Decmil Group Limited

ABN 35 111 210 390

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2010

CORPORATE DIRECTORY

Directors
Denis Criddle, Non-Executive Chairman
Scott Criddle, Managing Director
Geoffrey Allen, Non-Executive Director
Giles Everist, Non-Executive Director
William Healy, Non-Executive Director
Lee Verios, Non-Executive Director

Executive Team
Andries Dique, Chief Operating Officer
Justine Campbell, Chief Financial Officer
Brad Kelman, General Counsel/Company Secretary
Tom Fallon, General Manager, Decmil Australia

Australian Business Number
35 111 210 390

Principal Registered Address
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Osborne Park WA 6017
Telephone: 08 9368 8877
Facsimile: 08 9368 8878

Postal Address
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Osborne Park WA 6916

Operational Offices
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Level 2, 76 Hasler Road
Osborne Park WA 6017
Telephone: 08 9368 8877
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Decmil Australia Pty Ltd
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Telephone: 08 6211 3800
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Auditor
RSM Bird Cameron Partners
8 St Georges Terrace
Perth WA 6000
Telephone: 08 9261 9100
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Share Registry
Computershare Investor Services Pty Limited
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Lawyers
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Financiers
National Australia Bank Limited
100 St Georges Terrace
Perth WA 6000
Telephone: 13 10 12

ASX Code
DCG

DIRECTORS' REPORT

Your directors submit the financial report of Decmil Group Limited for the half-year ended 31 December 2010.

Directors

The names of directors who held office during or since the end of the half-year:

Mr Geoffrey Allen

Mr Denis Criddle

Mr Scott Criddle

Mr Giles Everist

Mr Robert Franco (Resigned 22 November 2010)

Mr William Healy

Mr Lee Verios

Review of Operations

Overview

The consolidated operating profit before tax for the half-year was $20.2 million.

The profit before tax of $20.2 million on revenue of $233.7 million compares with a profit before tax of $13.2 million on revenue of $149.3 million for the previous corresponding half-year.

Decmil was awarded approximately $93 million in contract extensions during the period which further reinforces the Company's strong market position and relationship with high quality clients.

Strong cash flow management continued to be a key feature of the Group with operating cash flow of $22.9 million and cash on hand of $62.9 million. The Group maintained no significant debt.

Current business activity and forward workload levels remain healthy and are anticipated to result in second half sales revenue and earnings similar to those in the first half.

With the resources sector strengthening and the outlook for energy and infrastructure markets remaining positive, the company is in a strong position to continue to capitalise on a healthy pipeline of project opportunities.

Rounding of Amounts

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

Auditor's Declaration

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is included within this financial report.

This report is signed in accordance with a resolution of the Board of Directors.

Denis Criddle

Chairman

Dated this 23rd day of February 2011

RSM Bird Cameron Partners
Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Decmil Group Limited for the half-year ended 31 December 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, WA
Dated: 23 February 2011

TUTU PHONG
Partner

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Consolidated Entity	
	31.12.2010	31.12.2009
	$000	$000
Revenue	233,724	149,251
Cost of sales	(203,199)	(125,034)
Administration expenses	(8,240)	(9,247)
Borrowing expenses	(249)	(327)
Depreciation and amortisation expense	(1,765)	(1,472)
Share based payments	(104)	-
Profit before income tax	20,167	13,171
Income tax expense	(6,012)	(4,135)
Profit for the period	14,155	9,036
Other Comprehensive Income	-	-
Total comprehensive income for the period	14,155	9,036
Overall Operations		
Basic earnings per share (cents per share)	11.43	7.47
Diluted earnings per share (cents per share)	11.26	7.17

The accompanying notes form part of the financial report

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Consolidated Entity	
	31.12.2010	30.06.2010
	$000	$000
CURRENT ASSETS		
Cash and cash equivalents	62,905	52,894
Trade and other receivables	75,232	25,716
Work in progress	-	12,993
Other current assets	4,518	13,296
TOTAL CURRENT ASSETS	142,655	104,899
NON-CURRENT ASSETS		
Property, plant and equipment	20,470	9,396
Deferred tax assets	1,057	1,358
Intangible assets	48,601	48,601
TOTAL NON-CURRENT ASSETS	70,128	59,355
TOTAL ASSETS	212,783	164,254
CURRENT LIABILITIES		
Trade and other payables	80,814	57,996
Revenue received in advance	12,576	-
Current tax payable	4,189	5,332
Short-term borrowings	3,263	2,565
Short-term provisions	4,543	5,380
TOTAL CURRENT LIABILITIES	105,385	71,273
NON-CURRENT LIABILITIES		
Long-term borrowings	2,861	3,183
TOTAL NON-CURRENT LIABILITIES	2,861	3,183
TOTAL LIABILITIES	108,246	74,456
NET ASSETS	104,537	89,798
EQUITY		
Issued capital	78,626	78,042
Retained earnings	25,911	11,756
TOTAL EQUITY	104,537	89,798

