommodation requirements of new projects earmarked for the area, in addition to the future tenancy demands of the operational and shutdown cycles of the three LNG projects on Curtis Island (once commissioned).

The division continues to look at organic growth opportunities based on existing capability which includes a mobilisation and travel solution for resource companies and an expanded facilities and asset management service offering.

AWARD

On Monday 8 September 2014, Cater Care Services, representing Homeground Gladstone was awarded with the highest level in their category, Honourable Mention, at the 2014 Savour Australia™ Restaurant & Catering HOSTPLUS Awards for Excellence.

The 2014 Savour Australia™ Restaurant & Catering HOSTPLUS Awards for Excellence is a program established in 1997 by the Restaurant & Catering Australia Association (a not-for-profit national organisation), to focus on supporting continuous improvement of catering and hospitality industry standards and professionalism.

The awards set the national benchmark to recognise and promote industry best practice. With more than 500 trained judges and 1500 entrants annually, the awards are passionately contested throughout the industry.



The winning businesses will now compete at the National Savour Australia™ Restaurant & Catering HOSTPLUS Awards for Excellence held at Peninsula Docklands on Monday, 27 October 2014.

This State Award win for Cater Care's Homeground Villages team is a reflection of the high standard of service excellence, professionalism and hard work by all the site staff.

OUR PEOPLE

Decmil has built a team that is unified by values, a commitment to shareholder returns and culture.

Decmil's continuous commitment to develop and retain employees has enabled the Company to grow. As articulated in the Group's values – the people we have are the strength of our business.

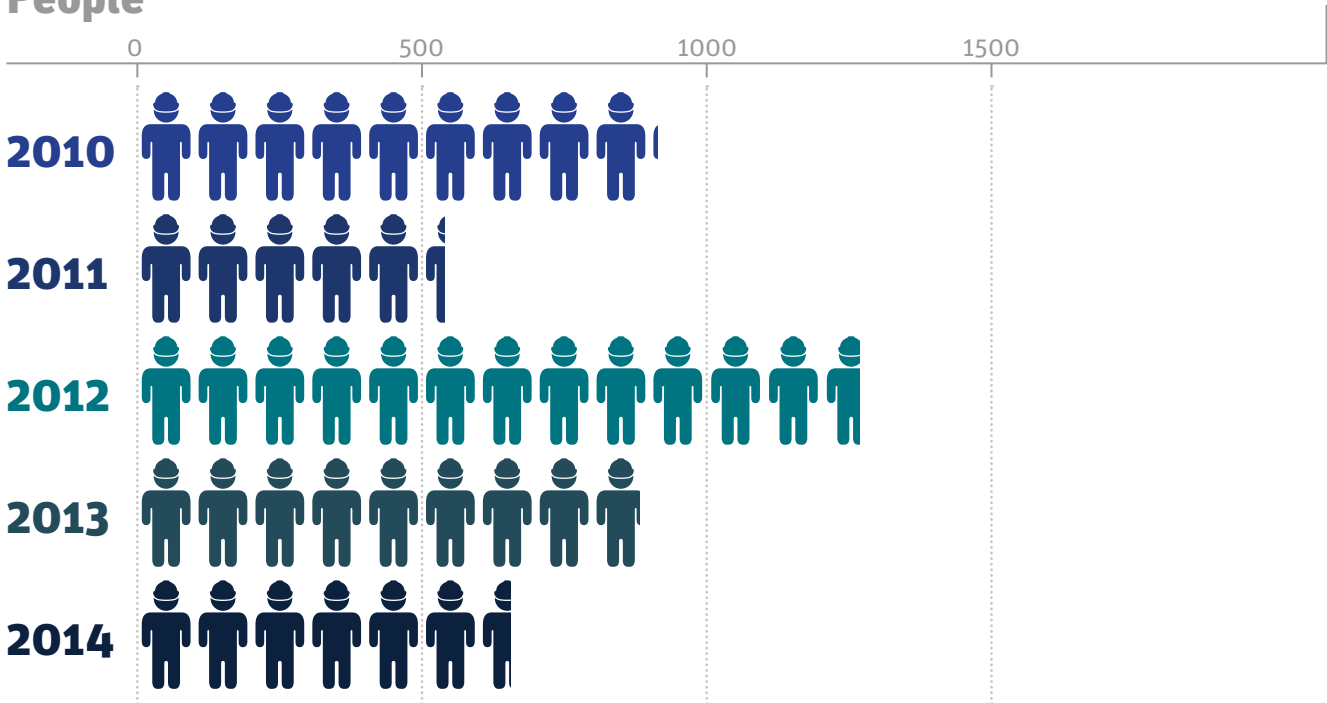
Decmil's culture is underpinned by our core values of safety, people, leadership, client relationships, teamwork and community. Our core values are a unique and important attribute of the Company's workforce.

