

2010



ANNUAL REPORT

ABN: 35 111 210 390



Australian Business Number

35 111 210 390

ASX code

DCG

Registered Address

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Osborne Park WA 6017
Tel: +61 8 9368 8877

Annual General Meeting

Shareholders are advised that the Decmil Group Limited 2010 Annual General Meeting (AGM) will be held on Monday 22 November 2010 at the Hyatt Regency, Adelaide Terrace, Perth, Western Australia commencing at 10.00 am (AWST).

www.decmilgroup.com.au

About this Report

This Annual Report is a summary of Decmil Group Limited's (DGL) operations, activities and financial position as at 30 June 2010.

References in the report to 'the year' or 'the reporting period' relate to the financial year, which is 1 July 2009 to 30 June 2010, unless otherwise stated. All dollar figures are expressed in Australian currency.

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.

In its efforts to reduce its impact on the environment DGL 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.decmilgroup.com.au



This publication is printed on Monza recycled which is an ISO 14001 certified environmentally accredited paper stock.



2010

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Decmil Group aims to be Australia's leading diversified construction company, delivering sustainable growth through our continued focus on all relationships.





**We are creating an extraordinary business
with the help of our loyal clients
and passionate employees**

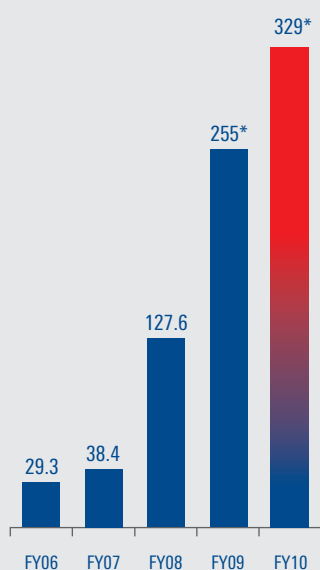
CORPORATE DEVELOPMENT AND OPERATIONAL HIGHLIGHTS

Highlights from the 2009-10 financial year include:

- Continued growth in the size and scope of projects won by Decmil Australia in all business areas of civil works, non-process building construction, and village accommodation.
- Total Group revenue for the year of \$338 million with revenue from continuous operations of \$329 million.
- Increase in normalised net profit after tax from continuing operations to \$19 million, up 55% from \$12.2 million the previous year.
- Significant cash on hand at year-end of \$53 million, up 131% from \$23 million the previous year.
- Substantial increase in share price from approx \$0.69 at June 2009 to approx \$1.52 in June 2010.
- Strong future outlook for 2010-11 financial year, with forward order book from 1 July 2010 of approximately \$300 million.
- Strengthened Board and Executive Management teams in place to deliver strategy.

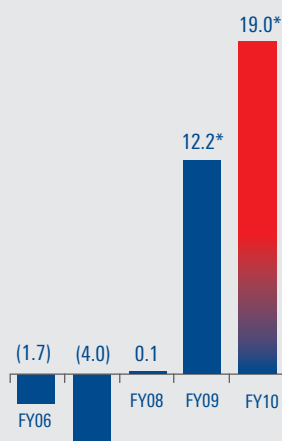


Sales Revenue \$M



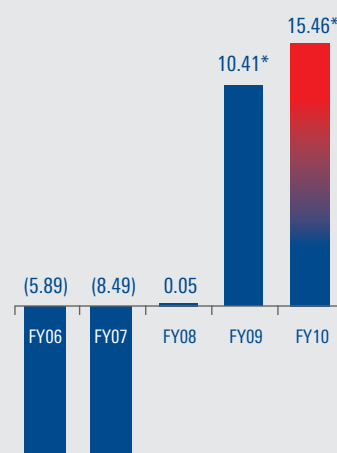
*Continuing operations revenue

NPAT \$M



*Continuing operations NPAT

Earnings per share - cents per share



*Continuing operations EPS



CHAIRMAN'S REPORT

On behalf of your Board, I am pleased to present the Annual Report for Decmil Group Limited for the year ended 30 June 2010.

FINANCIAL PERFORMANCE

The Company generated a record net profit after tax from continuing operations of \$19 million for the year, up 55 percent on the previous corresponding period. Earnings per share increased 49 percent to 15.5 cents per share, on delivery of a strong operating performance.

Sales revenue increased by 29 percent to a record \$329 million, following wholly-owned subsidiary Decmil Australia's strong organic growth and success in winning a number of new contracts and contract extensions. Earnings before interest, tax, depreciation and amortisation were \$29.9 million, up 51 percent.

DGL's net assets increased by \$13 million to \$90 million during the financial year. Sound operating cash flow performance continued to be a key feature of the Group in 2009-10, increasing 84 percent to \$31 million. The year-end net cash position grew 131 percent to \$53 million and the Group maintained no significant debt.

The Board is confident the Group has established banking facilities in place which put Decmil in a strong financial position to expand and grow its current operations.

COMPANY RESTRUCTURE COMPLETE

During the year, the Company's restructure was finalised with the sale and closure of non-core businesses. This included the sale of Novacoat Pty Ltd to Kaefer Integrated Services Pty Ltd and closure of engineering services Eastman Fort Pty Ltd and Matrix Engineering Ltd.

Consolidation of operations has resulted in Decmil Australia being the Group's core asset. Decmil Australia had a record year, both in terms of revenue and profitability.

KEY BOARD AND MANAGEMENT CHANGES

Decmil Group appointed two new Non-executive Directors to the Company's Board during the year. The appointments of Mr Giles Everist and Mr Lee Verios strengthen the Board's depth of experience and professional skills in line with the Company's growth strategy. Mr Everist and Mr Verios will stand for election at the Company's AGM in November.

Decmil Group CEO Mr Scott Criddle was also appointed to the Board as Executive Director.



“Decmil Group has the strategy, people, process and systems and financial resources to take advantage of the strong pipeline of opportunities as they arise.”

OUTLOOK

While it is pleasing to report the Group has had a record year in 2009-10 in terms of revenue, normalised after tax profit and share price – the Board is confident Decmil is in a strong position to execute the Company’s strategic plan and achieve growth targets.

The overall outlook for the resources and energy sectors remains strong in Western Australia with demand for Australian commodities likely to continue in the short and medium-terms.

Decmil Group has the strategy, people, process and systems and financial resources to take advantage of the strong pipeline of opportunities as they arise.

On behalf of the Board I would like to thank every employee for their contribution to your Company’s success and look forward to reporting on the Group’s strong future performance.

Chairman





MANAGING DIRECTOR'S REPORT

The past year has been one of consolidation for Decmil Group as it strengthened its position in the market as a leading engineering and construction company by repeatedly securing large contracts with blue-chip clients.

We also consolidated the Group's businesses by divesting or closing non-core assets to focus our energies and attention on optimising the performance of our key asset, Decmil Australia which continued to perform strongly and achieved strong revenue growth during the period.

As reported, the Group's sales revenue from continuing operations increased by 29 percent to a record \$329 million driven by our continued strong service performance to national and international blue-chip customers in the resources and oil & gas sectors. Increased revenue was also achieved by high levels of activity on existing projects and significant scope growth.

We have continued to win new work with approximately \$256 million in new contracts and contract extensions secured during the year, further strengthening our platform for growth.

BUSINESS GROWTH

Our well planned growth program in recent years has allowed the Group to manage large-scale projects in Western Australia's Pilbara region competently and efficiently. We have been diligent in investing in and building our management systems and processes to effectively manage larger contracts. Concurrent with our internal systems, we have also developed an internet portal to allow the growing list of subcontractors we engage to partner with us more efficiently.

In 2010, Decmil began work - along with its Joint Venture partners Thiess and Kentz - on a \$500 million contract for the design and construction of an accommodation village on Barrow Island for the Gorgon Project. Decmil Australia's share of the total contract is about \$174 million which is the largest single contract in the Group's history. In addition to this contract, Decmil was awarded a \$74 million sub-contract by Thiess to design and construct temporary construction warehouses, transportable buildings and workshops for the Gorgon Project.

Reflecting our strong standing and reputation with existing clients, BHP Billiton Iron Ore awarded the Group contract variations valued at \$36 million for work on its Port Haven accommodation village in Port Hedland and \$7 million for its Marillana Camp at Rapid Growth Project at Yandi.

Our reputation for delivering on contracts also assisted in being awarded a \$56 million contract variation for civil works on Woodside's Pluto Liquefied Natural Gas (LNG) Project on the Burrup Peninsula.



In April 2010, Decmil was awarded a new \$83 million contract to design and construct the 800-person Kandama accommodation village for Fortescue Metals Group's Christmas Creek Project.

STRENGTHENED MANAGEMENT TEAM

In line with the Company's growth strategy, Decmil Group also strengthened its Executive Management Team (EMT) with several key appointments during the year.

Mr Dickie Dique was appointed as Chief Operations Officer in April having previously been Managing Director of Decmil Australia where he was instrumental in delivering the Company's strong operational performance over a number of years. Ms Justine Campbell, also previously with Decmil Australia, joined the EMT as Chief Financial Officer and Mr Brad Kelman joined the Group as General Counsel and Company Secretary.

STRATEGIC PROGRESS

During the period we continued to focus on strengthening relationships with customers, service expansion and growing a recurring revenue base.

Decmil strongly believes that its culture and people are integral to the Company's success and invested considerable time and resources to ensure – the right person is in the right role, at the right time. Employee and contractor numbers in our core business of Decmil Australia increased significantly in 2009-10 in line with increased business activity. Total employee numbers lifted to 406 people in June 2010, from approx 378 at the same time in 2009. Combined workforce including contractors is now approximately 1,000 people.

The safety of people is foremost in everything Decmil does and continues to be a core focus across our business. During the year, we recorded a Total Recordable Incident Frequency Rate (TRIFR) of 9 which is a slight improvement on last year. To further drive performance improvement Decmil embarked on an integrated safety and health program entitled SHIELD across all sites. This acronym stands for – '*Safety and Health in Every Level at Decmil*'.

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

OUTLOOK

Decmil has strengthened its platform for growth and entered the 2011 financial year with a strong order book of approximately \$300 million.

We are confident the positive outlook in key target sectors of resources, oil & gas and infrastructure, our strong cash position and our unwavering focus on client relationships will provide the Company with ongoing expansion opportunities.

SCOTT CRIDDLE

Managing Director & Chief Executive Officer

"We continue to win new work and contract extensions, further extending our platform for growth."



WHO WE ARE

Decmil Group Limited (DGL) is a leading design, civil engineering and construction company, focused on delivering integrated solutions to blue-chip clients in the oil and gas, resources and infrastructure sectors.

We aim to build, maintain and support our customers' operations through safe, reliable, innovative and cost effective engineering and construction services.

Listed on the Australian Securities Exchange (ASX), DGL's long-term goal is to maximise returns from our businesses to deliver value to our shareholders, clients and other stakeholders. We currently operate through our wholly-owned subsidiary Decmil Australia.

DGL has a strong customer focus and has built and maintained relationships with major oil and gas and resources companies operating in Australia. Our long-term approach to the management of client relationships and the delivery of high quality work over 30 years has earned Decmil a reputation for delivering what we say.

Our reputation for service and delivery is founded on our culture of integrity, innovation, investment, safety, excellence, teamwork and accountability. These principles are embedded in our processes and systems and embodied in all aspects of how we conduct our business.

It is Decmil's people who continue to drive and sustain that reputation and we are continuing to attract people who share our values and contribute to the Group's long-term success.

Decmil Group aims to be Australia's leading diversified construction company, delivering sustainable growth through our continued focus on all relationships.



