



ABN 35 111 210 390

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2012

**DECMIL GROUP LIMITED ABN 35 111 210 390
AND CONTROLLED ENTITIES**

31 December 2012 Interim Financial Report

CORPORATE DIRECTORY

Directors Giles Everist, Non-Executive Chairman Scott Criddle, Managing Director Denis Criddle, Non-Executive Director William Healy, Non-Executive Director Lee Verios, Non-Executive Director Executive Team Justine Campbell, Chief Financial Officer/Company Secretary Todd Strathdee, Chief Strategy & Operating Officer Ray Sputore, Managing Director, Decmil Australia Australian Business Number 35 111 210 390 Principal Registered Address 20 Parkland Road Osborne Park WA 6017 Telephone: 08 9368 8877 Facsimile: 08 9368 8878 Postal Address PO Box 1233 Osborne Park WA 6916 Operational Offices Decmil Australia Pty Ltd 20 Parkland Road Osborne Park WA 6017 Telephone: 08 9368 8877 Facsimile: 08 9386 8878 Decmil Australia Pty Ltd & Decmil Investments Pty Ltd Level 5, 60 Edward Street Brisbane QLD 4000 Telephone: 07 3640 4600 Facsimile: 07 3640 4690	Auditor RSM Bird Cameron Partners 8 St Georges Terrace Perth WA 6000 Telephone: 08 9261 9100 Facsimile: 08 9261 9111 Share Registry Computershare Investor Services Pty Limited Level 2, 45 St Georges Terrace Perth WA 6000 Telephone: 08 9323 2000 Facsimile: 08 9323 2033 Email: web.queries@computershare.com.au Website: www-au.computershare.com Lawyers Steinepreis Paganin Level 4, Next Building 16 Milligan Street Perth WA 6000 Telephone: 08 9321 4000 Facsimile: 08 9321 4333 Financiers National Australia Bank Limited 100 St Georges Terrace Perth WA 6000 Telephone: 13 10 12 Controlled Entities Decmil Australia Pty Ltd Decmil Investments Pty Ltd Decmil Properties Pty Ltd Homeground Gladstone Pty Ltd ATF Homeground Gladstone Unit Trust MDJV (Management) Pty Ltd ASX Code DCG
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**DECMIL GROUP LIMITED ABN 35 111 210 390
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31 December 2012 Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report of Decmil Group Limited for the half-year ended 31 December 2012.

Directors

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

Mr Denis Criddle

Mr Scott Criddle

Mr Giles Everist (Chairman)

Mr William Healy

Mr Lee Verios

Review of Operations

Overview

Decmil Group Limited has reported a solid financial performance with revenue for the period of \$332.9M (2011: \$210.9M) and a consolidated operating profit before tax of \$63.3M (2011: \$19.0M).

Net Profit after Tax for the half-year ended 31 December 2012 was \$44.1M (2011: \$13.0M) and earnings per share of 26.30 cents (2011: 10.17 cents). This includes a gain arising from the business combination of HomeGround Gladstone of \$20.8M.

Operating cash flow for the six months ending 31 December 2012 was \$37.1M, an increase of 25% compared to the previous corresponding period. The strong cash position reflects the continuation of efficient working capital management with cash on hand of \$96.3M at the end of the period. The Group maintained a low level of senior debt.

Decmil maintains a very strong financial position which will facilitate its continued growth. During the period net assets increased to \$257.7M from \$225.5M at 30 June 2012. This reflects both the scheduled capital expenditure in completing the Gladstone Village and also the acquisition of the remaining 50% of HomeGround Gladstone during the period.

The value of new projects and contract extensions secured during the period was approximately \$150 million which reflects the Group's strong market position and relationships with high quality clients. The pipeline remains robust and the company will continue to pursue new opportunities and expects to grow the order book significantly during the second half FY13.