KEY ACTIVITIES

With a large proportion of our workforce involved in contracting, Decmil has to continually adjust staffing levels in order to meet the demands of the projects in which we are involved.

As at 30 June 2014, Decmil Group employed 644 people; 371 salaried employees and 273 wages employees.

People



Decmil's employment numbers during 2013/14 were at a sustainable level. As we have been performing work on projects that involve the majority of the work to be subcontracted, our wages employment have been kept at maintainable levels. With the addition of EDE we have ventured into the manufacturing space in which wages based employees were hired across three workshops.

Decmil was successful in negotiating a national enterprise agreement to allow us to self-perform work in line with future project pipelines. The national enterprise agreement forms part of Decmil's industrial relations strategy and is a non-unionised agreement. In the 2014 financial year, we continued our close relationship resulting in no lost time due to industrial action.

Over the past year we have taken steps to boost the talent throughout the business, through 'right fit' selection and retention strategies which are aimed at attracting and keeping our top performing staff.

Being a Company with a strong focus on values, we have continued to drive our brand and culture program in order to harness a competitive advantage in the market. The Group's values underpin every aspect of our work.

Last year we introduced the cultural development program 'Leading Teams' within management levels of the business which focusses on behavioural aspects and leadership development. Leading Teams emphasises the importance of creating a high performing team through alignment with our vision and values. The outcome of this program is to maintain strong professional relationships supported by agreed behaviours. Leading Teams is now being introduced throughout department teams and project teams and is shown to support the culture within the Company.

OUR PEOPLE



During 2013/14 we focussed on further improving Decmil's leadership and career progression initiatives throughout the Group, aimed at developing the talents of our future business leaders.

Decmil has a comprehensive range of people strategies aimed at supporting the Company's ongoing performance and long-term growth. These strategies include offering our employees internal traineeships, such as Certificate II and III in Construction and Occupational Health and Safety. All Supervisors, Site Managers and Superintendents complete the Frontline Management Certificate IV (Traineeship) as a minimum requirement.

Vacation and Graduate Engineer opportunities are made available annually. This is a two year program whereby the graduates participate in 5 rotations with specific learning outcomes.

Decmil's succession and talent management framework provides opportunities for career progression for critical roles, high performers and rising stars aligning with the business plan strategy. The development may include, however, not be limited to; internal and/or external training, coaching, mentoring, job rotation, shadowing, job sharing, values profiling and Leading Teams.

As a demonstration of our key value of community, Decmil engages with local Indigenous communities to offer the opportunity to access skills development through traineeship programs. These programs are designed to leave each community with an increased skills capacity, and positive results have already been achieved.



HEALTH, SAFETY & ENVIRONMENT



Keeping our people and our projects safe is central to everything we do at Decmil.

Our dedicated safety program, SHIELD, is designed to empower every person in the organisation to ensure their work practices are focussed on zero harm.

SHIELD drives behaviours, attitudes, decisions and actions within the business to achieve a working environment that is free from injury or incident.



