



DECMIL GROUP LIMITED

2016 ANNUAL REPORT

ABN 35 111 210 390



AUSTRALIAN BUSINESS NUMBER

35 111 210 390

ASX CODE

DCG

REGISTERED ADDRESS

20 Parkland Road

Osborne Park

WA 6017

Tel: +61 8 9368 8877

ANNUAL GENERAL MEETING

Shareholders are advised that the Decmil Group Limited 2016 Annual General Meeting (AGM) will be held on 9 November 2016 at Decmil Head Office 20 Parkland Road, Osborne Park, Western Australia, commencing at 10.00am (AWST).

www.decmil.com.au

ABOUT THIS REPORT

This Annual Report is a summary of Decmil Group Limited's (ASX: DCG) ("Decmil" or "Company") operations, activities and financial position as at 30 June 2016.

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

References in the report to 'the year' or 'the reporting period' relate to the financial year, which is 1 July 2015 to 30 June 2016, unless otherwise stated. All dollar figures are expressed in Australian currency.

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

Contents

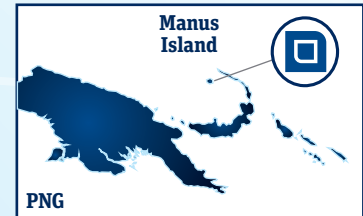
- 04** Our Group Companies
- 15** Chairman's Letter
- 17** Managing Director's Letter
- 19** Financial Performance
- 25** People & Culture
- 26** Health, Safety & Environment
- 28** Decmil in the Community
- 31** Financial Report



OUR GROUP COMPANIES

OUR GROUP OF COMPANIES

Our business operates across Australasia, ensuring that Decmil can offer a robust combination of national expertise with local knowledge. Our national footprint enables depth of capability and our reach allows us to provide more complex and diversified offerings.



LEGEND

-  Decmil
-  Homeground
-  SC Services
-  Cut & Fill
-  scope **Scope Australia**





ABOUT US



As a respected leader in large scale, complex project delivery, Decmil Group Limited (DGL) offers a diversified range of services to the resources, oil & gas, infrastructure and government sectors across the Australasian region.

Companies within the group specialise in design, civil engineering and construction; accommodation services; mechanical fabrication; maintenance; telecommunications and renewable energy.

Established in 1979, Decmil has over 37 years' experience delivering integrated solutions to its blue-chip clients. Our success is based on our ability to build strong relationships and produce positive outcomes for our clients.

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

Our people have the expertise and enterprise to deliver large-scale, complex projects in construction, engineering and accommodation services.

We are renowned in the marketplace for delivering high quality results that are cost effective and delivered on time. We are committed to outstanding project management and delivery regardless of the scale or the intricacy of the work.

Decmil is well progressed towards transitioning the business through broadening its services, winning new business, extending into new markets and increasing project delivery capabilities in Government infrastructure work.

Our goal is to maximise returns from our operations to deliver value to our shareholders, clients and other stakeholders.

OUR VISION

At the heart of Decmil's philosophy is our values-based culture that focusses less on what we do, and more on how we do it. It's no surprise then that our vision and values are incredibly important to each and every one of us.

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





OUR CORE VALUES

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

Safety - Safety and health is what matters most

Leadership - We take ownership and lead by example at all levels

People - The people we have are the strength of our business

Teamwork - We work together and support each other to achieve success

Client Relationships - We have trusting relationships with our clients

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

At Decmil our vision and values are incredibly important to us. We are building our reputation as having a 'values-based culture' where we demonstrate that it's not so much what we do that matters, but how we do it. We know that if we succeed, then all our valued clients, partners and shareholders also succeed.

This integrated approach begins with our people and the belief that together we can develop trusting relationships with all stakeholders to achieve long term mutual goals.







DECMIL CONSTRUCTION



Decmil's traditional construction and engineering business specialises in providing a diversified range of engineering, construction and design services to the resources, oil & gas, infrastructure and government sectors.

For more than 37 years, we have successfully delivered complex, large-scale civil engineering and construction projects for many of the best-known companies in their fields, delivering cost-effective results whilst maintaining quality and safety. The Company was established in the Pilbara region in Western Australia; our footprint now extends across the Australasian region with offices in Perth, Brisbane and Auckland.

Decmil has earned a hard-won reputation by delivering quality solutions in tough environments. We understand what is required for the successful delivery of projects in remote areas, as well as logistically complex projects in metropolitan regions.

We achieve this through a seamless transition in areas of scoping, design, value engineering and costing projects that is best understood through 'whole-of-life lifecycle modelling'. From scoping study to execution, Decmil has the people, business systems and reputation to safely deliver complex civil and building projects. Decmil's services continue through the construction and commissioning phases of projects also into facilities management including maintenance, refurbishment and expansion.