OUR TEAM IS GROWING

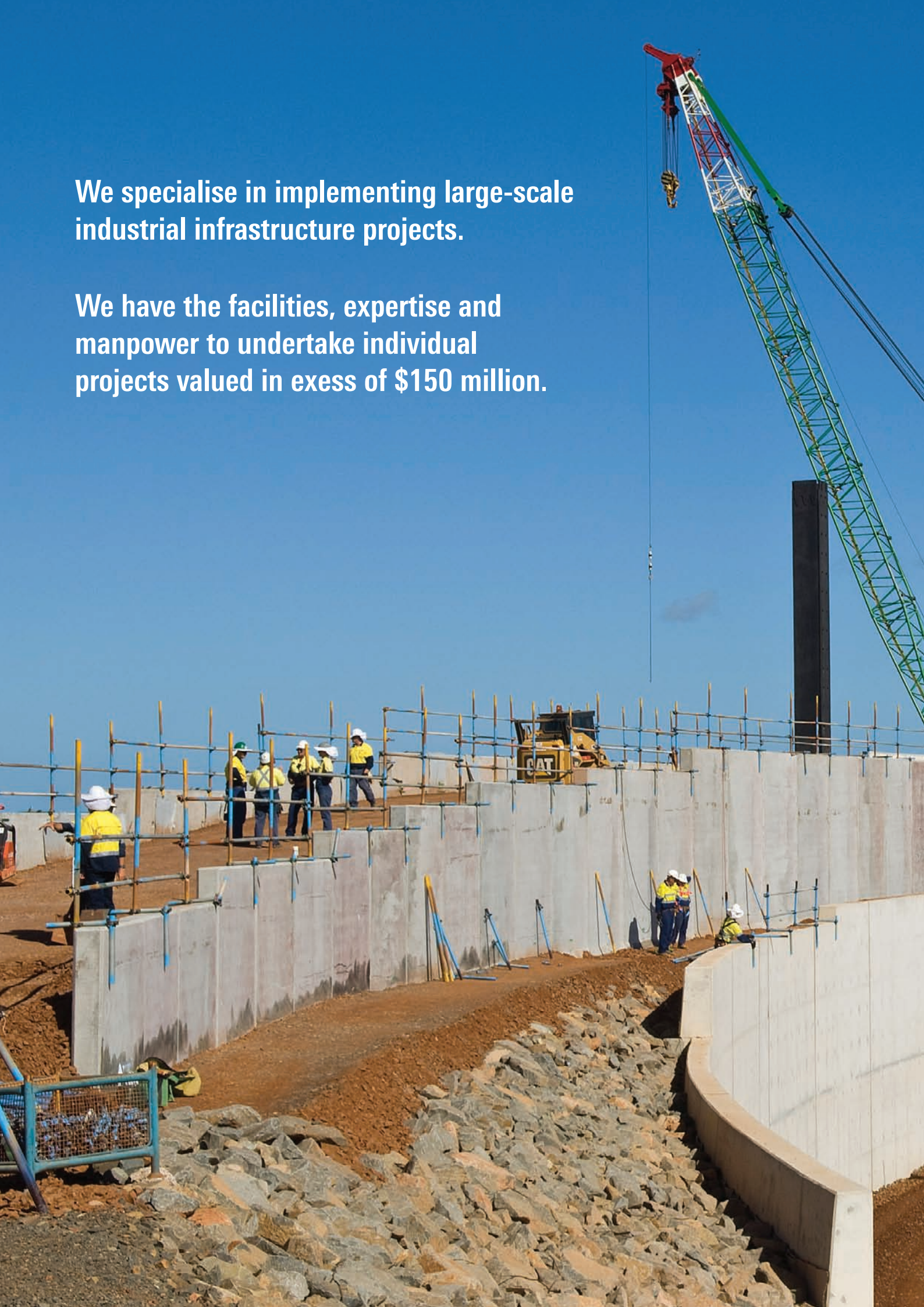
We continue to attract people who share our values and contribute to the Group's long-term success.

Our reputation for service and delivery is founded on our core values of integrity, innovation, investment, safety, excellence, teamwork and accountability.



We specialise in implementing large-scale industrial infrastructure projects.

We have the facilities, expertise and manpower to undertake individual projects valued in excess of \$150 million.



Our solid reputation, high standards and experience during the past 30 years has led to us working with many leading organisations on a long-term basis.



OUR SPECIALITY

Civil works

Industrial and non-process infrastructure

Village accommodation

Government infrastructure

Well positioned to participate in Australia's investment in important infrastructure over the next decade.



WHAT WE DO

DGL provides multi-disciplined design, civil engineering and construction works for the oil and gas, resources and infrastructure sectors.



CIVIL WORKS

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



INDUSTRIAL AND NON-PROCESS INFRASTRUCTURE

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



VILLAGE ACCOMMODATION

- Design and construct permanent and temporary accommodation villages.
- Accommodation facilities range from fly camps, rail camps, construction camps and residential villages to house up to 4000 people.
- All aspects of project development from design, site preparation and excavation to bulk earthworks, civil works and construction.



GOVERNMENT INFRASTRUCTURE

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

OUR KEY PROJECTS

NON-PROCESS INFRASTRUCTURE

PLUTO LNG PROJECT CENTRAL CONTROL ROOM

CLIENT: Woodside Energy

DETAILS: Construction of 2,000m² Central Control Room & admin buildings. Includes 320m² guardhouse & medical facility.

VALUE: **\$31 million**

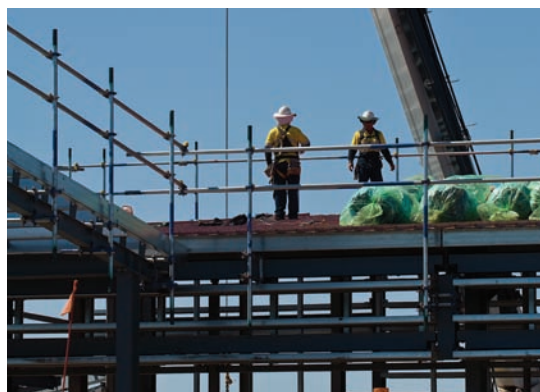


FINUCANE ISLAND BUILDING COMPLEX

CLIENT: BHP Billiton

DETAILS: New buildings construction including admin offices, staff amenities, workshops, warehouse & refuelling facility.

VALUE: **\$41 million**



GORGON LNG PROJECT - SITE PREPARATION

CLIENT: Thiess

DETAILS: Design and construct temporary construction warehouses, transportable buildings & workshops.

VALUE: **\$74 million**



MARILLANA

CLIENT: BHP Billiton

DETAILS: New buildings construction including admin offices and camp extension.

VALUE: **\$55 million**



CIVIL WORKS

PLUTO LNG PROJECT SITE A - CIVIL WORKS

CLIENT: Woodside Energy

DETAILS: Supply and install concrete foundations and pedestals, in-ground electrical & hydraulic services.

VALUE: **\$115 million**



PLUTO LNG PROJECT - TEMPORARY & MISCELLANEOUS FACILITIES

CLIENT: Woodside Energy

DETAILS: Construction of temporary site facilities & miscellaneous civil works.

VALUE: **\$148 million**



ACCOMMODATION VILLAGES

GORGON CONSTRUCTION VILLAGE

CLIENT: Chevron

DETAILS: Construct 3300-person village on Barrow Island.

VALUE: **JV\$518 million
(Decmil share \$176 million)**



PORT HAVEN ACCOMMODATION VILLAGE

CLIENT: BHP Billiton Iron Ore

DETAILS: Design and construct 1200-person village.

VALUE: **\$136 million**



KANDAMA ACCOMMODATION VILLAGE

CLIENT: Fortescue Metals Group

DETAILS: Design and construct 800-person resort style village.

VALUE: **\$83 million**



HEALTH, SAFETY AND ENVIRONMENT

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

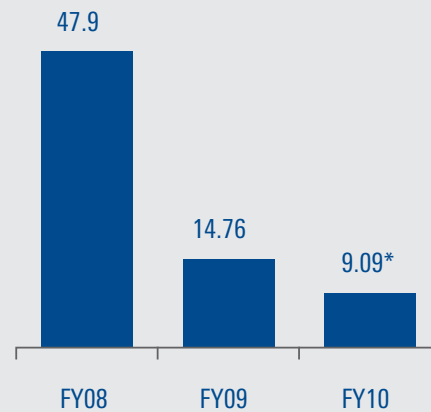
We actively engage in meaningful health, safety and environmental initiatives aimed at ensuring zero harm to our people, the environment and communities in which we operate.

PERFORMANCE

Decmil has an enviable reputation in the market as a leader in HSE performance. No serious injuries were reported during the year. The Company recorded a Total Recordable Incident Frequency Rate (TRIFR) of 9, a slight improvement on the previous year.

No significant environmental incidents were reported during the year.

TOTAL RECORDABLE INCIDENT FREQUENCY RATE (TRIFR)*



* Normalised rate after corporate restructure

SHIELD

Safety and Health in Every Level at Decmil.



KEY ACTIVITIES

Shielding staff from safety and health risks

To drive health and safety performance improvement, Decmil introduced an integrated safety and health program entitled SHIELD across all sites in March 2010. This acronym stands for - Safety and Health in Every Level at Decmil.

The program features 10 key elements as part of an annual program. Managers are individually responsible for implementing a 10-point action plan to ensure visible leadership of safety and health practices on-site. The Executive Management Team reviews these management commitments quarterly.

One action item is a 'Personal Commitment' which is part of Decmil's induction program. This aims to encourage employees to share information about themselves and address why safety is important to them - 'what matters most'.

Innovative methods used to tackle dehydration issue

In 2009, Decmil identified an unusually large number of dehydration incidents on Pilbara project sites. In response, an innovative program was established to ensure no injuries associated with dehydration occurred during the 2009-10 summer.

The initiative used testing strips to measure dehydration, the primary method used in sports medicine to address hydration levels, rather than the industry-standard digital refractometer which requires recalibration after each use making it inappropriate for large groups.

This new approach was part of a larger campaign which included: targeted inspections of work sites in hot conditions; a promotional campaign; training sessions; supply of CamelBak (portable water carriers); and new 'work cool' clothing.

No dehydration cases were reported in the summer of 2009-10.

INCREASED ENVIRONMENTAL FOCUS

The Group's environmental focus increased through specialised training undertaken by key HSE professionals.

Carbon Neutral was also engaged to facilitate a carbon inventory program in 2010/11 to determine Decmil's overall carbon footprint. This program will drive carbon reductions and offset programs next year.

OUTLOOK

We will continue to focus on zero harm through the continuing implementation of strategic safety initiatives across the Group, and continuous improvement programs to reduce our environmental impact.



Decmil initiated an innovative testing program to easily monitor hydration levels of employees.



Decmil employees use CamelBak portable water carriers on work sites to minimise dehydration.



PEOPLE, CULTURE AND VALUES

It is people that create a company and we recognise it is our employees' ability to sustainably apply their talents and energy to deliver on the Group's objectives that continues to be our primary source of competitive advantage.

Decmil's reputation for service and delivery is founded on our culture of integrity, innovation, investment, safety, excellence, teamwork and accountability. These principles are embedded in our processes and systems and embodied in all aspects of how we conduct our business.

Our strategic focus for people continues to be maximising efficiency while providing for future growth opportunities. This has been achieved by attracting and retaining the right people who deliver quality work and share Decmil's values.

KEY ACTIVITIES

Decmil focused its people-oriented systems, processes and resources to improve workforce forecasting to meet its project needs and the increased competition for labour in its key target markets.

Total employee numbers lifted to 406 people in June 2010, from approximately 378 at the same time in 2009. Combined workforce including contractors is now approximately 1,000 people.

During the year, Decmil developed people strategies aimed at supporting the Company's long-term growth, including Indigenous Traineeship, Plumbing Apprenticeships, and Certificate IV Training in Front Line Management, Training and Assessment and Environmental Management.

We also initiated our Graduate Program and appointed two Civil Engineering graduates.