Decmil's six elements of SHIELD are:

- 1) Personal commitment and cultural alignment;
- 2) Leadership commitment and mentoring;
- 3) Employee health and welfare;
- 4) Reward and recognition;
- 5) Training and development; and
- 6) Consultation, communication and empowerment.

Since it was implemented four years ago, the SHIELD program has assisted significantly in reducing Total Recordable Incident Frequency Rates (TRIFR) across all projects.

It is not by chance that our first value as a Company is Safety.

The health and safety of every employee is foremost in everything we do. It is a core focus across our business and is underpinned by our values system.

HEALTH, SAFETY & ENVIRONMENT



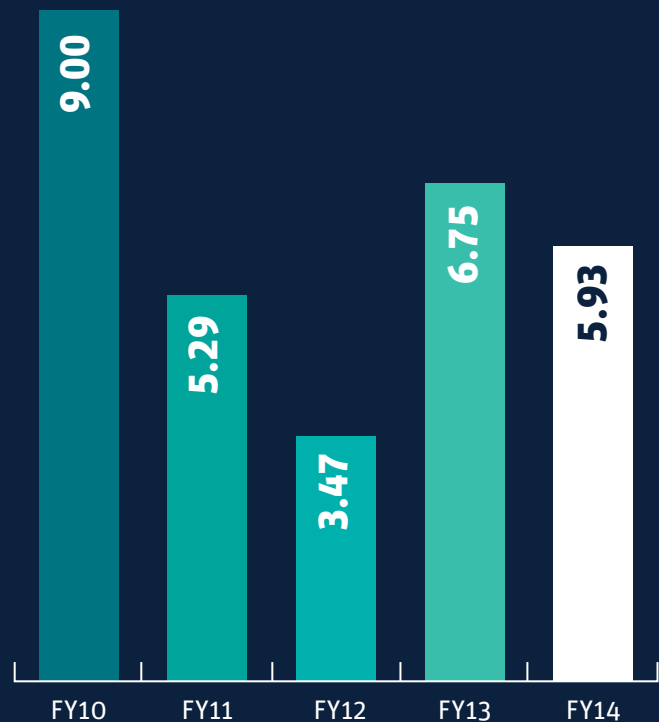
Our comprehensive health, safety and environmental (HSE) initiatives have been developed with the key objective of ensuring zero harm to our people, the environment and the communities in which we operate. An over-riding objective for the Group is continuous improvement in our safety performance.

During 2013/14 the Company recorded an improved safety performance as measured by the Total Recordable Incident Frequency Rate (TRIFR). The TRIFR decreased from 6.75 to 5.93. This is a great result and highlights that measures implemented to improve our TRIFR are working.

We are pleased to report that no serious injuries or environmental incidents were reported during the year.

Our HSE leadership team is driving improvements with a view to reducing the TRIFR result.

Over the past 12 months the Group focussed on a range of key initiatives to support the safety and well-being of our staff. These included greater subcontractor engagement and alignment; a focus on training for project management personnel; and an increased focus on project start up and mobilisation.



TOTAL RECORDABLE INCIDENT FREQUENCY RATE (TRIFR)

DECMIL IN THE COMMUNITY

Decmil is a responsible business, and that means we are responsible for all our actions – socially, ethically and environmentally.

As well as providing local employment and service opportunities, we support a range of ongoing initiatives that help create healthy, vibrant and cohesive communities.

We believe the best way that Decmil can make a broad and meaningful contribution to the communities in which we operate is through engagement. We do this in a number of ways, such as: charity events, corporate friendships, charity partnerships, volunteering and donating.

Decmil's longstanding Corporate Social Responsibility program is all about giving back, helping people in need, encouraging social cohesion, and supporting local communities.

We see ourselves as part of the communities in which we operate, and as such we strive to be positive, active and contributing participants in community life.

Our values of safety, people, leadership, teamwork, client relationships and community are the foundation of this program.