Our collaborative and integrated approach to project planning carries through to all stages of the project delivery process providing a comprehensive management capability that allows for safe and efficient project delivery. We are recognised for our development of sound, professional and trusted relationships with all project stakeholders.

Underpinned by the expertise and experience of our team, we deliver successful outcomes through our commitment to continuous improvement and the internal mechanisms that encourage and support this function of our business.

Our approach is to understand the client's needs and deliver accordingly.



CUT & FILL



Since its incorporation in 1978, Cut & Fill has transformed from project management and construction of road, pavement and allied projects; to a fully diversified civil engineering business.

Cut & Fill embrace the civil infrastructure industries, local government improvement and development works; and an increasing number of environmental and lifestyle projects.

Cut & Fill has been and continues to be a well-known partner in major civil infrastructure works across the south eastern seaboard of Australia, particularly with the State Road Authorities in Victoria, the Australian Capital Territory and New South Wales. We hold the highest available road and bridge pre-qualification accreditation (R5/B4) in Victoria, New South Wales and the Australian Capital Territory.

Our past experience and diversified expertise has also seen us complete challenging and varied civil projects for local government bodies and councils which include the NSW Department of Commerce, the Victorian Department of Transport, VicTrack, the Royal Botanic Gardens and Parks Victoria.

Cut & Fill's experience and commitment to contract partnering, environmental management, community consultation and landscaping gives the depth of experience demanded in this industry.

We have a wealth of experience in managing works within the public domain, where innovation and ecological sustainability is a priority and where both hard and soft landscaping components are considerable.

Our continued practice of building and promoting an in-house trained and multi-skilled employee base has enabled us to develop the total package of contract management that consistently delivers the timely completion of projects to the mutual satisfaction and benefit of our clients, ourselves and third party stakeholders.

Our project delivery philosophy focusses on early, safe, collaborative and high quality project completion.

We ensure our project teams are resourced with appropriate numbers of experienced and well trained people to assist in ensuring that the above objectives are met.

Our people are encouraged and required to search for innovative ways to assist in saving time and money while always maintaining high levels of quality and safety. The experience and ability of Cut & Fill's staff has supported the achievement of positive project outcomes through creative and innovative solutions.

Our collaborative/partnering approach assists in the achievement of aligned outcomes that are mutually beneficial and support ongoing relationships.

We focus our approach on working with our clients to efficiently deliver our projects and ensure best value for money outcomes.





SCOPE AUSTRALIA



Scope Australia provides innovative and diversified engineering design solutions incorporating all phases of a project from inception, feasibility and implementation to commissioning and operations.

We are challenging traditional conventions of project delivery and offer our clients a value-centric and true 'full service and disciplines' alternative to deliver projects, with delivery models tailored to meet project specific requirements.

We are typically engaged in a lead capacity, enabling us to fully leverage our integrated management system, which helps to ensure the provision of multi-disciplined services is managed efficiently and provides our clients with certainty in project outcomes.

Scope Australia's skilled employees deliver a comprehensive range of study and project management/delivery options with the objective of maximising long-term productivity and profitability for our clients. It is our role to enable our clients to realise the inherent value in their asset and optimise outcomes, across both greenfields and brownfields project opportunities.

We provide our clients with comprehensive support in the areas of detailed study and project management throughout the project development lifecycle and we align our dedicated team with client personnel, contractors and other key stakeholders.

Our team are proven specialists in delivering highly effective project services, either on a standalone basis or in support of our study and project management and engineering assignments.

We work with our clients to assess and select the best delivery strategy for their projects with the key focus being the management of time, cost and quality through the principle of structured governance and associated work processes, including change management, project controls and reporting.

Our project services function can be utilised in full or in part across the complete project lifecycle or we can tailor solutions to a specific phase of a project.

We provide innovative and effective infrastructure design by assessing the requirements and selecting and developing solutions which effectively balance the capital, operating and maintenance expenditure - all aligned with the operational design life.

Our ability to apply our experience and skill across infrastructure projects varying in scale, complexity, value and purpose, ensures our solutions are cost effective, fit-for-purpose and aligned with our clients' needs.



SC SERVICES



SC Services is an expert in providing telecommunications solutions for Australia's leading carriers, equipment vendors and service providers.

Established in Western Australia over 15 years ago, SC Services now has offices in New South Wales and Victoria which are both experiencing market growth.

Our end-to-end resources, expertise, experience and processes actively benefit from monetising the complete telco network project lifecycle. This approach allows for continuity of work across multiple network topologies, matrixed across multiple generations of rollouts providing a constant and expanding stream of opportunities.