Competition for labour in the resources, oil & gas and infrastructure sectors in our area of geographic focus – the Pilbara region of Western Australia – has heightened in the first half of 2010 and is likely to strengthen as existing and new client take long-term investment decisions.

To meet this challenge, Decmil is progressing development of a number of initiatives to increase employee retention rates. These initiatives encompass flexible rosters, highly competitive salaries and employee benefits, and maintenance of key industrial agreements.

We are committed to development of our employees and actively work on individual development plans.

OUTLOOK

Over the coming year, Decmil will continue to invest considerable time and resources in its most important strategic asset, people.

We will continue to define and implement initiatives aimed at attracting, retaining and developing people who deliver quality work, share our values and contribute to the Group's long-term success.

COMMUNITY

DGL believes it is important to make a contribution to the community beyond providing jobs for local residents. As our company grows, so do the needs of the community in which we operate.

We aim to support of initiatives that help to create healthy, vibrant and cohesive communities.

We support grass roots activities such as sport, schools and individual groups with the aim of building and maintaining the foundations of a community.

Decmil Group encourages staff involvement in raising funds for charities by participating in events such as NAIDOC week and other special activities. As a company, we also make donations to numerous charities and causes.

We are also an active participant and supporter of the broader engineering profession including through Engineers Australia activities.

KEY ACTIVITIES IN 2009-10 INCLUDE:

Supporting the Clontarf Foundation in the Pilbara

In May 2010, Decmil committed to a two-year sponsorship of the Clontarf Foundation. The foundation aims to improve the discipline, life skills and self esteem of young Indigenous people by equipping them with the skills to participate meaningfully in society.

The main focus of our sponsorship is to keep children at school and manage the transition from school to employment.

This is achieved through participation in Pilbara football academies and a mentoring program to guide students through behavioural and lifestyle issues.

Decmil is also working on a graduate development program providing apprenticeships for Indigenous children at its main office in Perth and on-site at many of our projects.

Supporting NAIDOC

In July 2010 Decmil supported the Shire of Roebourne NAIDOC Week activities. NAIDOC is an Indigenous arts and community festival that aims to recognise the valuable contribution to the community by Indigenous Australians.

Providing facilities, education and equipment to schools

The Company donated 165 Royal Flying Doctor's education packs for three remote Pilbara community schools – Jigalong

Remote Community, Marble Bar Primary and Yandeyarra Remote Community.

Each student at these schools also received a pencil case, pencils, puzzle books and a bear from a \$6,000 sponsorship of the 'Save the Bears' fund. We also donated a television and Wii Fit to each school.

Supporting our future leaders

At the Decmil we recognise that children are the new generation of leaders for Australia.

Outside our work with the Clontarf Foundation we have supported a number of other youth and education initiatives - some locally where our projects operate and others throughout Western Australia.

This year we become a three-year sponsor of the Joondalup Brothers Rugby Union team, donated a marquee to the Dampier Primary School, donated 15 tents and a satellite phone to the Karratha Scouts Club and sponsored an Engineers Australia sundowner.

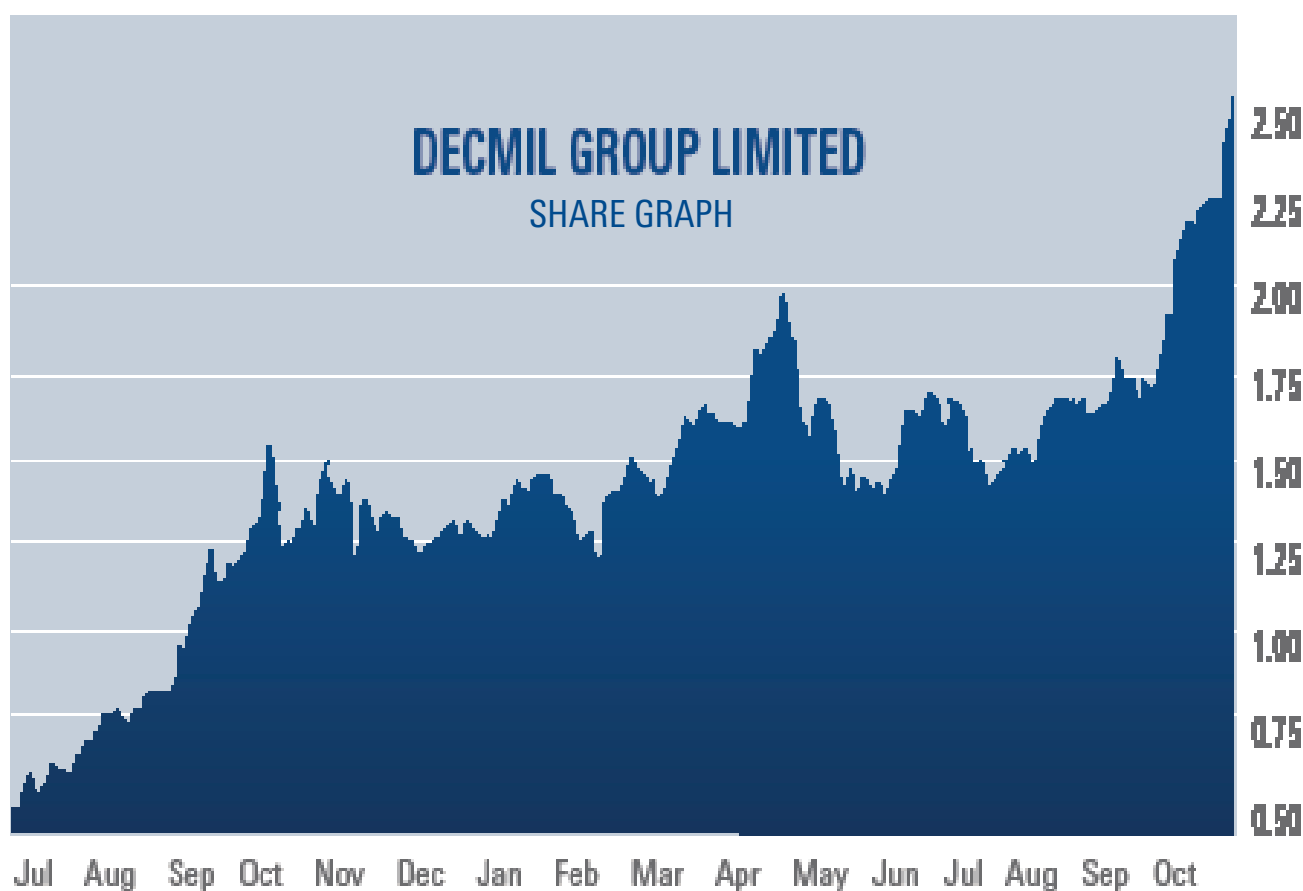


Decmil supports the Clontarf Foundation, which conducts football academies as part of a development program for young Indigenous people.

CONSOLIDATION AND GROWTH

Decmil Group Limited is one of Australia's fastest growing construction service companies. During the year, our major subsidiary, Decmil Australia, secured a number of multi-million dollar contracts with some of the world's largest mining and resources companies.

	Value A\$M	Client	
Rapid Growth Project 5 – Marillana Camp	\$7M	BHP Billiton Iron Ore	Variation
Port Haven – Accommodation Village	\$36M	BHP Billiton Iron Ore	Variation
Gorgon Project – Site Prep & Temporary Construction Facilities	\$74M	Thiess	New
Pluto LNG Project – Civil Works	\$56M	Woodside Energy	Variation
Kandama Project – Accommodation Village	\$83M	Fortescue Metals Group	New



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DIRECTORS' REPORT

1 DIRECTORS

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2010. The names of directors of the Company at any time during or since the end of the financial year are:

Geoffrey Allen	Non-Executive Director	
Denis Criddle	Non-Executive Chairman	
Scott Criddle	Managing Director and Chief Executive Officer	Appointed 28 April 2010
Giles Everist	Non-Executive Director	Appointed 24 December 2009
Robert Franco	Non-Executive Director	
William Healy	Non-Executive Director	
Victor Kuss	Managing Director and Chief Executive Officer	Resigned 1 July 2009
Dennis O'Neill	Non-Executive Chairman	Resigned 2 September 2009
Lee Verios	Non-Executive Director	Appointed 28 April 2010

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

2 PARTICULARS OF DIRECTORS AND COMPANY SECRETARY

GEOFFREY ALLEN, NON-EXECUTIVE DIRECTOR

Qualifications

- Registered Builder WA No 2206
- Fellow of the Australian Institute of Building

Experience

Geoffrey Allen was appointed as Non-Executive Director in April 2009. He was a former Director of Multiplex Constructions from 1969 to 2003 and has served in various roles during that period as Managing Director and Deputy Chairman from 1989 to 2003. Geoffrey was Chairman of Nomad Building Solutions since the company's listing on the ASX to 2008. Over the past 30 years he has also served in various capacities with the Australian Institute of Building and the Master Builders Association of Western Australia.

Other Directorships

- None

Former Directorships

- Non-Executive Director Nomad Building Solutions

DENIS CRIDDLE, NON-EXECUTIVE CHAIRMAN

Qualifications

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

Experience

Denis was appointed as Non-Executive Chairman in September 2009. 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

SCOTT CRIDDLE, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Qualifications

- Bachelor of Applied Science in Construction Management and Economics, Curtin University Western Australia

Experience

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

Other Directorships

- None

Former Directorships

- None

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

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

Giles has more than 16 years experience in the resources and engineering services industry. During his career he has held financial executive roles with Rio Tinto in the United Kingdom and Australia plus major design engineering group Flour Australia.

Other Directorships

- None

Former Directorships

- None

ROBERT FRANCO, NON-EXECUTIVE DIRECTOR

Qualifications

- Bachelor of Engineering (Hons) and Bachelor of Commerce, University of Western Australia
- MBA, University of Western Australia Graduate School of Management

Experience

Appointed as an Executive Director from October 2004 until December 2007, Robert is currently a Non-Executive Director. Robert worked as an engineering consultant for a major multidisciplinary engineering firm until 2001, specialising in commercial developments for the resource and commercial industries. Robert is currently Finance Director for Fero Group Pty Ltd, a rapidly expanding private company in the mining services industry.

Other Directorships

- None

Former Directorships

- Lindian Resources Ltd

DIRECTORS' REPORT

WILLIAM HEALY, NON-EXECUTIVE DIRECTOR

Qualifications

- Bachelor of Commerce, University of South Africa

Experience

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

Other Directorships

- None

Former Directorships

- None

LEE VERIOS, NON-EXECUTIVE DIRECTOR

Qualifications

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

Experience

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

Other Directorships

- Port Bouvard Ltd – Chairman

Former Directorships

- Vmoto Ltd – Chairman

BRADLEY KELMAN, COMPANY SECRETARY

Qualifications

- Bachelor of Economics (Hons), University of Sydney
- Bachelor of Law (Hons), University of Sydney

Experience

Appointed as General Counsel and Company Secretary in November 2009. Previously Brad held several roles with Leighton Contractors Pty Ltd in Sydney and Perth including Legal Counsel for Victoria and Commercial & Risk Manager for Western Australia.