Decmil has deep roots within the communities in which we operate. Corporate social responsibility is nothing new for Decmil; indeed as an organisation we have always been involved in a range of community activities, supporting a number of sporting, cultural and educational organisations. Decmil in the Community brings it all together.



FREMANTLE DOCKERS FOOTBALL CLUB SPONSORSHIP

Decmil has been a partner of the Fremantle Dockers Football Club since 2006, and is the Official Coaches Sponsor until the end of the 2015 season. The close working relationship with the club and its coach provides a number of excellent opportunities for the Company to engage with the community.



LIVE THE DREAM

Live the Dream is a once-in-a-lifetime opportunity for 16 young Australians each year to be immersed in the culture of The Fremantle Dockers Football Club. Here they live the life of an AFL player for five days.

The Fremantle Dockers, in conjunction with Decmil, are thrilled to offer this program to the community. Live the Dream offers participants a rare chance to develop skills and behaviours which can deliver long-term benefits to the individuals and their local community.





DECMIL IN THE COMMUNITY



PROJECT BASED INITIATIVES

At the outset of every project, Decmil looks for ways to engage with and improve the communities in which we operate.

Our social responsibility mandate ensures that every project we undertake has a core component that focusses on giving back to local communities. This may be by way of volunteering by our people, and/or donating.

To date, Decmil people have undertaken a range of activities and initiatives such as; upgrading infrastructure, improving community and social infrastructure, donating sporting equipment and educational supplies.

STAFF CHARITY EVENTS

At Decmil, we encourage our people to participate in Company organised charity events such as Australia's Biggest Morning Tea (Cancer Council), World's Greatest Shave (Leukaemia Foundation) and City to Surf (Activ Foundation).

We also encourage staff-driven events and activities along with volunteering opportunities, and Decmil supports them by contributing or donating dollar matching funds.



STARLIGHT CHILDREN'S FOUNDATION

Decmil is working with the Starlight Children's Foundation on a national partnership. To date this has involved raising money for the foundation as well as donating 'experiences' to seriously ill children. In the future we will be proudly supporting the Five Chefs Dinner in WA and QLD.

While health professionals focus on treating the illness, Starlight is there to lift the spirits of the child, giving them the opportunity to laugh, play and be a child. Starlight is a wonderful organisation, and Decmil looks forward to building a long-term relationship with the foundation.



beyondblue

Decmil is extremely pleased to have entered into a corporate friendship with beyondblue. This means we actively fundraise for the organisation.

beyondblue is an independent, not-for-profit organisation working to increase awareness and understanding of anxiety and depression in Australia and to reduce the associated social stigma.

KEEPING COMMUNITIES INFORMED

Decmil provides information to the community in many ways to keep stakeholders informed of its activities. Avenues include the Company's corporate website, media releases, annual report, advertising and careers fairs. Decmil Group launched a new website, www.decmil.com.au, in April 2014 as part of a broader brand-rejuvenation strategy.



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DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014



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:

Bill Healy
Non-Executive Chairman

Scott Criddle
Managing Director and Chief Executive Officer

Denis Criddle
Non-Executive Director

Giles Everist
Non-Executive Director

Lee Verios
Non-Executive Director

Trevor Davies
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.

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

2. PARTICULARS OF DIRECTORS, COMPANY SECRETARY AND EXECUTIVE MANAGEMENT

Bill Healy

Non-Executive Chairman

Qualifications

- Bachelor of Commerce
- Member of the Australian Institute of Company Directors

Experience

Bill Healy was appointed as Non-Executive Director in April 2009 and appointed as Non-Executive Chairman in July 2014. Bill was a director and shareholder in Sealcorp Holdings from 1985 which then established and developed the diversified financial services group.

He was a founding 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 Bill remained on the Board until 1999.