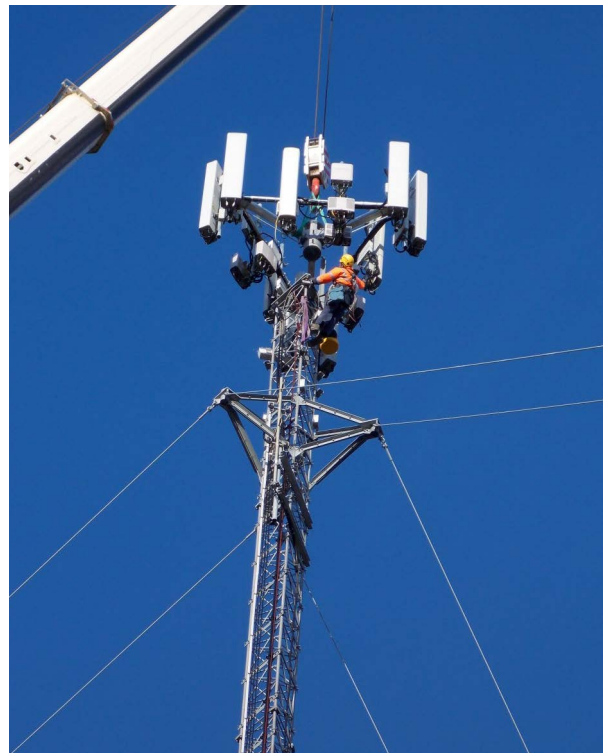
We design, install and commission 4G and LTE Wireless/Mobile networks, microwave solutions, NBN (National Broadband Network), FTTB (Fibre to the Basement), FTTP (Fibre to the Premises) and FTN (Fibre to the Node) turnkey rollouts (design verification, pit, pipe, trench, bore, remediation, haul, splice, joint, cabinets, commission and testing).

Our national team of highly experienced and fully accredited employees and a dedicated team of subcontractors deliver high quality and outstanding deployment on all projects.

The financial strength and commitment to leading industry standards are just a few reasons why clients trust SC Services with performing works to meet their telecommunication needs.

SC Services employs a customer focused approach, follows best practice industry standards and uses efficient delivery mechanisms to deliver projects in a safe and cost effective manner.

The professionalism of the team, commitment to excellence and continual improvement has seen the client base grow and regard SC Services as their service provider of choice.





HOMEGROUND



Homeground Villages sets a new standard in quality and affordable workforce accommodation.

Homeground Villages' flagship property, Homeground Gladstone is located in the Gladstone region in central Queensland.

Since late 2011 and completion of stage one of the village through to the completed 1,392 room facility, Homeground Gladstone has provided over one million room nights of accommodation to some of the largest construction projects in Australia including the Wiggins Island Coal Export Terminal (WICET) and three LNG production facilities on Curtis Island (APLNG, GLNG, QCLNG) whilst also providing service and support to Gladstone's long term operating industries.

Whilst strategically located to service Gladstone's ever-growing list of resource related heavy industrial facilities, the village is also located close to State Development Land designated and set aside for future major projects ensuring Homeground Gladstone is the logical choice for any new projects' future accommodation requirements.

With a conceptual vision to lift the standard of living for transient workers whilst also providing an opportunity for guests to establish themselves as part of the community, Homeground Gladstone has successfully managed to attract and maintain an enviable list of clientele whilst also building a strong relationship with the local community, a proven benefit to not only ourselves but also our customers.

With a culture of continuous improvement evidenced and referred to daily, the Homeground Management team have begun transitioning village operations to prepare for a nearby future where our customer demographic will shift from predominately construction focussed to a maintenance and operational support focus.

This shift from our customers presents great opportunity for Homeground with a pipeline of business extending well into the future with or without additional major projects for the region.

Build Own Operate opportunities in a variety of formats continue to be a focus for the business and the team with a proactive early engagement method adopted with both the project owners and proponents along with local community stakeholders, an identified key strategy for success.

In addition the Homeground team will continue to develop new business pipelines through opportunities within the existing Decmil Group with a view to shared success.







CHAIRMAN'S LETTER



On behalf of the Board of Directors of Decmil I am pleased to present the Company's 2016 Annual Report.

The 2016 financial year saw dramatic changes in the natural resources sectors and in many parts of the Australian economy. As a result, Decmil's traditional source of work dramatically reduced which saw the Group reassess its work profile and associated organisational structures and accelerate its diversification strategy to create a business that is stronger and more sustainable.