The Board has declared an interim dividend of 4.0 cents per share (fully franked). The half year dividend payout represents a 29% payout ratio (excluding the one-off gain on acquisition) which is in line with the Board's dividend payout policy. This policy will continue to be reviewed in line with trading conditions. A final fully franked dividend of \$12.6M was paid during the period in respect of the financial year ended 30 June 2012.

Decmil entered the 2012/2013 financial year with a solid workload and has continued to secure work across all key markets. With the outlook for the business' core markets remaining positive, the company is in a strong position to continue to capitalise on a healthy pipeline of project opportunities many of which are expected to be approved in the 2013 calendar year.

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

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.

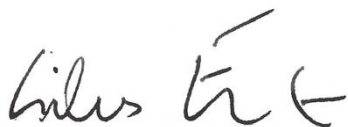
**DECMIL GROUP LIMITED ABN 35 111 210 390
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31 December 2012 Interim Financial Report

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.

A handwritten signature in black ink, appearing to read 'Giles Everist', with a stylized flourish at the end.

Giles Everist

Chairman

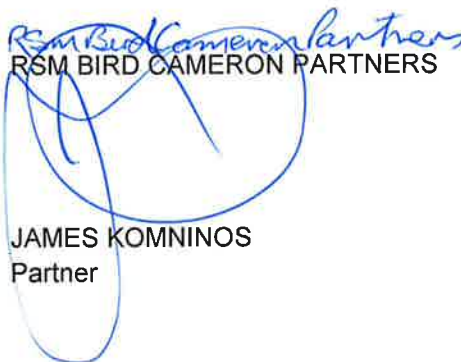
Dated this 18th day of February 2013

RSM Bird Cameron Partners
8 St Georges Terrace Perth WA 6000
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www.rsmi.com.au

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 2012, 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
JAMES KOMNINOS
Partner

Perth, WA
Dated: 18 February 2013

**DECMIL GROUP LIMITED ABN 35 111 210 390
AND CONTROLLED ENTITIES**

31 December 2012 Interim Financial Report

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

		Consolidated Entity	
		31.12.2012	31.12.2011
	Note	\$000	\$000
Revenue	2	332,938	210,900
Cost of sales		(274,326)	(176,306)
Administration expenses		(20,542)	(13,087)
Borrowing expenses		(1,225)	(197)
Depreciation and amortisation expense		(3,097)	(1,987)
Equity based payments		(525)	(170)
Share of profit or (loss) in joint venture		372	(171)
Gain arising from business combination		29,752	-
Profit before income tax		63,347	18,982
Income tax expense		(19,236)	(5,945)
Profit for the period		44,111	13,037
Other Comprehensive Income			
Other comprehensive income		-	-
Total comprehensive income for the period		44,111	13,037
Overall Operations			
Basic earnings per share (cents per share)		26.30	10.17
Diluted earnings per share (cents per share)		26.30	10.02

The accompanying notes form part of the interim financial report

**DECMIL GROUP LIMITED ABN 35 111 210 390
AND CONTROLLED ENTITIES**

31 December 2012 Interim Financial Report

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Consolidated Entity	
	31.12.2012	30.06.2012
	\$000	\$000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	96,311	141,352
Trade and other receivables	40,084	111,320
Work in progress	47,307	28,548
Other current assets	9,408	8,247
TOTAL CURRENT ASSETS	193,110	289,467
NON-CURRENT ASSETS		
Investment property	183,842	-
Property, plant and equipment	40,329	36,773
Deferred tax assets	3,871	4,612
Intangible assets	48,601	48,601
Investments accounted for using the equity method	-	41,710
Loan to joint venture	-	19,697
Loan to joint venture partner	-	3,346
TOTAL NON-CURRENT ASSETS	276,643	154,739
TOTAL ASSETS	469,753	444,206
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	147,278	183,667
Current tax payable	11,540	11,953
Borrowings	23,874	9,485
Provisions	10,337	7,274
TOTAL CURRENT LIABILITIES	193,029	212,379
NON-CURRENT LIABILITIES		
Deferred Tax Liabilities	8,926	-
Borrowings	10,055	6,366
TOTAL NON-CURRENT LIABILITIES	18,981	6,366
TOTAL LIABILITIES	212,010	218,745
NET ASSETS	257,743	225,461
EQUITY		
Issued capital	163,525	162,787
Retained earnings	94,218	62,674
TOTAL EQUITY	257,743	225,461