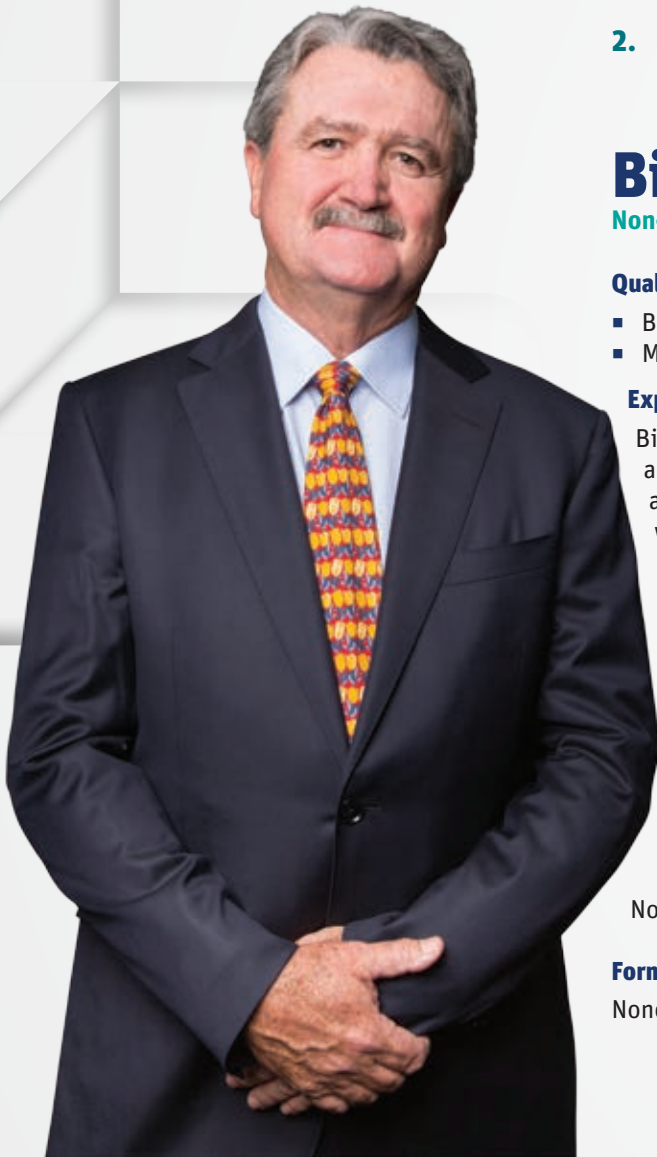
He was founding director and Chairman of BOOM Logistics Ltd and was involved in the development of the Company's business model, early acquisitions and preparation for listing in 2003.

Other Directorships

None

Former Directorships

None



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



DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

2. PARTICULARS OF DIRECTORS, COMPANY SECRETARY AND EXECUTIVE MANAGEMENT *CONT'D*

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

Scott was appointed Chief Executive Officer in July 2009, and Managing Director of Decmil Group Limited in April 2010 and has been a Director of the Company since April 2010.

He was previously the Managing Director of Decmil Australia Pty Ltd from 2002, which was acquired by Decmil Group Limited in July 2007. In this role he was responsible for the long-term growth and strategic direction of the Company, playing a key role in building relationships with stakeholders and clients.

Scott joined Decmil Australia in 1993 as a construction labourer to gain experience and learn about the Company from the ground up. He held a variety of roles within Decmil Australia including Construction Manager, Estimator, Business Development Manager and Area Manager.

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 July 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 Fluor Australia.

Other Directorships

- Austal Ltd
- LogiCamms Ltd
- Macmahon Holdings Ltd

Former Directorships

None

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

2. PARTICULARS OF DIRECTORS, COMPANY SECRETARY AND EXECUTIVE MANAGEMENT *CONT'D*

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



Trevor Davies

Non-Executive Director

Qualifications

- Bachelor of Science (Engineering), London University
- Member of the Australian Institute of Company Directors

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



DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

2. PARTICULARS OF DIRECTORS, COMPANY SECRETARY AND EXECUTIVE MANAGEMENT *CONT'D*



Jonathon Holmes
Executive General Manager
Construction and Engineering

Qualifications

- Bachelor of Civil Engineering – Queensland University of Technology
- Bachelor of Economics – The University of Queensland

Experience

Jon was appointed as Executive General Manager of Decmil Australia in July 2013. He is a highly experienced construction industry executive who has previously held senior roles at John Holland and Golding Contractors. Jon has been involved in major construction and infrastructure projects in the resource and Government sectors over the past 19 years.