The 2016 financial year therefore became a year of transition for Decmil and despite the challenges in our traditional markets, much was achieved including:

- The restructuring of the resource based business in Western Australia and Queensland;
- Entry into the wireless and fibre telecommunications markets with the acquisition of SC Services;
- Entry into the Victorian and New South Wales civil infrastructure markets with the acquisition of an established local contractor, Cut & Fill;
- Expanded the Group's capability and geographic reach within the defence sector;
- Gained exposure to the EPC market with the acquisition of Scope Australia; and
- Entry into the New Zealand civil and building markets and establishment of an office in Auckland.

As we look to the 2017 financial year we will continue to grow our footprint in public sector infrastructure particularly in defence, health and education. We will continue to diversify the client base of our upstream coal seam gas (CSG) business and achieve the number one position in the market for CSG brownfield work. We want to develop a balanced building and civil business in New Zealand and grow the Cut & Fill business.

In the year we welcomed new people to the Decmil executive team and Board. In July 2015 Ric Buratto joined Decmil as a senior executive in the Construction and Engineering division.

Ric has had a long and distinguished career in construction and engineering and most recently held the position of Executive General Manager at Thiess. Ric's extensive experience and network within the industry will bolster Decmil's capability to deliver larger and more complex construction and engineering projects.

In May 2016 we welcomed David Saxelby to the Decmil Board. David is one of the most senior executives in the Australian construction and infrastructure industry. He has held managing director and CEO roles for the past decade, most recently with Lendlease as CEO of Construction and Infrastructure Australia. Prior to Lendlease, David was with the Leighton Group for 18 years, where he held a number of senior positions, most recently as Managing Director of Thiess.

In closing, it has been a tough year but the Board and executive team believe that the measures we have taken in the past year have placed the business in a strong position for the future. I would like to take this opportunity on behalf of the Board to thank our loyal shareholders for their ongoing support and our employees for their dedication to Decmil.



Bill Healy
Chairman



MANAGING DIRECTOR'S LETTER

2016 was a year of transformation at Decmil as we moved on from the recent resources boom market.



As mentioned in the Chairman's letter the 2016 financial year saw a dramatic turnabout in the resources and energy sectors. This dramatic change caused Decmil to initiate an accelerated plan to move into new markets with more stable and recurring demand patterns; and through this diversification create a business that can better navigate fluctuations in business cycles.

The key highlights from the year include:

- A milestone of over \$100 million in Defence work secured across Australia including fuel infrastructure works, building refurbishment projects and the construction of new infrastructure such as training facilities and explosives hazard areas;
- Built on over 30 years of experience in the iron ore sector with Decmil's project at Roy Hill for Samsung C&T continued to progress safely and productively towards commissioning, with ongoing maintenance work also secured, and new work with BHP Billiton Iron Ore;
- Strong performance on QGC's wellhead installation programme, securing new brownfield maintenance work and new work for Origin Energy in the gas sector;
- Establishing a presence in New Zealand with public infrastructure projects underway on both the north and south island; and
- Entry into the east coast transport infrastructure market with the acquisition of an established local contractor, Cut & Fill.

We also restructured the operating model for Homeground Gladstone resulting in cash breakeven at low levels of occupancy and secured an exclusive accommodation agreement with ConocoPhillips for all temporary accommodation requirements of the Australia Pacific LNG facility located on Curtis Island. Homeground remains an important part of the Curtis Island LNG logistics chain.

The Group's balance sheet remains strong and we closed 2016 with \$244 million in net assets and a very low level of gearing.

Decmil has been evolving over the past few years and we saw many changes in 2016. There are however a few basic principles we continue to follow:

- Preserving our balance sheet strength;
- Continuing sustainable diversification;
- Sensible investment in people and capability; and
- A focus on costs at every level in the business.

The positive trends in Federal and State Government infrastructure spending through to 2019 and beyond represent a great opportunity for growth in parts of the business. Trends in the minerals sector including in the key commodities of gold, lithium and potash are also presenting new EPC opportunities for the business. Additionally, spending on telecommunications infrastructure construction has increased significantly in recent years underpinned by the rollout of new technologies in the downstream wireless tower construction industry and the delivery of the NBN.

We are looking forward to 2017 and building on the plans and initiatives commenced in 2016.

I would like to thank the Board, our employees and shareholders for the support afforded to the business during the past 12 months.

Scott Criddle
Managing Director & Group CEO





FINANCIAL PERFORMANCE



OVERVIEW OF FINANCIAL PERFORMANCE

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

FINANCIAL PERFORMANCE HIGHLIGHTS

The 2016 financial year presented a number of challenges for the Group arising from dramatic changes in the natural resources sectors and in many parts of the Australian economy. The Group did however respond to these challenges and continued a plan of action to move into new markets and through this diversification create a business that is stronger and more sustainable.