DIRECTORS' REPORT

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
Geoffrey Allen	-	-
Denis Criddle	26,248,232	625,000
Scott Criddle	240,000	-
Giles Everist	200,000	-
Robert Franco	8,400,000	450,000
William Healy	368,190	-
Lee Verios	-	-

4 DIRECTORS' MEETINGS

During the financial year, 16 meetings of directors were held. Attendances by each director during the year were:

	Directors' Meetings		Audit & Risk		Remuneration	
	Number of meetings eligible to attend	Number attended	Number of meetings eligible to attend	Number attended	Number of meetings eligible to attend	Number attended
Geoffrey Allen	16	14	3	3	-	-
Denis Criddle	16	16	-	-	-	-
Scott Criddle	3	3	-	-	-	-
Giles Everist	7	6	2	2	-	-
Robert Franco	16	16	3	3	3	3
William Healy	16	15	-	-	3	3
Victor Kuss	-	-	-	-	-	-
Dennis O'Neill	3	3	1	1	-	-
Lee Verios	3	1	-	-	1	-

5 REMUNERATION REPORT (NOTE 5 – 15)

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

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

- Geoffrey Allen
- Denis Criddle
- Scott Criddle – Appointed 28 April 2010
- Giles Everist – Appointed 24 December 2009
- Robert Franco
- William Healy
- Victor Kuss – Resigned 1 July 2009
- Dennis O'Neill – Resigned 2 September 2009
- Lee Verios – Appointed 28 April 2010

DIRECTORS' REPORT

6 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.

7 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 management team.

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

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

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

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

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

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

8 PERFORMANCE BASED REMUNERATION

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

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

PERFORMANCE RIGHTS PLAN

As a result of passing of Resolution 7 at the 30 November 2009 Annual General Meeting, a performance rights plan was put in place. For the financial year ended 30 June 2010, performance rights were granted to Scott Criddle, Andries Dique and Justine Campbell.

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

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

DIRECTORS' REPORT

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

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

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

PERFORMANCE HURDLE

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

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

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

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

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

9 REMUNERATION PRACTICES

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

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

10 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 options to executive directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy to have been effective in increasing shareholder wealth over the past year.

DIRECTORS' REPORT

11 DETAILS OF REMUNERATION

Year ended 30 June 2010

Directors	Salary and fees	Super-annuation contribution	Non-cash benefits	Options	Rights	Bonus	Total	Total Performance Related	Total Fixed Remuneration
	\$	\$	\$	\$	\$	\$	\$	%	%
Geoffrey Allen	60,000	-	-	-	-	-	60,000	-	100.0
Denis Criddle	95,897	-	-	-	-	-	95,897	-	100.0
Scott Criddle	602,859	31,795	13,045	-	26,690	-	674,389	4.0	96.0
Giles Everist	35,000	-	-	-	-	-	35,000	-	100.0
Robert Franco	55,871	5,029	-	7,077	-	-	67,977	10.4	89.6
William Healy	45,872	4,128	-	-	-	-	50,000	-	100.0
Victor Kuss ¹	589,000	135	-	-	-	-	589,135	-	100.0
Dennis O'Neill	25,000	-	-	-	-	-	25,000	-	100.0
Lee Verios	8,167	735	-	-	-	-	8,902	-	100.0
TOTAL	1,517,666	41,822	13,045	7,077	26,690	-	1,606,300		

Year ended 30 June 2010

Specified executives	Salary and fees	Super-annuation contribution	Non-cash benefits	Options	Rights	Bonus	Total	Total Performance Related	Total Fixed Remuneration
	\$	\$	\$	\$	\$	\$	\$	%	%
Justine Campbell Chief Financial Officer ²	328,799	21,474	-	-	11,881	-	362,154	3.3	96.7
Andries Dique Chief Operating Officer ³	629,296	18,136	25,138	-	26,690	-	699,260	3.8	96.2
Tom Fallon General Manager Decmil Australia ⁴	107,480	-	-	-	-	-	107,480	-	100.0
Bradley Kelman General Counsel and Company Secretary ⁵	180,847	11,581	-	-	-	-	192,428	-	100.0
Yenon Ofri General Manager Engineering Division ⁶	203,578	-	-	-	-	-	203,578	-	100.0
Lance Van Drunick Operations Manager Decmil Australia	402,046	15,721	18,553	-	-	-	436,320	-	100.0
TOTAL	1,852,046	66,912	43,691	-	38,571	-	2,001,220		

¹ Remuneration for Victor Kuss relates to termination payments in accordance with his employment contract

² Justine Campbell was appointed Chief Financial Officer on 1 July 2009 and Company Secretary on 14 September 2009

³ Andries Dique was appointed Chief Operating Officer on 20 April 2010

⁴ Tom Fallon was appointed General Manager of Decmil Australia on 20 April 2010

⁵ Bradley Kelman was appointed General Counsel and Company Secretary on 24 November 2009

⁶ Yenon Ofri resigned from the Engineering Division on 24 December 2009

DIRECTORS' REPORT

Year ended 30 June 2009

Directors	Salary and fees	Super-annuation contribution	Non-cash benefits	Options	Rights	Bonus	Total	Total Performance Related	Total Fixed Remuneration
	\$	\$	\$	\$	\$	\$	\$	%	%
Geoffrey Allen	9,295	-	-	-	-	-	9,295	-	100.0
Denis Criddle	-	50,000	-	-	-	-	50,000	-	100.0
Robert Franco	45,870	4,130	-	26,365	-	-	76,365	34.5	65.5
William Healy	8,527	767	-	-	-	-	9,294	-	100.0
Victor Kuss	331,773	61,087	32,140	39,000	-	212,500	676,500	37.2	62.8
Dennis O'Neill	-	90,000	-	43,523	-	-	133,523	32.6	67.4
Peter Wallace	38,225	3,442	-	-	-	-	41,667	-	100.0
Richard Wright	20,833	-	-	-	-	-	20,833	-	100.0
TOTAL	454,523	209,426	32,140	108,888	-	212,500	1,017,477		

Year ended 30 June 2009

Specified executives	Salary and fees	Super-annuation contribution	Non-cash benefits	Options	Rights	Bonus	Total	Total Performance Related	Total Fixed Remuneration
	\$	\$	\$	\$	\$	\$	\$	%	%
Scott Criddle Managing Director of Decmil Australia	279,800	25,182	22,353	-	-	162,500	489,835	33.2	66.8
Andries Dique General Manager of Decmil Australia	305,288	28,329	23,852	-	-	187,500	544,969	34.4	65.6
Yenon Ofri General Manager Engineering Division	283,800	-	-	8,579	-	-	292,379	2.9	97.1
Michael Buckmaster Chief Financial Officer and Company Secretary	180,271	16,224	-	-	-	51,250	247,745	20.7	79.3
Ramsay Bogunovich Group Commercial Manager	228,486	18,764	-	-	-	61,875	309,125	20.0	80.0
TOTAL	1,277,645	88,499	46,205	8,579	-	463,125	1,884,053		

12 OPTIONS ISSUED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2010

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

13 EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES

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

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

DIRECTORS' REPORT

14 OPTIONS

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

Grant Date	Date of Expiry	Exercise Price (AUS \$)	Number Under Option
12 December 2006	30 September 2013	\$0.81	800,000
12 December 2006	30 September 2013	\$0.90	850,000
6 July 2007	30 June 2012	\$0.75	315,000
6 July 2007	30 June 2012	\$1.00	625,000
TOTAL			2,590,000

During the year ended 30 June 2010, there were 3,793,300 ordinary shares of Decmil Group Limited issued on the exercise of options. 200,000 shares under option have been exercised since that date.

During the year ended 30 June 2010, the following options to acquire ordinary shares of Decmil Group Limited were cancelled due to not meeting vesting criteria. No further options have been cancelled since that date.

Grant Date	Exercise Price	Number of Options Cancelled
12 December 2006	\$0.81	200,000
12 December 2007	\$0.78	16,700

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

During the year ended 30 June 2010, the following options met their vesting criteria.

Grant Date	Date of Expiry	Exercise Price	Number of Options Vested
12 December 2006	30 September 2013	\$0.90	135,000
6 July 2007	30 June 2012	\$1.00	1,250,000
6 July 2007	30 June 2012	\$0.75	1,393,333
12 December 2007	30 June 2012	\$0.78	16,650

During the year ended 30 June 2010, the following options were exercised by key management personnel.

Name	Exercise Date	Number of Options Exercised	Value of Options Exercised
Scott Criddle	16 April 2010	240,000	\$180,000
Andries Dique	17 September 2009	625,000	\$625,000
Andries Dique	17 September 2009	240,000	\$180,000
Yenon Ofri	6 October 2009	16,650	\$12,987
Yenon Ofri	3 December 2009	100,000	\$90,000
Yenon Ofri	19 January 2010	16,650	\$12,987

15 PERFORMANCE RIGHTS

During the year ended 30 June 2010, the following performance rights were granted.

Name	Grant Date	Number of Rights Granted	Fair Value of Rights Granted
Justine Campbell	30 November 2009	195,745	\$142,575
Scott Criddle	30 November 2009	439,717	\$320,278
Andries Dique	30 November 2009	439,717	\$320,278

During the year ended 30 June 2010, no performance rights met their vesting criteria.

During the year ended 30 June 2010, no performance rights lapsed due to not meeting their vesting criteria.

DIRECTORS' REPORT

16 INDEMNIFYING OFFICERS OR AUDITOR

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

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The total amount of the premium was \$32,340.

17 PRINCIPAL ACTIVITIES

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

CIVIL WORKS

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

INDUSTRIAL AND NON-PROCESS INFRASTRUCTURE

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

ACCOMMODATION

- Design and construct permanent and temporary accommodation, including villages, residential homes and units
- All aspects of project development from design, site preparation and excavation to bulk earthworks, civil works and construction

GOVERNMENT INFRASTRUCTURE

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

Decmil Group Limited discontinued operations in engineering design and drafting services and sold its business in protective coatings and industrial spray painting. Other than this, there were no other significant changes in the nature of the Group's principal activities during the financial year.

18 OPERATING RESULTS

The consolidated profit of the Group after providing for income tax expense amounted to \$7,838,000.

19 DIVIDENDS PAID OR RECOMMENDED

No dividends were paid, declared or recommended for payment.

20 REVIEW OF OPERATIONS

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

21 SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the parent entity or the consolidated entity during the financial year.

22 AFTER BALANCE DATE EVENTS

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.

DIRECTORS' REPORT

23 FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

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

24 ENVIRONMENTAL ISSUES

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

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

The company aims to continually improve its environmental performance.

25 LIKELY DEVELOPMENTS

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

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

26 PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

27 NON-AUDIT SERVICES

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

28 AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found within this financial report.

29 ROUNDING OF AMOUNTS

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

30 CORPORATE GOVERNANCE

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

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

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



DENIS CRIDDLE

Chairman

25 August 2010

AUDITOR'S INDEPENDENCE DECLARATION

RSM Bird Cameron Partners
Chartered Accountants

RSM Bird Cameron Partners
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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 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants



TUTU PHONG
Partner

Perth, WA
Dated: 25 August 2010

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Entity	
		2010 \$000	2009 \$000
Revenue from continuing operations	4	328,982	254,924
Cost of sales		(284,312)	(222,188)
Gross profit		44,670	32,736
Administration expenses		(14,040)	(12,715)
Borrowing expenses	5	(814)	(474)
Depreciation and amortisation expense	5	(2,611)	(1,424)
Equity based payments		(4)	133
Profit before income tax expense		27,201	18,256
Income tax (expense)	6	(8,356)	(6,062)
Net profit from continuing operations		18,845	12,194
(Loss) after tax from discontinued operations	7	(11,007)	(2,180)
Net profit for the year		7,838	10,014
Other comprehensive income		-	-
Total comprehensive income for the year		7,838	10,014
Overall Operations			
Basic earnings per share (cents per share)	10	6.43	8.55
Diluted earnings per share (cents per share)	10	6.30	8.55
Continuing Operations			
Basic earnings per share (cents per share)	10	15.46	10.41
Diluted earnings per share (cents per share)	10	15.14	10.41
Discontinuing Operations			
Basic earnings per share (cents per share)	10	(9.03)	(1.86)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	Consolidated Entity	
		2010 \$000	2009 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	11	52,894	22,912
Trade and other receivables	12	25,716	44,702
Inventories	13	12,993	1,745
Other assets	18	13,296	6,951
TOTAL CURRENT ASSETS		104,899	76,310
NON-CURRENT ASSETS			
Property, plant and equipment	16	9,396	9,201
Deferred tax assets	21	1,358	967
Intangible assets	17	48,601	56,392
TOTAL NON-CURRENT ASSETS		59,355	66,560
TOTAL ASSETS		164,254	142,870
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	63,328	57,593
Borrowings	20	2,565	1,977
Provisions	22	5,380	3,064
TOTAL CURRENT LIABILITIES		71,273	62,634
NON-CURRENT LIABILITIES			
Borrowings	20	3,183	2,820
TOTAL NON-CURRENT LIABILITIES		3,183	2,820
TOTAL LIABILITIES		74,456	65,454
NET ASSETS		89,798	77,416
EQUITY			
Issued capital	23	78,042	73,498
Retained earnings		11,756	3,918
TOTAL EQUITY		89,798	77,416