The accompanying notes form part of the interim financial report

**DECMIL GROUP LIMITED ABN 35 111 210 390
AND CONTROLLED ENTITIES**

31 December 2012 Interim Financial Report

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Issued Capital \$000	Retained Earnings \$000	Total \$000
Balance at 1 July 2011	78,596	35,236	113,832
Net profit for the period	-	13,037	13,037
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	78,596	48,273	126,869
Shares issued for the period	84,959	-	84,959
Transaction costs net of tax benefit	(2,316)	-	(2,316)
Equity based payments	170	-	170
Dividends recognised for the period	-	(7,456)	(7,456)
Balance 31 December 2011	161,409	40,817	202,226
Balance at 1 July 2012	162,787	62,674	225,461
Net profit for the period	-	44,111	44,111
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	162,787	106,785	269,572
Shares issued for the period	405	-	405
Transaction costs net of tax benefit	(192)	-	(192)
Equity based payments	525	-	525
Dividends recognised for the period	-	(12,567)	(12,567)
Balance at 31 December 2012	163,525	94,218	257,743

The accompanying notes form part of the interim financial report

**DECMIL GROUP LIMITED ABN 35 111 210 390
AND CONTROLLED ENTITIES**

31 December 2012 Interim Financial Report

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Consolidated Entity	
	31.12.2012	31.12.2011
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	386,520	213,792
Payments to suppliers and employees	(340,023)	(178,701)
Interest received	1,959	1,603
Finance costs	(1,225)	(197)
Income tax paid	(10,161)	(6,904)
Net cash provided by operating activities	37,070	29,593
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(53,733)	(10,984)
Purchase of investments	(7,601)	(40,410)
Loan to joint venture - payments made	-	(13,678)
Loan to joint venture partner - payments made	-	(2,979)
Proceeds from sale of non-current assets	369	19
Net cash (used in) investing activities	(60,965)	(68,032)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from/(repayment of) borrowings	(8,971)	7,454
Proceeds from issue of shares and conversion of options	405	84,959
Costs of issuing shares	(13)	(3,170)
Dividends paid by parent entity	(12,567)	(7,456)
Net cash provided by (used in) financing activities	(21,146)	81,787
Net increase/(decrease) in cash held	(45,041)	43,348
Cash at beginning of period	141,352	64,362
Cash at end of period	96,311	107,710

The accompanying notes form part of the interim financial report

**DECMIL GROUP LIMITED ABN 35 111 210 390
AND CONTROLLED ENTITIES**

31 December 2012 Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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 2012 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, except in relation to the matters disclosed below.

New and Revised Accounting Standards and Interpretations

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

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

	Consolidated Entity	
	31.12.2012	31.12.2011
	\$000	\$000
NOTE 2: REVENUE		
Revenue from operating activities:		
- sale of goods and services	330,570	208,518
Revenue from non-operating activities:		
- other non-operating income	2,368	2,382
Total revenue	<u>332,938</u>	<u>210,900</u>

NOTE 3: ISSUED CAPITAL

a)	Paid up capital		
	Fully paid ordinary shares	<u>163,525</u>	<u>161,409</u>
b)	Movements		
		No of Shares	Paid Up Capital
		'000	\$000
	Balance 1 July 2012	167,118	162,787
	Shares issued during the period	<u>1,085</u>	<u>405</u>
		<u>168,203</u>	<u>163,192</u>
	Add: Equity based payments		525
	Less: Transaction costs net of tax benefit		<u>(192)</u>
			<u>163,525</u>

**DECMIL GROUP LIMITED ABN 35 111 210 390
AND CONTROLLED ENTITIES**

31 December 2012 Interim Financial Report

NOTE 4: DIVIDENDS

The 2012 final dividend of 7.5 cents per share franked at the rate of 30% was declared and paid on 20 September 2012. The dividend paid totalled \$12.567 million.