Key financial highlights include:

- Revenue of \$300.3 million, which was much lower than recent years as work in the natural resources sector dramatically declined, but representing a new base from which the business expects to grow in coming years;
- EBITDA of \$17.5 million (excluding fair value adjustment on investment property of \$78.1m and various one off and restructuring costs);
- NPAT of \$10.3 million (excluding fair value adjustment on investment property of \$57.8m and various one off and restructuring costs);
- Reducing Group overhead by \$12.7 million or 28.7% on the same period last year; and
- Work in hand of ~\$300 million at 30 June 2016 (~\$200 million at 30 June 2015) going into the 2017 financial year.

A reconciliation between the statutory reported and adjusted earnings is included below:

| \$M | EBITDA | NPAT |
|--------------------------------|--------|--------|
| Reported Result | (75.9) | (58.2) |
| <i>Adjustments</i> | | |
| ■ Homeground Revaluation | 78.1 | 57.8 |
| ■ Hastings | 8.0 | 5.6 |
| ■ Restructuring Costs | 4.0 | 2.8 |
| ■ SAS (Discontinued Operation) | 2.9 | 2.0 |
| ■ NZ Establishment Costs | 0.4 | 0.3 |
| Total Adjustments | 93.4 | 68.5 |
| Adjusted Result | 17.5 | 10.3 |



FINANCIAL PERFORMANCE Cont'd



Restructuring and one off costs incurred in the year include:

- The downward revaluation of the Homeground Gladstone village by a non-cash amount of \$78.1 million;
- Restructuring costs of \$4.0 million arising from redundancy and termination payments;
- The discontinuance of unprofitable parts of the SAS Telecom business;
- \$0.4 million in cost to establish the New Zealand office; and
- A project loss of \$8.0 million on the Hastings project in Victoria.

Whilst some of these activities will contribute to the future success and sustainability of the Group, they have come with costs that were incurred in this financial year.

Gross margins in the Construction and Engineering division averaged 11.8%, which is down on 2015. Construction and Engineering revenue by market sector and geography is presented below as well as a breakdown of work in hand values at 30 June 2016.

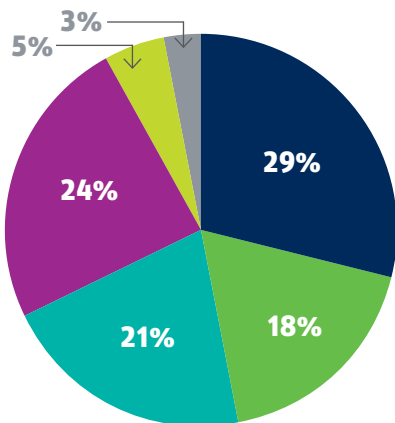
As the charts demonstrate, in the 2016 financial year the Group progressed its diversification by market sector and geography. It is this transformation that the Board and Management believe will create a business with a more diverse, sustainable and better quality of earnings entering the 2017 financial year and beyond.

Homeground Gladstone occupancy averaged 12% in the 2016 financial year with an average room rate of \$142 per night. During the year the asset was independently valued by Ernst & Young at \$110.8 million based on long term occupancy expectations for the Gladstone region.

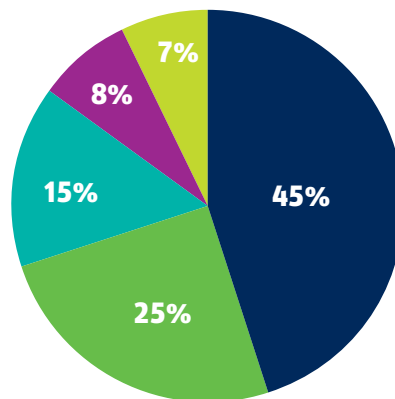
FINANCIAL POSITION

The Group maintained a net cash position, with gross cash on hand of \$15.1 million at the end of the period. Whilst the Group has access to substantial senior debt and bonding facilities, it ended the year very lowly geared (less than 10%). The Board and Management considers this fiscal discipline to be appropriate given the challenging environment in the broader construction and engineering sector.

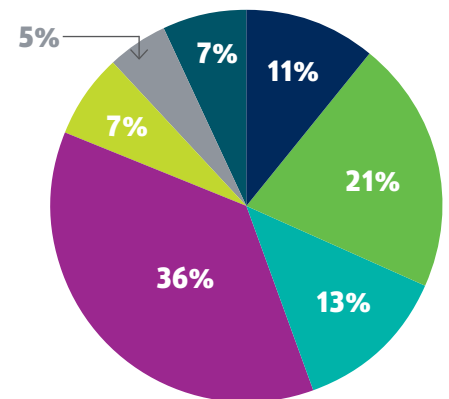
REVENUE BY MARKET SECTOR



REVENUE BY GEOGRAPHY



WIH BY SECTOR



- Iron Ore
- Oil & Gas
- Infrastructure
- Telecoms
- Defence
- Accommodation

- WA
- NSW
- QLD
- Other
- VIC

- Iron Ore
- Infrastructure
- Defence
- Oil & Gas
- Telecoms
- Accommodation
- Renewables





CAPITAL MANAGEMENT

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

Whilst the Group has access to substantial senior debt and bonding facilities, it ended the year with limited senior debt and low levels of gearing.