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 30 JUNE 2010

	Note	Issued Capital \$000	Retained Earnings \$000	Total \$000
Consolidated Entity				
Balance at 1 July 2008		73,749	(6,096)	67,653
Net profit for the year		-	10,014	10,014
Total comprehensive income for the year		-	10,014	10,014
Shares issued during the year		500	-	500
Transaction costs net of tax benefit		(618)	-	(618)
Equity based payments		(133)	-	(133)
Balance at 30 June 2009		73,498	3,918	77,416
Balance at 1 July 2009		73,498	3,918	77,416
Net profit for the year		-	7,838	7,838
Total comprehensive income for the year		-	7,838	7,838
Shares issued during the year		4,739	-	4,739
Transaction costs net of tax benefit		(199)	-	(199)
Equity based payments		4	-	4
Balance at 30 June 2010		78,042	11,756	89,798

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR YEAR ENDED 30 JUNE 2010

	Note	Consolidated Entity	
		2010 \$000	2009 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		387,698	296,415
Payments to suppliers and employees		(350,955)	(278,426)
Interest received		750	316
Finance costs		(829)	(611)
Income tax paid		(5,234)	(556)
Net cash provided by operating activities	26(a)	31,430	17,138
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,529)	(1,109)
Purchase of investments		(1,750)	(750)
Proceeds from sale of non-current assets		494	594
Proceeds from sale of subsidiary, net of cash received	26(b)	1,694	-
Net cash (used in) investing activities		(2,091)	(1,265)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(2,307)	(2,863)
Conversion of options into shares		2,989	-
Costs of issuing shares		(39)	(4)
Net cash provided by / (used in) financing activities		643	(2,867)
Net increase in cash held			
		29,982	13,006
Cash at beginning of financial year			
		22,912	9,906
Cash at end of financial year			
	11	52,894	22,912

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

This financial report of Decmil Group Limited ('the Company') for the year ended 30 June 2010 comprise of the Company and its subsidiaries (collectively referred to as 'the consolidated entity') and the consolidated entity's interest in a joint venture.

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

The financial report was authorised for issue in accordance with a resolution of directors dated 25 August 2010.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

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

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

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised 2008).

AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after 1 July 2009. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

AASB 8 Operating Segments

The consolidated entity has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in an increase in the number of reportable segments presented. There has been no change to the way goodwill is allocated. There has been no other impact on the measurement of the company's assets and liabilities and no restatement of 2009 comparatives has been necessary.

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The consolidated entity has elected to present one statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

a) Principles of Consolidation

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

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

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

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

Business Combinations

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

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated financial statements, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

b) Income Tax

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

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

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

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

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

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

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

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

c) Tax consolidation

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

d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of work in progress includes direct materials and direct labour.

e) Construction Contracts and Work in Progress

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

f) Interest in Joint Ventures

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

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

g) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

Depreciation

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

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

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	Between 10% and 30%
Computer equipment	Between 20% and 40%
Motor vehicles	Between 20% and 22.5%
Furniture and fittings	20%
Office equipment	Between 18% and 20%

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

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

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

h) Leases

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

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over their estimated useful lives.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

i) 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 to the statement of comprehensive income.

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

Impairment testing is performed annually for goodwill and intangible assets with infinite lives.

j) Intangibles

Goodwill

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the consolidated entity's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- » 1) represents the lowest level within the consolidated entity at which the goodwill is monitored for internal management purposes; and
- » 2) is not larger than an operating segment determined in accordance with AASB 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. When the recoverable amount of the cash generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised immediately in profit or loss. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

k) Employee Benefits

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

Equity-settled compensation

The company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of options is ascertained using a Black-Scholes pricing model or Binomial Option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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.

m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

n) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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(e).

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

o) Borrowing Costs

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

All other borrowing costs are recognised in the statement of 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 cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

q) Financial Instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

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

i. Loans and receivables

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

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

ii. Financial liabilities

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

iii. Available-for-sale financial assets

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

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

Impairment

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

r) Trade and Other Payables

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

s) Rounding of Amounts

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

t) Comparative Figures

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

When the consolidated entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

u) Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Recovery of deferred taxes

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Impairment of goodwill

The company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 17.

Equity-based payment transactions

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

Taxation

The consolidated entity's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation. These judgements

and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustments, resulting in a corresponding credit or charge to the income statement.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 2 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

At the date of this financial report the following standards and interpretations, which may impact the consolidated entity in the period of initial application, have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	Amends AASB 2 <i>Share-based Payment</i> and supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – <i>Group and Treasury Share Transactions</i> . The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.	1 January 2010	No changes are expected to materially affect the consolidated entity.
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	No changes are expected to materially affect the consolidated entity.
AASB 124	Related Party Disclosures	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition	1 January 2011	Disclosure only.
2009-12	Amendments to Australian Accounting Standards	Amends AASB 8 Operating Segments as a result of the revised AASB 124. Amends AASB 5, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052 as a result of the annual improvement project.	1 January 2011	No changes are expected to materially affect the consolidated entity.
2010-1	Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures from First-time Adopters	Amends AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> ; and AASB 7 <i>Financial Instruments: Disclosures</i> . Principally give effect to extending transitional provisions of AASB 2009-2.	1 July 2010	No changes are expected to materially affect the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 3 PARENT ENTITY DISCLOSURES

	Parent Entity	
	2010 \$000	2009 \$000
Loss for the year	(13,259)	(7,254)
Total comprehensive income for the year	(13,259)	(7,254)
ASSETS		
Current assets	7,503	2,638
Non-current assets	50,870	68,214
TOTAL ASSETS	58,373	70,852
LIABILITIES		
Current liabilities	1,483	3,687
Non-current liabilities	6,489	8,049
TOTAL LIABILITIES	7,972	11,736
EQUITY		
Issued capital	78,042	73,498
Retained earnings	(27,641)	(14,382)
TOTAL EQUITY	50,401	59,116

a) Guarantees

Cross guarantees have been provided by Decmil Group Limited and its controlled entities are listed in note 14. The fair value of the cross guarantee has been assessed as \$nil based on the underlying performance of the entities in the closed group.

b) Other Commitments and Contingencies

Decmil Group Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities apart from the performance guarantees disclosed in note 30.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 4 REVENUE

	Note	Consolidated Entity	
		2010 \$000	2009 \$000
From continuing operations			
Sale revenue			
— sale of goods and services		328,235	254,638
Other revenue			
— interest received	4(a)	747	286
Total revenue		328,982	254,924
From discontinued operations			
— sale of goods and services		9,653	35,348
— interest received	4(a)	3	30
Total revenue	7	9,656	35,378
(a) Other revenue			
Interest revenue from:			
— other persons		750	316

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 5 EXPENSES

	Note	Consolidated Entity	
		2010 \$000	2009 \$000
Expenses relating to continuing operations:			
Employee benefits costs		93,472	63,064
Borrowing costs:			
— External		814	474
Total borrowing costs		814	474
Depreciation of non-current assets:			
— plant and equipment owned		1,105	550
— plant and equipment leased		1,506	874
Total depreciation		2,611	1,424
Rental expense on operating leases		1,563	821
Expenses relating to discontinued operations:			
Employee benefits costs		5,736	16,435
Borrowing costs:			
— External		15	137
Loss on disposal of fixed assets		301	-
Impairment of goodwill	17	7,038	-
Depreciation of non-current assets:			
— plant and equipment owned		451	796
— plant and equipment leased		29	598
Total depreciation		480	1,394
Rental expense on operating leases		900	1,305

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 6 INCOME TAX EXPENSE

	Note	Consolidated Entity	
		2010 \$000	2009 \$000
(a) The components of tax expense comprise:			
Current tax		(7,336)	(3,785)
Deferred tax	21	550	89
		(6,786)	(3,696)
Income tax attributed to:			
Tax relating to continuing operations		(8,356)	(6,062)
Tax relating to discontinued operations	7	1,570	2,366
		(6,786)	(3,696)
(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% (2009: 30%)		(4,387)	(4,113)
Adjusted by the tax effect of:			
— shares and options expensed during year		(1)	40
— impairment of goodwill		(2,111)	(188)
— restructuring costs		29	-
— loss on sale of subsidiary		(102)	-
— movements in provisions and accruals		(187)	1,010
— deductible capital raising costs		179	185
— (under-provision) for tax in prior year		(206)	(630)
Income tax (expense)/benefit attributable to profit before income tax		(6,786)	(3,696)
The applicable weighted average effective tax rates are as follows:		46%	27%

The increase in the weighted average effective consolidated tax rate for 2010 is a result of goodwill impairment and loss on sale of subsidiary which are not tax deductible.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 7 DISCONTINUED OPERATIONS

Due to unfavourable market conditions and a change in the consolidated entity's strategic direction, the engineering and drafting division of the consolidated entity was wound down throughout the course of the financial year. The engineering and drafting operations included the operations of Matrix Engineers Pty Ltd and Eastman Fort Pty Ltd. In addition, Novacoat (WA) Pty Ltd was sold during the financial year and is included in this note as a discontinued operation.

	Note	Consolidated Entity	
		2010	2009
		\$000	\$000

The financial performance of the discontinued operations per the statement of comprehensive income is as follows:

Revenue	4	9,656	35,378
Expenses		(22,233)	(39,924)
Loss before income tax		(12,577)	(4,546)
Income tax benefit	6	1,570	2,366
Total loss after tax attributable discontinued operations		(11,007)	(2,180)

The net cash flows of discontinued operations which have been incorporated into the statement of cash flows are as follows:

Net cash inflow/(outflow) from operating activities	2,077	(3,070)
Net cash inflow/(outflow) from investing activities	(80)	(321)
Net cash inflow/(outflow) from financing activities	(68)	(1,082)
Net cash increase/(decrease) in cash generated by discontinued operations	1,929	(4,473)

NOTE 8 KEY MANAGEMENT PERSONNEL

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

Parent Entity Directors

Geoffrey Allen	
Denis Criddle	
Scott Criddle	(appointed 28 April 2010)
Giles Everist	(appointed 24 December 2009)
Robert Franco	
William Healy	
Victor Kuss	(resigned 1 July 2009)
Dennis O'Neill	(resigned 2 September 2009)
Lee Verios	(appointed 28 April 2010)

Specified Executives

Justine Campbell	Chief Financial Officer
Andries Dique	Chief Operating Officer
Tom Fallon	General Manager, Decmil Australia Pty Ltd
Bradley Kelman	General Counsel and Company Secretary
Yenon Ofri	General Manager, Engineering Services Division (resigned 24 December 2009)
Lance Van Drunick	Operations Manager, Decmil Australia Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

b) Options and Rights Holdings

Number of Options Held by Directors and Specified Executives

30 June 2010	Balance 1.7.09	Granted as Remuneration	Granted other than as Remuneration	Exercised/ Cancelled	Balance 30.6.10	Total Vested & Exercisable 30.6.10	Total Unexercisable 30.6.10
Directors:							
Denis Criddle	625,000	-	-	-	625,000	625,000	-
Scott Criddle	240,000	-	-	(240,000)	-	-	-
Robert Franco	450,000	-	-	-	450,000	450,000	-
Victor Kuss	500,000	-	-	(500,000)	-	-	-
Dennis O'Neill	1,000,000	-	-	(200,000)	800,000	800,000	-
Specified Executives:							
Andries Dique	865,000	-	-	(865,000)	-	-	-
Yenon Ofri	150,000	-	-	(150,000)	-	-	-
TOTAL	3,830,000	-	-	(1,955,000)	1,875,000	1,875,000	-