Pamela Rosenthal
General Manager
Homeground Villages

Qualifications

- Diploma of Hospitality and Catering Operations, Blackpool and the Flyde College

Experience

Pamela was appointed as General Manager of Homeground Villages in November 2013. Prior to joining Decmil, Pamela worked with a number of large multinational organisations including Woodside, BHP Billiton, Qantas and Westpac. Pamela is a Hotel General Manager by trade and believes that accommodation occupancy levels, yield performance and quality guest services are paramount to the success of every village operation.



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.

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

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:



DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



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 ("KPI"s). 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.

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

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 the 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.

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%

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



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.

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

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.

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



DETAILS OF REMUNERATION

Year ended 30 June 2014

Directors	Salary and fees	Super-annuation contribution	Rights	Bonus	Other	Total	Total Performance Related	Total Fixed Remuneration
	\$	\$	\$	\$	\$	\$	%	%
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 Performance Related	Total Fixed Remuneration
	\$	\$	\$	\$	\$	\$	%	%
Jon Holmes <i>Executive General Manager Decmil Australia</i> ²	591,539	17,775	-	50,000	-	659,314	-	100.0
Pamela Rosenthal <i>General Manager Homeground Villages</i>	280,000	17,775	-	65,333	-	363,108	18.0	82.0
Craig Amos <i>Chief Financial Officer</i> ³	224,038	14,813	-	-	-	238,851	-	100.0
Justine Campbell <i>Chief Financial Officer & Company Secretary</i> ⁴	272,353	14,773	-	170,000	318,536	775,662	21.9	78.1
Todd Strathdee <i>Chief Strategy & Operating Officer</i> 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

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

DETAILS OF REMUNERATION *cont'd*

Year ended 30 June 2013

Directors	Salary and fees	Super-annuation contribution	Rights	Bonus	Other	Total	Total Performance Related	Total Fixed Remuneration
	\$	\$	\$	\$	\$	\$	%	%
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 Performance Related	Total Fixed Remuneration
	\$	\$	\$	\$	\$	\$	%	%
Justine Campbell Chief Financial Officer & Company Secretary ¹	406,504	16,470	182,906	150,000	-	755,880	44.0	56.0
Todd Strathdee Chief Strategy & Operating Officer ²	342,500	8,235	-	-	-	350,735	-	100.0
Ray Sputore Managing Director Decmil Australia ³	833,997	16,470	485,843	867,877	-	2,204,187	61.4	38.6
Brad Kelman 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

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



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

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

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 Services

- 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).

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



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.

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

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.

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



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.

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

LIKELY DEVELOPMENTS AND STRATEGY

The Group's medium to long term strategy continues to be focussed 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.

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



- 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 owning infrastructure assets in Australia.

12. AFTER BALANCE DATE EVENTS

On 19 August 2014, the Company proposed a fully franked 8.5 cents 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.

DIRECTORS' REPORT *Cont'd*

FOR THE YEAR 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

AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2014



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www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Decmil Group Limited for the year ended 30 June 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



Perth, WA
Dated: 19 August 2014

J A KOMNINOS
Partner

Liability limited by a
scheme approved under
Professional Standards
Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is a member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practises in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE 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

FOR THE YEAR ENDED 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 THE 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 THE YEAR ENDED 30 JUNE 2014



Consolidated Entity

	Note	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 (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 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.

NOTES TO THE FINANCIAL STATEMENTS *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

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 as 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 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.