Management also periodically reviews the level of capital invested in the Homeground Gladstone Village and where appropriate opportunity exists, will consider options to monetise the asset.

The Company is pleased to announce it will pay shareholders a final dividend of 2.0 cents per share, fully franked. The dividend will be paid on 23 September 2016, with a record date of 2 September 2016.

Together with the interim dividend of 2.0 cents per share, this represents a payout of 66.0% of the \$10.3 million adjusted profit for the 2016 financial year.

FINANCIAL OUTLOOK

Restructuring activities on Decmil's traditional business are close to completion. Based on a restructured traditional business and incorporating a full 12 months' contribution from the new businesses acquired or established in the 2016 financial year, Decmil expects FY17 Group revenue to be in excess of \$400 million, supported by an order book of ~\$300 million at 30 June 2016.





PEOPLE & CULTURE



At Decmil we strive for a motivated and passionate workplace that allows our employees to develop and seek the challenges needed to remain engaged at all levels of the business.

At the foundation of our business, we recognise that our success is due to our talented people. Our people have challenged themselves and found innovations in order to create a culture of success and high performance.

Our hiring philosophy ensures that we attract the right people who are aligned to our vision of being the market leader in project delivery. Decmil focusses on recruiting and retaining qualified people who reside in the areas which we operate. We are also driven to hire local indigenous employees to ensure that we are supporting the local communities in which we operate.

Our culture is underpinned by our values of safety, people, leadership, client relationships, teamwork and community. A common goal of safety and conducting business with honesty and integrity is fostered in all locations and businesses.

ANNUAL OVERVIEW

The last twelve months have been difficult due to being faced with a number of challenges. In reviewing our overhead related costs, management implemented restructuring and remuneration review programs within the Construction and Engineering business to ensure we continued to operate within the difficult economic conditions.

Additionally this year has seen Decmil welcome new businesses SC Services, Scope Australia and Cut & Fill to the family and we have opened an office in Auckland, New Zealand.

With these acquisitions and new offices, we have a wider diversification of employees. We are employing people across Australia and New Zealand who represent a diversity of cultures, backgrounds and skills.

Since these acquisitions, we have been heavily focussed on the integration and development of these businesses. We have been implementing communication methods to ensure our people feel part of one business and get regular updates through our 'Fast Focus' programme.

We have experienced new challenges when commencing works in a new market. The Construction and Engineering business has been involved in the construction of two tanks in Hastings, Victoria. This project has had a number of significant industrial relations challenges due to the project location and associated union presences.

As a business with a large proportion of our workforce involved in contracting, Decmil continually adjusts staffing levels in order to meet the demands of the projects in which we are involved. As at 30 June 2016 Decmil Group employed 582 people; 279 salaried employees and 303 wages employees.

To keep our employees engaged and empowered, we promote professional development through relationship building between co-workers, individual development plans, ensuring a safe work environment and offering competitive compensation.

Over the coming year, Decmil will continue to focus on initiatives aimed at recognising and developing our people to be the best they can be and creating a united culture within all the businesses.

HEALTH, SAFETY & ENVIRONMENT



SHIELD

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

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

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

Decmil's six elements of SHIELD are:

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

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

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

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





HEALTH & SAFETY

The health and safety of every employee is foremost in everything we do and is a core value of the Group.

During the 2016 financial year the Group recorded a slight deterioration in its safety performance as measured by the Total Recordable Incident Frequency Rate (TRIFR). The TRIFR increased from 3.86 to 6.16. This performance has included newly acquired businesses and is expected to normalise during the next financial period.

Over the next 12 months the Group is focussed on a range of key initiatives to support the safety and wellbeing of our staff. These include the alignment of all Group businesses under a single, common HSEQ Management System; amendments to, and integration of all Group businesses under its 'SHIELD' and 'Safety Foundations' program; and implementation of specific 'Safety Leadership' training programs aimed at Project leadership and Senior Management of the business.

ENVIRONMENT

Environmental management is a key focus of the Group with exceptional performance reported for the 2016 financial year. There were no regulatory breaches or significant environmental impacts recorded with the Group's operations over this period.