Number of Rights Held by Directors and Specified Executives

30 June 2010	Balance 1.7.09	Granted as Remuneration	Granted other than as Remuneration	Exercised/ Cancelled	Balance 30.6.10	Total Vested & Exercisable 30.6.10	Total Unexercisable 30.6.10
Directors:							
Scott Criddle	-	439,717	-	-	439,717	-	439,717
Specified Executives:							
Justine Campbell	-	195,745	-	-	195,745	-	195,745
Andries Dique	-	439,717	-	-	439,717	-	439,717
TOTAL	-	1,075,179	-	-	1,075,179	-	1,075,179

Number of Options Held by Directors and Specified Executives

30 June 2010	Balance 1.7.09	Granted as Remuneration	Granted other than as Remuneration	Exercised/ Cancelled	Balance 30.6.10	Total Vested & Exercisable 30.6.10	Total Unexercisable 30.6.10
Directors:							
Denis Criddle	1,250,000	-	-	(625,000)	625,000	-	625,000
Scott Criddle	240,000	-	-	-	240,000	80,000	160,000
Robert Franco	450,000	-	-	-	450,000	315,000	135,000
Victor Kuss	-	2,000,000	-	(1,500,000)	500,000	500,000	-
Dennis O'Neill	1,000,000	-	-	-	1,000,000	800,000	200,000
Specified Executives:							
Andries Dique	1,490,000	-	-	(625,000)	865,000	80,000	785,000
Yenon Ofri	150,000	-	-	-	150,000	116,650	33,350
TOTAL	4,580,000	2,000,000	-	(2,750,000)	3,830,000	1,891,650	1,938,350

30 June 2009

There were no performance rights held by directors and specified executives during the year ended 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

(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 2010	Balance 1.7.09	Received as Remuneration	Options Exercised	Net Change Other ¹	Balance 30.6.10
Directors:					
Denis Criddle	24,398,232	-	-	1,850,000	26,248,232
Scott Criddle	-	-	240,000	-	240,000
Giles Everist	-	-	-	200,000	200,000
Robert Franco	8,283,051	-	-	116,949	8,400,000
William Healy	368,190	-	-	-	368,190
Victor Kuss	385,000	-	500,000	(540,000)	345,000
Dennis O'Neill	1,000,000	-	-	-	1,000,000
Specified Executives:					
Andries Dique	4,500,000	-	865,000	(3,365,000)	2,000,000
Yenon Ofri	25,000	-	133,300	(158,300)	-
TOTAL	38,959,473	-	1,738,300	(1,896,351)	38,801,422

Note: Net change other refers to shares purchased or sold in the financial year.

30 June 2009	Balance 1.7.08	Received as Remuneration	Options Exercised	Net Change Other ¹	Balance 30.6.09
Directors:					
Denis Criddle	20,510,078	-	-	3,888,154	24,398,232
Robert Franco	7,900,000	-	-	383,051	8,283,051
William Healy	-	-	-	368,190	368,190
Victor Kuss	-	-	-	385,000	385,000
Dennis O'Neill	1,000,000	-	-	-	1,000,000
Specified Executives:					
Andries Dique	4,500,000	-	-	-	4,500,000
Yenon Ofri	-	-	-	25,000	25,000
TOTAL	33,910,078	-	-	5,049,395	38,959,473

Note: Net change other refers to shares purchased or sold in the financial year.

(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:

	Consolidated Entity	
	2010 \$000	2009 \$000
Short term benefits	3,536	2,785
Share based payments	72	117
	3,608	2,902

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 9 AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:

	Consolidated Entity	
	2010 \$	2009 \$
— auditing or reviewing the financial report	125,000	126,000
— other assurance services	3,000	15,000
	128,000	141,000

NOTE 10 EARNINGS PER SHARE

	Consolidated Entity	
	2010 \$000	2009 \$000
(a) Reconciliation of earnings to profit or loss from overall operations		
Profit from overall operations	7,838	10,014
Earnings used to calculate basic and dilutive EPS from overall operations	7,838	10,014
(b) Reconciliation of earnings to profit or loss from continuing operations		
Profit from continuing operations	18,845	12,194
Earnings used to calculate basic EPS from continuing operations	18,845	12,194
(c) Reconciliation of earnings to profit or loss from discontinuing operations		
(Loss) from discontinuing operations	(11,007)	(2,180)
Earnings used to calculate basic EPS from discontinuing operations	(11,007)	(2,180)
	No.	No.
(d) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	121,916,879	117,153,658
Weighted average number of dilutive options outstanding	2,590,000	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	124,506,879	117,153,658

NOTE 11 CASH AND CASH EQUIVALENT

	Consolidated Entity	
	2010 \$000	2009 \$000
Cash at bank and in hand	45,367	21,469
Deposits at call	7,527	1,443
	52,894	22,912
<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	52,894	22,912

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 12 TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2010 \$000	2009 \$000
CURRENT		
Trade receivables	25,807	44,704
Provision for impairment of receivables	(91)	(2)
	25,716	44,702
Provision for impairment of receivables		
Current		
Trade receivables:		
— opening balance	2	2
— charge for the year	89	-
	91	2

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

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

	Gross amount \$000	Within initial trade terms \$000	Past due but not impaired (days overdue)				Past due and impaired \$000
			31-60 \$000	61-90 \$000	91-120 \$000	> 120 \$000	
2010							
Trade and term receivables	25,807	23,410	79	1,952	1	274	91
Total	25,807	23,410	79	1,952	1	274	91
2009							
Trade and term receivables	42,023	35,432	5,167	1,148	58	216	2
Other receivables	2,681	2,681	-	-	-	-	-
Total	44,704	38,113	5,167	1,148	58	216	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 13 INVENTORIES

	Note	Consolidated Entity	
		2010 \$000	2009 \$000
CURRENT			
At cost:			
Raw materials and stores		-	285
Construction work in progress		12,993	1,460
		12,993	1,745
Construction work in progress			
Cost incurred to date plus profit recognised		464,946	373,280
Consideration received and receivables as progress billings		(451,953)	(371,820)
Retention		-	-
		12,993	1,460
Amount due to customers	19	1,797	-
Amount due from customers		14,790	1,460

NOTE 14 CONTROLLED ENTITIES

(a) Controlled Entities

	Country of Incorporation	Percentage Owned (%)	
		2010	2009
Parent Entity:			
Decmil Group Limited	Australia		
Subsidiaries of Decmil Group Limited:			
Novacoat (WA) Pty Ltd	Australia	-	100%
Novacoat Workforce Pty Ltd	Australia	100%	100%
McFee Pty Ltd	Australia	100%	100%
McFee Engineering Pty Ltd	Australia	100%	100%
Matrix Engineers Pty Ltd	Australia	100%	100%
Remtech Environmental Solutions Pty Ltd	Australia	100%	100%
McFee Maintenance Pty Ltd	Australia	100%	100%
Fabcon Construction Pty Ltd	Australia	100%	100%
Decmil Australia Pty Ltd	Australia	100%	100%
Subsidiary of Matrix Engineers Pty Ltd:			
Eastman Fort Pty Ltd	Australia	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

- (b) A deed of cross guarantee between Decmil Group Limited and all of its wholly owned subsidiaries Novacoat Workforce Pty Ltd, McFee Pty Ltd, McFee Engineering Pty Ltd, Matrix Engineers Pty Ltd, McFee Maintenance Pty Ltd, Fabcon Construction Pty Ltd and Decmil Australia Pty Ltd 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. Under the deed, Decmil Group Limited and the above named wholly owned subsidiaries guarantee to support each others' liabilities and obligations. Decmil Group Limited and its above named wholly owned subsidiaries are the only parties to the deed of cross guarantee and are members of the Closed Group. The following are the aggregate totals, for each category, relieved under the deed.

	2010 \$000	2009 \$000
Financial information in relation to:		
(i) Statement of Comprehensive Income:		
Profit before income tax	9,131	13,710
Income tax (expense)	(5,138)	(3,696)
Profit after income tax	3,993	10,014
Profit attributable to members of the parent entity	3,993	10,014
(ii) Retained Earnings:		
Retained profits at the beginning of the year	3,918	(6,096)
Profit after income tax	3,993	10,014
Retained earnings at the end of the year	7,911	3,918
(iii) Statement of Financial Position:		
CURRENT ASSETS		
Cash and cash equivalents	35,310	22,912
Trade and other receivables	25,716	44,702
Inventories	12,993	1,745
Other assets	2,520	6,951
TOTAL CURRENT ASSETS	76,539	76,310
NON-CURRENT ASSETS		
Property, plant and equipment	9,396	9,201
Deferred tax assets	1,358	967
Intangible assets	48,601	56,392
TOTAL NON-CURRENT ASSETS	59,355	66,560
TOTAL ASSETS	135,894	142,870
CURRENT LIABILITIES		
Trade and other payables	38,813	57,593
Borrowings	2,565	1,977
Provisions	5,380	3,064
TOTAL CURRENT LIABILITIES	46,758	62,634
NON-CURRENT LIABILITIES		
Borrowings	3,183	2,820
TOTAL NON-CURRENT LIABILITIES	3,183	2,820
TOTAL LIABILITIES	49,941	65,454
NET ASSETS	85,953	77,416
EQUITY		
Issued capital	78,042	73,498
Retained earnings	7,911	3,918
	85,953	77,416

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 15 INTERESTS IN JOINT VENTURES

Chevron Australia Pty Ltd awarded Decmil, in a joint venture with Thiess Pty Ltd and Kentz Pty Ltd (TDKJV), an AUD\$500m contract for the Gorgon LNG Project Construction Village on Barrow Island. The accommodation facility is expected to accommodate 3,300 construction workers.