The accompanying notes form part of the financial report

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Issued Capital Ordinary $000	Retained Earnings $000	Total $000
Balance at 1 July 2009	**73,498**	**3,918**	**77,416**
Profit for the period	-	9,036	**9,036**
Other comprehensive income for the period	-	-	**-**
Total comprehensive income for the period	**73,498**	**12,954**	**86,452**
Share based payments	1,934	-	**1,934**
Shares issued on acquisition of subsidiary	1,750	-	**1,750**
Transaction costs net of tax benefit	(13)	-	**(13)**
Tax effect of claiming s40.880 deductions	(85)	-	**(85)**
Balance 31 December 2009	**77,084**	**12,954**	**90,038**
Balance at 1 July 2010	**78,042**	**11,756**	**89,798**
Profit for the period	-	14,155	**14,155**
Comprehensive income for the period	-	-	**-**
Total comprehensive income for the period	**78,042**	**25,911**	**103,953**
Share options exercised	548	-	**548**
Share based payments	104	-	**104**
Transaction costs net of tax benefit	(5)	-	**(5)**
Tax effect of claiming s40-880 deductions	(63)	-	**(63)**
Balance at 31 December 2010	**78,626**	**25,911**	**104,537**

The accompanying notes form part of the financial report

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Consolidated Entity	
	31.12.2010	31.12.2009
	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	241,259	180,460
Payments to suppliers and employees	(212,138)	(168,898)
Interest received	966	322
Finance costs	(249)	(325)
Income tax paid	(6,915)	(3,944)
Net cash provided by operating activities	22,923	7,615
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(12,024)	(1,224)
Proceeds from sale of non-current assets	242	472
Payment for subsidiaries	-	(1,750)
Net cash (used in) investing activities	(11,782)	(2,502)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and conversion of options	548	1,934
Repayment of borrowings	(1,671)	(964)
Costs of issuing shares	(7)	(18)
Net cash provided by (used in) financing activities	(1,130)	952
Net increase in cash held	10,011	6,065
Cash at beginning of period	52,894	22,912
Cash at end of period	62,905	28,977

The accompanying notes form part of the financial report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 1: BASIS OF PREPARATION

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include full disclosures of the type normally included in an annual financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Decmil Group Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets.

The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial report.

	Consolidated Entity	
	31.12.2010	**31.12.2009**
	$000	**$000**
NOTE 2: REVENUE		
Revenue from operating activities:		
- sale of goods and services	232,600	149,071
Revenue from non-operating activities:		
- other non-operating income	1,124	180
Total revenue	233,724	149,251

	31.12.2010	**30.06.2010**
	$000	**$000**
NOTE 3: ISSUED CAPITAL		
a) Paid up capital		
Fully paid ordinary shares	78,626	78,042

b) Movements

	No of Shares	Paid Up Capital
	'000	$000
Balance 1 July 2010	123,555	78,042
Issue of shares relating to options exercised	650	548
	124,205	78,590
Add: Share based payments		104
Less: Transaction costs of share issues (net of tax benefit)		(5)
Less: Tax effect of claiming s40.880 deductions		(63)
		78,626

NOTE 4: DIVIDENDS

There have been no dividends declared or recommended and no distributions made to the shareholders or other persons during this reporting period.

NOTE 5: SEGMENT INFORMATION

The directors have considered the requirements of AASB 8 'Operating Segments' and the management reports that are reviewed by the chief operating decision maker, being the board of directors, in allocating resources and have concluded that there are no separate business segments.

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

NOTE 6: CONTINGENT LIABILITIES

As at 31 December 2010, the guarantees given to various customers for satisfactory contract performance amounted to $70.3 million.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

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' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out within this financial report:
   a. comply with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001; and
   b. give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Denis Criddle

Chairman

Dated this 23rd day of February 2011

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Chartered Accountants

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Decmil Group Limited which comprises the condensed statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Decmil Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Decmil Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Decmil Group Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

TUTU PHONG
Partner

Perth, WA
Dated: 23 February 2011