NOTES TO THE FINANCIAL STATEMENTS *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

(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 the 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).

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).

NOTES TO THE FINANCIAL STATEMENTS *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

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.

NOTES TO THE FINANCIAL STATEMENTS *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

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 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 *Cont'd*

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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 2: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS *Cont'd*

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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 3: PARENT ENTITY DISCLOSURES

	Parent Entity	
	2014 \$000	2013 \$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 *Cont'd*

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 *Cont'd*

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	(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 *Cont'd*

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 Rosenthal	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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 7: KEY MANAGEMENT PERSONNEL *Cont'd*

(b) Options and Rights Holdings *Cont'd*

Number of Rights Held by Directors and specified executives

30 June 2014	Balance 1.7.13	Granted as Remuneration	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 Rosenthal	-	-	-	-	-
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 Remuneration	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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 7: KEY MANAGEMENT PERSONNEL *Cont'd*

(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 Rosenthal	-	-	-	-	-
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 ²	-	-	195,745	-	195,745
Todd Strathdee ³	-	-	-	-	-
Ray Sputore ⁴	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

⁴ 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

NOTES TO THE FINANCIAL STATEMENTS *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 7: KEY MANAGEMENT PERSONNE *Cont'd*

(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 \$000	2013 \$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:

— 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 *Cont'd*

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

NOTES TO THE FINANCIAL STATEMENTS *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 11: CASH AND CASH EQUIVALENT

	Consolidated Entity	
	2014 \$000	2013 \$000
Cash at bank and in hand	59,308	43,712
	59,308	43,712
<i>Reconciliation of cash</i>		
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

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.

	Gross amount \$000	Within initial trade terms \$000	Past due but not impaired (days overdue)				Past due and impaired \$000
			31-60 \$000	61-90 \$000	91-120 \$000	> 120 \$000	
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 *Cont'd*

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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 14: CONTROLLED ENTITIES *Cont'd*

- (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

NOTES TO THE FINANCIAL STATEMENTS *Cont'd*
FOR THE YEAR ENDED 30 JUNE 2014



NOTE 14: CONTROLLED ENTITIES *Cont'd*

	2014 \$000	2013 \$000
(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
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
TOTAL EQUITY	263,902	241,289

NOTES TO THE FINANCIAL STATEMENTS *Cont'd*

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	2013
	\$000	\$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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 15: JOINT ARRANGEMENTS *Cont'd*

(a) Interest in Joint Operations *Cont'd*

- (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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15: JOINT ARRANGEMENTS *Cont'd*

(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 *Cont'd*

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 \$000	Owned Plant and Equipment \$000	Leased Plant and Equipment \$000	Total \$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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 16: PROPERTY, PLANT AND EQUIPMENT *Cont'd*

	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 *Cont'd*

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	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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 19: OTHER CURRENT ASSETS

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

NOTE 20: TRADE AND OTHER PAYABLES

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

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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 22: DEFERRED TAX

	Opening Balance	Acquired on acquisition	Charged to Income	Charged Directly to Equity	Closing Balance
2014	\$000	\$000	\$000	\$000	\$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 *Cont'd*

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

(a) Ordinary Shares	2014		2013	
	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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 24: ISSUED CAPITAL *Cont'd*

(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.

NOTE 25: COMMITMENTS	Consolidated Entity	
	2014 \$000	2013 \$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	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	253

NOTES TO THE FINANCIAL STATEMENTS *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 25: CAPITAL AND HIRE PURCHASE COMMITMENTS *Cont'd*

(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.

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.

Accommodation Services

- Homeground Villages Pty Ltd – build-own-operation of the Homeground Gladstone Accommodation Village located in Gladstone, Queensland.