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

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

	Consolidated Entity	
	2010 \$000	2009 \$000
CURRENT ASSETS		
Cash and cash equivalents	17,584	-
Other assets	10,776	-
TOTAL ASSETS	28,360	-
CURRENT LIABILITIES		
Trade and other payables	24,515	-
TOTAL LIABILITIES	24,515	-
Revenue	49,090	-
Expenses	(45,245)	-
Profit for the year	3,845	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 16 PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity	
	2010 \$000	2009 \$000
PLANT AND EQUIPMENT		
Plant and Equipment:		
At cost	5,366	8,082
Accumulated depreciation	(2,401)	(4,155)
	2,965	3,927
Leased plant and equipment	8,821	6,629
Accumulated depreciation	(2,390)	(1,355)
	6,431	5,274
Total Property, Plant and Equipment	9,396	9,201

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:

	Owned Plant and Equipment \$000	Leased Plant and Equipment \$000	Total \$000
Balance at 1 July 2009	3,927	5,274	9,201
Additions	2,060	3,332	5,392
Transfer between leased and owned	491	(491)	-
Disposals	(941)	(76)	(1,017)
Sale of subsidiary	(1,016)	(73)	(1,089)
Depreciation expense	(1,556)	(1,535)	(3,091)
Balance at 1 July 2010	2,965	6,431	9,396
Balance at 1 July 2008	3,929	3,192	7,121
Additions	1,256	4,576	5,832
Transfer between leased and owned	434	(434)	-
Disposals	(346)	(588)	(934)
Depreciation expense	(1,346)	(1,472)	(2,818)
Balance at 1 July 2009	3,927	5,274	9,201

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 17 INTANGIBLE ASSETS

	Consolidated Entity	
	2010 \$000	2009 \$000
Goodwill at cost	48,601	56,392
Accumulated impairment losses	-	-
	48,601	56,392
<i>Movements in Carrying Amounts</i>		
Balance at the beginning of year	56,392	56,867
Additions	-	150
Disposals	(753)	-
Impairment write-off	(7,038)	(625)
Balance at the end of year	48,601	56,392
Allocation of goodwill to CGUs:		
Decmil Australia	48,601	48,601
Novacoat	-	753
Engineering Division	-	7,038
Balance at the end of year	48,601	56,392
Assumptions used in value in use calculation:		
	Growth Rate	Discount Rate
Decmil Australia Pty Ltd	19.2%	15.5%

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

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

NOTE 18 OTHER CURRENT ASSETS

	Consolidated Entity	
	2010 \$000	2009 \$000
CURRENT		
Prepayments	329	669
Others	12,967	6,282
	13,296	6,951

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 19 TRADE AND OTHER PAYABLES

	Note	Consolidated Entity	
		2010 \$000	2009 \$000
CURRENT			
Unsecured liabilities:			
Trade payables		31,612	11,119
Advanced on construction work in progress – amount due to customers	13	1,797	1,460
Sundry payables and accrued expenses		29,919	45,014
		63,328	57,593

NOTE 20 BORROWINGS

	Note	Consolidated Entity	
		2010 \$000	2009 \$000
CURRENT			
Secured liabilities:			
Hire purchase liability		2,565	1,876
Premium funding liability	24	-	101
		2,565	1,977
NON-CURRENT			
Secured liabilities:			
Hire purchase liability		3,183	2,820
Total Borrowings	24	5,748	4,797

Hire purchase agreements have an average term of 3 years. The average discount rate implicit in the hire purchase is 8.4% (2009: 8.4%). The hire purchase liability is secured by a charge over the hire purchase assets.

Hire purchase liabilities are secured by the underlying hire purchase assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 21 TAX

		Consolidated Entity	
	Note	2010 \$000	2009 \$000
(a) Assets			
Deferred tax assets comprise:			
Transaction costs on equity issue	21(b)	135	294
Employee benefits	21(b)	1,193	673
Restructuring costs	21(b)	30	-
		1,358	967
(b) Reconciliations			
<i>(i) Gross Movements</i>			
The overall movement in the deferred tax benefit account is as follows:			
Opening balance		967	1,493
(Charge) / credit to income statement	6	550	89
(Charge) / credit to equity		(159)	(615)
Closing balance		1,358	967
<i>(ii) Deferred Tax Assets</i>			
The movement in deferred tax assets for each temporary difference during the year is as follows:			
<i>Deferred tax losses</i>			
At beginning of the year		-	597
(Charge) / credit to income statement		-	(597)
At end of the year		-	-
<i>Transaction costs on equity issue</i>			
At beginning of the year		294	896
(Charge) / credit directly to equity		(159)	(615)
(Charge) / credit to income statement		-	13
At end of the year		135	294
<i>Employee Benefits</i>			
At beginning of the year		673	-
(Charge) / credit to income statement		520	673
At end of the year		1,193	673
<i>Restructuring Costs</i>			
At beginning of the year		-	-
(Charge) / credit to income statement		30	-
At end of the year		30	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 22 PROVISIONS

	Consolidated Entity	
	2010 \$000	2009 \$000
CURRENT		
Employee entitlements	5,380	3,064
Balance at beginning of year	3,064	1,992
Additional provision	11,968	6,453
Amounts used	(9,652)	(5,381)
Balance at end of year	5,380	3,064

PROVISION FOR EMPLOYEE ENTITLEMENTS

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

NOTE 23 ISSUED CAPITAL

	Consolidated Entity	
	2010 \$000	2009 \$000
123,554,568 (2009: 117,427,935) fully paid ordinary shares	78,042	73,498

	2010		2009	
	No.	\$000	No.	\$000
(a) Ordinary Shares				
At the beginning of reporting period	117,427,935	73,498	115,983,491	73,749
Shares issued during the year	6,126,633	4,739	1,444,444	500
Equity based payments	-	4	-	(133)
Transaction costs of issue	-	(199)	-	(618)
At the end of the reporting date	123,554,568	78,042	117,427,935	73,498

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

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

(b) Options

(i) For information relating to the Decmil Group Limited employee share option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to note 27.

(ii) For information relating to share options issued to executive directors during the financial year, refer to note 27.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

(c) Capital Management

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

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

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

There have been no changes in the strategy adopted by management to control the capital of the consolidated entity since the prior year. The strategy is to ensure that the consolidated entity has a positive net cash position. The gearing ratios for the years ended 30 June 2010 and 30 June 2009 are as follows:

	Note	Consolidated Entity	
		2010 \$000	2009 \$000
Total borrowings	20	5,748	4,797
Trade and other creditors	19	63,328	57,593
Less cash and cash equivalents	11	(52,894)	(22,912)
Net debt/(cash)		16,182	39,478
Total equity		78,042	77,416
Total capital		94,224	116,894
Gearing ratio		17%	34%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 24 CAPITAL AND HIRE PURCHASE COMMITMENTS

	Note	Consolidated Entity	
		2010	2009
		\$000	\$000
(a) Hire Purchase Commitments			
Payable — minimum HP payments			
— not later than 1 year		2,958	2,202
— between 1 and 5 years		3,428	3,053
Minimum HP payments		6,386	5,255
Less future finance charges		(638)	(559)
Present value of minimum HP payments	20	5,748	4,696
(b) Premium Funding Commitments			
Payable — minimum premium payments			
— not later than 1 year		-	104
Minimum premium funding payments		-	104
Less future finance charges		-	(3)
Present value of minimum premium funding payments	20	-	101
(c) Operating Lease Commitments			
Non-cancellable operating leases contracted for but not capitalised in the financial statements			
Payable — minimum lease payments			
— not later than 1 year		1,039	2,257
— between 1 and 5 years		697	5,305
		1,736	7,562

The property for the East Perth lease office premises is a non-cancellable lease with a three year term, with rent payable monthly in advance. Rental provisions within the lease agreement require the minimum lease payments shall be increased by CPI each year. An option exists to renew the lease at the end of the three year term for an additional term of three years.

The property for the Osborne Park office premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. Rental provisions within the lease agreement require the minimum lease payments shall be increased by CPI each year. An option exists to renew the lease at the end of the five year term for an additional term of five years.

NOTE 25 SEGMENT REPORTING

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

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

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

Revenues of approximately \$137M (2009 – \$133M) are derived from a single external customer.

All the assets are located in Australia. Segment assets are allocated to countries based on where the assets are located.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 26 CASH FLOW INFORMATION

	Consolidated Entity	
	2010 \$000	2009 \$000
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	7,838	10,014
Non-cash flows in profit		
Depreciation	3,091	2,818
Equity based payments	4	(133)
Loss on sale of subsidiary	339	-
Loss on sale of non-current assets	390	96
Impairment to goodwill	7,038	625
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Trade receivables	17,658	(23,326)
Prepayments	339	(119)
Other assets	(9,061)	(4,401)
Inventories	(8,272)	(68)
Trade payables and accruals	8,735	26,864
Deferred tax assets / tax liability	996	3,696
Provisions	2,335	1,072
Cash flow from operations	31,430	17,138
(b) Disposal of Entities		
During the year the controlled entity Novacoat (WA) Pty Ltd was sold. Aggregate details of this transaction are:		
Disposal price	2,000	-
Cash consideration	2,000	-
Assets and liabilities held at disposal date:		
Cash and cash equivalent	306	-
Receivables	1,291	-
Inventories	149	-
Property, plant and equipment	1,089	-
Goodwill	754	-
Payables	(1,250)	-
	2,339	-
Net (loss)/gain on disposal	(339)	-
Net cash received	1,694	-

On 30 April 2010, the parent entity disposed of its 100% interest in Novacoat (WA) Pty Ltd. An operating loss of \$30,000 before income tax was attributable to members of the parent entity from 1 July 2009 to 30 April 2010.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

(c) Acquisition of Entities

No new acquisitions of entities have been made during the financial year.

(d) Non-cash Financing and Investing Activities

	Consolidated Entity	
	2010 \$000	2009 \$000
(i) Share issues:		
-1,111,111 fully paid ordinary shares at \$0.225 each issued as deferred part consideration for the acquisition of Eastman Fort Pty Ltd	-	250
-333,333 fully paid ordinary shares at \$0.75 each issued in part consideration for the acquisition of Matrix Engineers Pty Ltd	250	250
-2,000,000 fully paid ordinary shares at \$0.75 each issued in part consideration for the acquisition of Decmil Australia Pty Ltd	1,500	-
-1,775,000 options exercisable at \$0.75 each and 625,000 options exercisable at \$1.00 each to acquire ordinary shares as part consideration for the acquisition of Decmil Australia Pty Ltd	1,956	-
-50,000 fully paid ordinary shares at \$0.90 each issued as deferred part consideration for the acquisition of Eastman Fort Pty Ltd	45	-
(ii) Finance leases:		
- Finance leases to acquire plant and equipment	4,168	4,889

(e) Credit Standby Facilities with Banks

	Consolidated Entity	
	2010 \$000	2009 \$000
Credit Facilities	17,800	17,000
Amount utilised	(3,999)	(2,078)
	13,801	14,922
The credit facilities are summarised as follows:		
Bank overdraft	-	1,000
Equipment finance	6,800	5,000
Limited recourse receivables finance	11,000	11,000
	17,800	17,000

The majority of credit facilities are provided by National Australia Bank Limited and are subject to annual review. Interest rates are variable and subject to adjustment with the exception of equipment whereby the interest rate is fixed for the duration of each discreet finance contract. The facilities are secured via a registered first mortgage with fixed and floating charge over the assets of the consolidated entity. In addition to the National Australia Bank facilities, the consolidated entity also has a \$3.8m credit facility with Toyota Finance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 27 SHARE-BASED PAYMENTS

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

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

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

Common terms and conditions applicable to all options granted are:

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

PERFORMANCE RIGHTS PLAN

As a result of passing of Resolution 7 at the 30 November 2009 Annual General Meeting, a performance rights plan was put in place. For the financial year ended 30 June 2010, performance rights were granted to Scott Criddle, Andries Dique and Justine Campbell.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

PERFORMANCE HURDLE

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

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

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

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

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

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

	Number	Weighted average exercise price
Options outstanding as at 30 June 2008	10,950,000	\$0.71
Granted	2,000,000	\$0.75
Forfeited	-	-
Exercised	-	-
Expired	(6,350,000)	\$0.93
Options outstanding as at 30 June 2009	6,600,000	\$0.83
Granted	-	-
Forfeited	-	-
Exercised	(3,793,300)	\$0.82
Expired	(216,700)	\$0.84
Options outstanding as at 30 June 2010	2,590,000	\$0.86
Options exercisable as at 30 June 2010:	2,590,000	
Options exercisable as at 30 June 2009:	3,588,317	

The weighted average remaining contractual life of options outstanding at year end was 2 years. The exercise price of outstanding shares at the end of the reporting period was in the range of \$0.75 to \$1.00.

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. The weighted average fair value of options granted during the year was \$Nil (2009: \$0.078). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

	2010	2009
Weighted average exercise price:	-	\$0.60
Weighted average life of the option:	-	6 years
Expected share price volatility:	-	50%
Risk-free interest rate:	-	5.805%

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

iii. A summary of the movements of all performance right issues is as follows:

	Number	Weighted average exercise price
Performance Rights outstanding as at 30 June 2009	-	-
Granted	1,075,179	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Performance Rights outstanding as at 30 June 2010	1,075,179	-
Performance Rights exercisable as at 30 June 2010:	-	
Performance Rights exercisable as at 30 June 2009:	-	

The fair value of the Performance Rights granted during the financial year was \$783,131. Performance Rights granted during the year were valued using a Binomial option pricing model. The expected life used in the model has been based on management's best estimate for the effects of the vesting conditions and the probability of meeting the vesting conditions. The Fair Value has been discounted by 25% to reflect the probability of not meeting the TSR performance hurdles. The discount factor of 25% was determined through the use of a Binomial option pricing model, probability trees and an analysis of the historic performance, over various periods of time of the ASX 300.