On 18 February 2013, the company proposed a fully franked 4.0 cent per share interim dividend with a record date of 5 March 2013 and payment date of 28 March 2013. The total amount of this dividend payment will be \$6.728 million.

NOTE 5: SEGMENT INFORMATION

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

The consolidated entity operates as two segments.

1. Construction – Decmil Australia Pty Ltd – multi-discipline design, civil engineering and construction services; and
2. Accommodation – HomeGround Gladstone Unit Trust – build-own-operation of the HomeGround Gladstone Accommodation Village located in Gladstone, Queensland.

All the assets are located in Australia.

(a) Segment performance	Construction	Accommodation	Total
31.12.2012	\$000	\$000	\$000
REVENUE			
External sales	317,138	13,841	330,979
Interest revenue	1,424	535	1,959
Total segment revenue	<u>318,562</u>	<u>14,376</u>	<u>332,938</u>
Segment net profit before tax	<u>30,017</u>	<u>33,330</u>	<u>63,347</u>

Segment performance

31.12.2011

REVENUE

External sales	208,518	-	208,518
Interest revenue	2,382	-	2,382
Total segment revenue	<u>210,900</u>	<u>-</u>	<u>210,900</u>
Segment net profit before tax	<u>19,153</u>	<u>(171)</u>	<u>18,982</u>

(b) Segment assets	Construction	Accommodation	Total
31.12.2012	\$000	\$000	\$000
Current assets	176,044	17,066	193,110
Non-current assets	88,277	188,366	276,643
Total segment assets	<u>264,321</u>	<u>205,432</u>	<u>469,753</u>

**DECMIL GROUP LIMITED ABN 35 111 210 390
AND CONTROLLED ENTITIES**

31 December 2012 Interim Financial Report

NOTE 5: SEGMENT INFORMATION

Segment assets	Construction	Accommodation	Total
31.12.2011	\$000	\$000	\$000
Current assets	171,909	-	171,909
Non-current assets	85,469	56,896	142,365
Total segment assets	257,378	56,896	314,274

Included in segment assets are:

- equity accounted joint ventures	-	40,239	40,239
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(c) Segment liabilities	Construction	Accommodation	Total
31.12.2012	\$000	\$000	\$000
Current liabilities	157,604	35,425	193,029
Non-current liabilities	2,411	16,570	18,981
Total segment liabilities	160,015	51,995	212,010

Segment liabilities	Construction	Accommodation	Total
31.12.2011	\$000	\$000	\$000
Current liabilities	102,977	-	102,977
Non-current liabilities	9,071	-	9,071
Total segment liabilities	112,048	-	112,048

NOTE 6: CONTINGENT LIABILITIES

As at 31 December 2012, the guarantees given to various customers for satisfactory contract performance amounted to \$82.9 million.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

On 18 February 2013, the company proposed a fully franked 4.0 cent per share interim dividend with a record date of 5 March 2013 and payment date of 28 March 2013. The total amount of this dividend payment will be \$6.728 million.

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

**DECMIL GROUP LIMITED ABN 35 111 210 390
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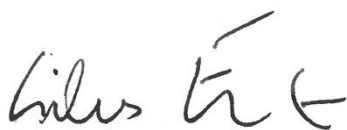
31 December 2012 Interim Financial Report

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 2012 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.



Giles Everist

Chairman

Dated this 18th day of February 2013

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

We have reviewed the accompanying half-year financial report of Decmil Group Limited which comprises the condensed consolidated statement of financial position as at 31 December 2012, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated 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 internal 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 half-year 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 2012 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 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


RSM BIRD CAMERON PARTNERS

JAMES KOMNINOS
Partner

Perth, WA
Dated: 18 February 2013