Over the next 12 months the Group is focussed on developing a holistic environmental strategy with robust data capture systems developed and applied, and specific measurable objectives established. This strategy will be packaged under the Group's '2nd Nature' program with a clear focus on business sustainability.

DECMIL IN THE COMMUNITY



ANNUAL UPDATE

Decmil as an organisation has always been involved in a range of community activities, supporting a number of sporting, cultural and educational organisations. Decmil is proud of the positive contributions it makes to the communities in which it operates.

Decmil's longstanding Corporate Social Responsibility program, Decmil in the Community, is about being a responsible corporate citizen, giving back and helping those in need. Decmil sees itself as part of the communities in which we operate, and as such we strive to be a positive, active and contributing participant in community life.

Decmil aims to make a broad and meaningful contribution through charity events, corporate friendships, charity partnerships, volunteering and donating.

CORPORATE SPONSORSHIPS AND CHARITIES

Starlight Children's Foundation

Decmil has held a national corporate partnership with Starlight Children's Foundation since early 2014. Starlight's mission is to brighten the lives of seriously ill children and their families.

In 2016 the partnership involved sponsorship of Starlight Children's Foundation CEO Breakfasts in Western Australia, Queensland and Victoria. Decmil has also had the opportunity to donate 'experiences' to seriously ill children as well as provide volunteers to assist in raising money for the foundation.

beyondblue

Decmil has a longstanding corporate friendship with beyondblue. Decmil is proud to promote this independent, not-for-profit organisation which aims to increase awareness and understanding of anxiety and depression in Australia and to reduce the associated social stigma.

As a corporate friend of beyondblue, Decmil actively fundraises for the organisation. Over the past year this has included the sale of Entertainment Books to employees and the proceeds of our annual Christmas raffle.





Fremantle Dockers Football Club Sponsorship

Decmil entered into a partnership agreement with the Fremantle Dockers Football Club in 2006, and in 2012 became the Official Coach's Sponsor. Decmil has a close working relationship with the club and its coach which has provided Decmil with a number of excellent opportunities to engage with the community.

Community Support in Gladstone

Homeground Gladstone is an active member of the Gladstone and Calliope communities offering support in multiple forms to groups and worthy charities within the region. Homeground's contribution includes donations to the Calliope Kindergarten, the provision of meals to the annual Lady's Day Function and sponsorship of an assortment of local sporting teams and clubs.

Homeground are active members of local community organisations including the GEA (Gladstone Engineering Alliance), the GAPDL (Gladstone Area Promotion and Development) and the GCC (Gladstone Chamber of Commerce) ensuring we are in touch with what is happening and what needs to happen across the region.

STAFF CHARITY EVENTS

Decmil encourages its people to participate in organised charity events. Over the past year the Company has been involved in Australia's Biggest Morning Tea (Cancer Council), World's Greatest Shave (Leukaemia Foundation), the CEO Sleepout (St Vincent de Paul) and Loud Shirt Day (Telethon). Decmil also supports staff participation in the Perth City to Surf, the Bridge to Brisbane and the MS Walk and Fun Run in Melbourne. At these events employees are able to raise funds for their own nominated charities whilst getting active for the cause.

In addition, Decmil supports staff-driven events and activities such as the St Vincent de Paul Winter Appeal along with volunteering opportunities such as Starlight Day.

Keeping Communities Informed

Decmil provides information to the community in many ways to keep stakeholders informed of its activities. These include media releases, our annual report and the Company's corporate website www.decmil.com.au.

Together we have raised over...

\$79,000

through Decmil staff charity events!



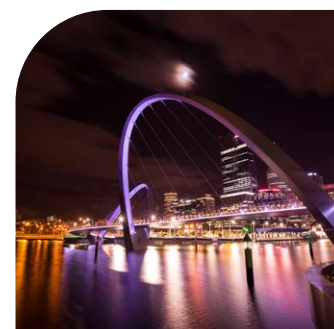
 **DECMIL**

 **DECMIL**

Bisley

Contents

| | |
|------------|--|
| 33 | Directors' Report |
| 65 | Auditor's Independence Declaration |
| 66 | Statement of Profit or Loss and Other Comprehensive Income |
| 67 | Statement of Financial Position |
| 68 | Statement of Changes in Equity |
| 69 | Statement of Cash Flows |
| 70 | Notes to the Financial Statements |
| 123 | Director's Declaration |
| 124 | Independent Auditor's Report |
| 126 | Additional Information for Listed Public Companies |
| 128 | Corporate Directory |







DIRECTORS' REPORT

1. DIRECTORS

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2016.



The names of directors of the Company at the end of the financial year are:

Bill Healy
Non-Executive Chairman

Scott Criddle
Managing Director and Group Chief Executive Officer

Denis Criddle
Non-Executive Director

Giles Everist
Non-Executive Director

David Saxelby
Non-Executive Director

Lee Verios
Non-Executive Director

Directors have been in office since the start of the financial year to the date of this report, apart from David Saxelby who was appointed on 11 May 2016.