The weighted average fair value of performance right granted during the year was \$0.728 (2009: \$nil). These values were calculated using a Binomial option pricing model applying the following inputs:

Weighted average exercise price:	\$Nil
Weighted average life of the option:	6.4 years
Expected share price volatility:	60%
Risk-free interest rate:	5.23%

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

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

iv. Performance Rights granted to key management personnel as share-based payments are as follows:

	Grant Date	Number
	30 November 2009	1,075,109

The weighted average fair value of those equity instruments, determined by reference to market price, was \$783,131.

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

	Consolidated Entity	
	2010 \$000	2009 \$000
Options	(61)	(133)
Performance Rights	65	-
	4	(133)

NOTE 28 RELATED PARTY TRANSACTIONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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	
	2010 \$000	2009 \$000
(a) Director Related Entities		
Rent of workshop premises used by Novacoat (WA) Pty Ltd was paid to various entities in which Mr Robert Franco has an indirect beneficial interest	540	632
Rent of office premises used by Decmil Group Limited and several of its subsidiaries was paid to LMR Partnership, an entity in which Mr Robert Franco has a beneficial interest	477	293
Rent of workshop premises used by Fabcon Construction Pty Ltd was paid to Emmerick Pty Ltd, an entity in which Mr Robert Franco has a beneficial interest	-	78
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	211	203

NOTE 29 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

i. Treasury Risk Management

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

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

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

ii. Financial Risk Exposures and Management

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

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2010, virtually all of the consolidated entity debt consisting of finance leases which have fixed interest rates.

Liquidity risk

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

Credit risk

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

There are no material amounts of collateral held as security at 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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

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

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

Price risk

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

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 \$000	within 1 year \$000	1 to 5 years \$000	over 5 years \$000	adjustment for discounting \$000	carrying amount \$000
2010							
Financial assets							
Cash and cash equivalents	4.5	-	52,894	-	-	-	52,894
Receivables	-	25,716	-	-	-	-	25,716
		25,716	52,894	-	-	-	78,610
Financial liabilities							
Payables	-	(63,328)	-	-	-	-	(63,328)
Borrowings	5.05	-	(2,565)	(3,183)	-	-	(5,748)
		(63,328)	(2,565)	(3,183)	-	-	(69,076)
2009							
Financial assets							
Cash and cash equivalents	3	-	22,912	-	-	-	22,912
Receivables	-	44,702	-	-	-	-	44,702
		44,702	22,912	-	-	-	67,614
Financial liabilities							
Payables	-	(57,593)	-	-	-	-	(57,593)
Borrowings	5.5	-	(1,977)	(2,820)	-	-	(4,797)
		(57,593)	(1,977)	(2,820)	-	-	(62,390)

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

	Consolidated Entity	
	2010 \$000	2009 \$000
Less than 6 months	63,328	57,593
	63,328	57,593

iv. Net Fair Values

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

The net fair values of:

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

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

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

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

v. Sensitivity Analysis

Interest Rate Risk and Price Risk

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

Interest Rate Sensitivity Analysis

At 30 June 2010, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be negligible as the consolidated entity's borrowings consist predominantly of fixed rate leasing contracts.

Price Risk Sensitivity Analysis

At 30 June 2010, 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	
	2010 \$000	2009 \$000
Change in Profit		
— Increase in labour costs by 5% (CPI assumption)	(4,674)	(3,703)
Change in Equity		
— Increase in labour costs by 5% (CPI assumption)	(4,674)	(3,703)

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

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

NOTE 30 CONTINGENT LIABILITIES

	Consolidated Entity	
	2010 \$000	2009 \$000
Guarantees given to various clients for satisfactory contract performance	57,078	38,077
	57,078	38,077

NOTE 31 SUBSEQUENT EVENTS

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

DIRECTOR'S DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out within this financial report, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards, including the Interpretations and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date.
2. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in note 1; and
3. the directors have been given the declarations required by s.295A of the Corporations Act 2001.
4. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'D. Criddle', with a large circular flourish at the end.

DENIS CRIDDLE

Chairman

Dated this 25th day of August 2010

INDEPENDENT AUDITOR'S REPORT

RSM Bird Cameron Partners
Chartered Accountants

RSM Bird Cameron Partners
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DECMIL GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Decmil Group Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies 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 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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INDEPENDENT AUDITOR'S REPORT

RSM Bird Cameron Partners

Chartered Accountants

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's 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 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 which is included within the directors' report for the financial year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Decmil Group Limited for the financial year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants



TUTU PHONG
Partner

Perth, WA
Dated: 25 August 2010

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Principle	1	Lay solid foundations for management and oversight
Principle	2	Structure the board to add value
Principle	3	Promote ethical and responsible decision-making
Principle	4	Safeguard integrity in financial reporting
Principle	5	Make timely and balanced disclosure
Principle	6	Respect the rights of shareholders
Principle	7	Recognise and manage risk
Principle	8	Remunerate fairly and responsibly

Details of Decmil Group Limited's compliance with the Recommendations for the period ended 30 June 2010 are disclosed in this statement.

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

STRUCTURE AND OPERATION OF THE BOARD

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

In accordance with the definition of independence above, and the materiality thresholds set, the Board reviewed the positions and associations of each of the 7 Directors in office at the date of this statement and considers that 4 of the Directors are independent as follows:

Name	Position
Geoffrey Allen	Non-Executive Director
Giles Everist	Non-Executive Director
William Healy	Non Executive Director
Lee Verios	Non-Executive Director

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

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

Name	Term in office
Denis Criddle	Appointed August 2007
Scott Criddle	Appointed April 2010
Geoffrey Allen	Appointed April 2009
Giles Everist	Appointed December 2009
Rob Franco	Appointed October 2004
William Healy	Appointed April 2009
Lee Verios	Appointed April 2010

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

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

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

CORPORATE GOVERNANCE STATEMENT

The Remuneration Committee is responsible for:

EXECUTIVE REMUNERATION POLICY

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

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

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

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

EXECUTIVE REMUNERATION PACKAGES

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

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

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

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

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

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

INCENTIVE SCHEMES

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

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

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

NON-EXECUTIVE REMUNERATION

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

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

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

CORPORATE GOVERNANCE STATEMENT

TERMINATION PAYMENTS

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

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

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

The Remuneration Committee comprised the following members:

- Robert Franco (Chair)
- William Healy
- Lee Verios

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

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

AUDIT AND RISK COMMITTEE

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

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

- the integrity of financial statements;
- the effectiveness of internal financial controls;
- the independence, objectivity and competency of internal and external auditors; and
- the policies on risk oversight and management; and
- making recommendations to the Board in relation to the appointment of external auditors and approving the remuneration and terms of their engagement.

RISK MANAGEMENT

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

The Audit and Risk Committee comprised the following members:

- Giles Everist (Chair)
- Geoffrey Allen
- Robert Franco

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

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

CORPORATE GOVERNANCE STATEMENT

PERFORMANCE

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

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

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

As the Remuneration Committee and Audit and Risk Committee were only recently established, no review of their performance has yet been conducted. An internal review of this committee's will be performed in the 2011 financial year.

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

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

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

RISK MANAGEMENT

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

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

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

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

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

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

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

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

- A Group Risk Management Policy Statement and methodology based on the Australian Standard on Risk Management, AS/NZS 4360. This Policy has been placed on the Decmil Group Limited website and is therefore accessible by all Decmil Group Limited staff. The Policy outlines Decmil Group Limited's approach to managing risk including a description of responsibilities;

CORPORATE GOVERNANCE STATEMENT

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

The Decmil Group Limited Internal Control system comprises:

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

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

REMUNERATION

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

CODE OF CONDUCT

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

TRADING POLICY

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

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

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

SUMMARY

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

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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

This information is made up as at 31 July 2010.

1. SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders listed on the company's register are:

Shareholder	Shares	%
Broadway Pty Ltd and Nola Isabel Criddle	26,248,232	21.24
Acorn Capital Ltd.	13,018,879	10.54
Thorney Investments	11,134,096	9.01
L, M & R Franco – LMR Franco Unit A/C, Delauney Pty Ltd – The Franco Family A/C, MR & RM & LM Franco, MF & I Franco	8,400,000	6.80

2. DISTRIBUTION OF SHAREHOLDINGS

Range of Holding	No. of Shareholders	No. of Ordinary Shares	%
1 – 1,000	1,048	503,981	0.41
1,001 – 5,000	815	2,404,711	1.94
5,001 – 10,000	361	2,861,947	2.31
10,001 – 100,000	397	10,689,270	8.64
100,001 and over	65	107,294,659	86.7
Total	2,686	123,754,568	100.00

There are no shareholders with an unmarketable parcel.

3. VOTING RIGHTS

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

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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	%
Broadway Pty Ltd – The Decmil Australia A/C	19,850,000	16.04
National Nominees Ltd	17,062,767	13.79
HSBC Custody Nominees (Australia) Ltd	13,841,774	11.18
Cogent Nominees Pty Ltd	7,125,114	5.76
Mrs Nola Isabel Criddle – Criddle Investment Fund	6,398,232	5.17
Citicorp Nominees Pty Ltd	5,541,260	4.48
L, M & R Franco – LMR Franco Unit A/C	4,650,000	3.76
JP Morgan Nominees Australia Ltd	4,395,516	3.55
ANZ Nominees Ltd – Cash Income A/C	3,280,046	2.65
Delauney Pty Ltd – The Franco Family A/C	2,300,000	1.86
Fairview Pty Ltd – Ernest Franco Family A/C	2,300,000	1.86
Bond Street Custodians Limited	1,191,787	0.96
Invia Custodian Pty Ltd – R&A Wright Family Super Fund A/C	1,148,122	0.93
Anjet Projects Pty Ltd – The Lyndi Superfund A/C	1,135,000	0.92
Citicorp Nominees Pty Ltd – Cwlth Bank Off Super A/C	1,044,548	0.84
O'Neill Administration Pty Ltd – O'Neill Super Fund	1,000,000	0.81
Mr James Nikoloudis	977,510	0.79
Anjet Projects Pty Ltd – The Dique Family A/C	865,000	0.70
Vassjnr Pty Ltd	750,000	0.61
Citicorp Nominees Pty Ltd – CFSIL Cwlth Aust SHS 23 A/C	696,008	0.56
Total	95,552,684	77.22

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Australian Business Number

35 111 210 390

ASX code

DCG

Registered Address

Level 2, 76 Hasler Road
Osborne Park WA 6017
Tel: +61 8 9368 8877

Annual General Meeting

Shareholders are advised that the Decmil Group Limited 2010 Annual General Meeting (AGM) will be held on Monday 22 November 2010 at the Hyatt Regency, Adelaide Terrace, Perth, Western Australia commencing at 10.00 am (AWST).

www.decmilgroup.com.au

About this Report

This Annual Report is a summary of Decmil Group Limited's (DGL) operations, activities and financial position as at 30 June 2010.

References in the report to 'the year' or 'the reporting period' relate to the financial year, which is 1 July 2009 to 30 June 2010, unless otherwise stated. All dollar figures are expressed in Australian currency.

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.

In its efforts to reduce its impact on the environment DGL 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.decmilgroup.com.au



This publication is printed on Monza recycled which is an ISO 14001 certified environmentally accredited paper stock.





Decmil Group Limited

www.decmilgroup.com.au