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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 26: SEGMENT REPORTING *Cont'd*

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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 26: SEGMENT REPORTING *Cont'd*

(a) Segment Performance	Construction & Engineering	Accommodation	Other	Total
2014	\$000	\$000	\$000	\$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	Construction & Engineering	Accommodation	Other	Total
2013	\$000	\$000	\$000	\$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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 26: SEGMENT REPORTING *Cont'd*

(b) Segment Assets	Construction & Engineering	Accommodation	Other	Total
	\$000	\$000	\$000	\$000
2014				
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	Construction & Engineering	Accommodation	Other	Total
	\$000	\$000	\$000	\$000
2013				
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	Construction & Engineering	Accommodation	Other	Total
	\$000	\$000	\$000	\$000
2014				
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	Construction & Engineering	Accommodation	Other	Total
	\$000	\$000	\$000	\$000
2013				
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 *Cont'd*

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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 27: CASH FLOW INFORMATION *Cont'd*

(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 \$000	2013 \$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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 27: CASH FLOW INFORMATION *Cont'd*

(b) Acquisition of Entities *Cont'd*

(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 \$000	2013 \$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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 27: CASH FLOW INFORMATION *Cont'd*

(b) Acquisition of Entities *Cont'd*

(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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 27: CASH FLOW INFORMATION *Cont'd*

(b) Acquisition of Entities *Cont'd*

(iv) Gain arising from business combination

	Consolidated Entity	
	2014 \$000	2013 \$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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 27: CASH FLOW INFORMATION *Cont'd*

	Consolidated Entity	
	2014 \$'000	2013 \$'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 *Cont'd*

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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 28: SHARE-BASED PAYMENTS *Cont'd*

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	
	2014 \$000	2013 \$000
(a) Director Related Transactions		
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 *Cont'd*

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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



NOTE 30: FINANCIAL INSTRUMENTS *Cont'd*

(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 *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 30: FINANCIAL INSTRUMENTS *Cont'd*

(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 \$000	2013 \$000
Change in Profit		
— 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 *Cont'd*

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	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'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:

	Investment Properties	Total
Consolidated	\$'000	\$'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 *Cont'd*

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 \$000	2013 \$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 cents 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

FOR THE YEAR ENDED 30 JUNE 2014



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 SECT 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
Non-Executive Chairman

Dated this 19th day of August 2014

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 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 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.

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Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

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INDEPENDENT AUDITOR'S REPORT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



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


J A KOMNINOS
Partner

Perth, WA
Dated: 19 August 2014

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

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 2013/14 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
Principle 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 undertaken during a reporting period.	Yes
Principle 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

CORPORATE GOVERNANCE STATEMENT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



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
Principle 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
Principle 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
Principle 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
Principle 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
Principle 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 committee met during the period.	Yes
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
Principle 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: www.decmil.com.au

CORPORATE GOVERNANCE STATEMENT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

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; or
- 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.

CORPORATE GOVERNANCE STATEMENT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



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.

CORPORATE GOVERNANCE STATEMENT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

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.

CORPORATE GOVERNANCE STATEMENT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



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 members 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 its 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.

CORPORATE GOVERNANCE STATEMENT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

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 2001 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.

CORPORATE GOVERNANCE STATEMENT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



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.

CORPORATE GOVERNANCE STATEMENT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

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 (i.e. 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; and
- treatment of individuals with respect.

CORPORATE GOVERNANCE STATEMENT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014



The measurable 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

CORPORATE GOVERNANCE STATEMENT *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

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 2013/14 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

FOR THE YEAR ENDED 30 JUNE 2014



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.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES *Cont'd*

FOR THE YEAR ENDED 30 JUNE 2014

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

CORPORATE DIRECTORY



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 Rosenthal, 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

**Construction and Engineering West
Homeground Villages**
20 Parkland Road
Osborne Park WA 6017
Telephone: 08 9368 8877
Facsimile: 08 9386 8878

Construction East Homeground Villages

Level 5, 60 Edward Street
Brisbane QLD 4000
Telephone: 07 3640 4600
Facsimile: 07 3640 4690

Engineering East

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



DECMIL GROUP LIMITED

2014 ANNUAL REPORT



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