2. PARTICULARS OF DIRECTORS, COMPANY SECRETARY AND EXECUTIVE MANAGEMENT

Bill Healy

Non-Executive Chairman

Qualifications

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

Experience

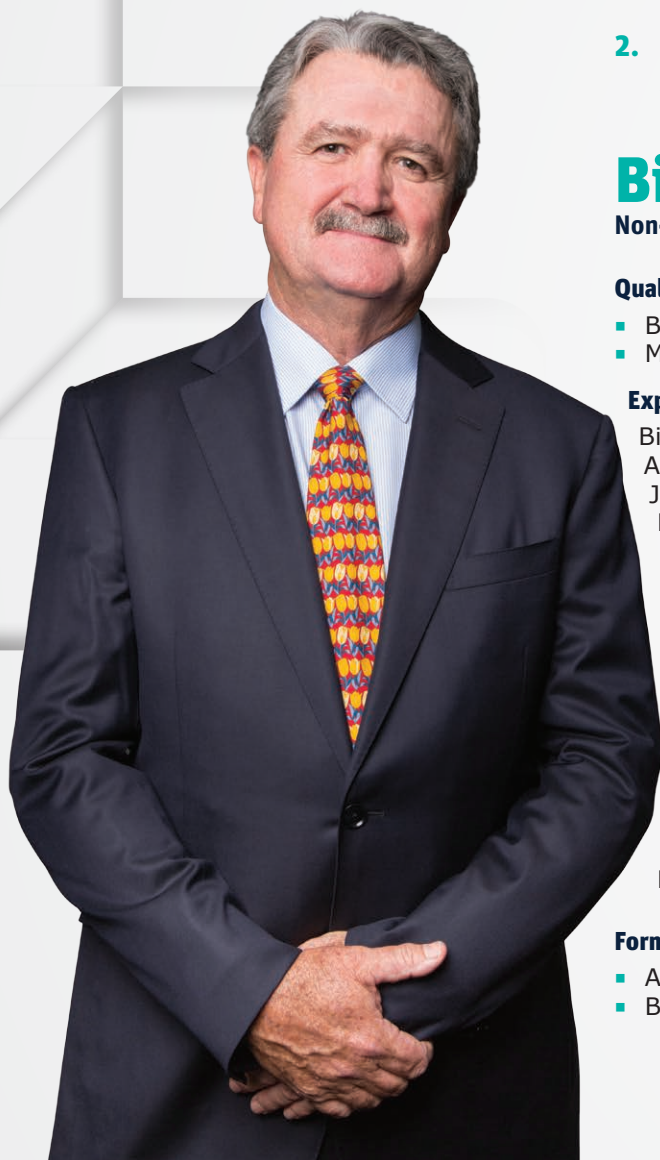
Bill Healy was appointed as Non-Executive Director in April 2009 and appointed as Non-Executive Chairman in July 2014. Bill was a director and shareholder in Sealcorp Holdings from 1985 which then established and developed the diversified financial services group. He was a founding director of ASGARD Capital Management Ltd, Securitor Financial Group Ltd, PACT Investment Group Pty Ltd and ASSIRT Pty Ltd. Sealcorp was acquired by St George Bank in 1997 and Bill remained on the Board until 1999. He was founding director and Chairman of BOOM Logistics Ltd and was involved in the development of the Company's business model, early acquisitions and preparation for listing in 2003.

Other Directorships

None

Former Directorships

- ASGARD Capital Management Ltd
- BOOM Logistics Ltd



Denis Criddle Non-Executive Director

Qualifications

- Chartered Professional Engineer
- Member of Engineers Australia (1989-2012)
- Fellow of the Australian Institute of Company Directors

Experience

Denis was the founder of Decmil Australia, Decmil Group Limited's major business division. He was appointed to the Company's Board as a Non-Executive Director in August 2007 and served as the Non-Executive Chairman from September 2009 to December 2011. Denis is a civil engineer with more than 30 years' experience in construction and maintenance services for the oil and gas and resources sectors in central Queensland and north-west Western Australia. Denis has been involved in rural investments and local Government and was elected Shire President of the Roebourne Shire Council during the development years of oil and gas expansion in the Karratha region.

Other Directorships

- Riverford Holdings Pty Ltd

Former Directorships

None





2. PARTICULARS OF DIRECTORS, COMPANY SECRETARY AND EXECUTIVE MANAGEMENT Cont'd

Scott Criddle

Managing Director and Group Chief Executive Officer

Qualifications

- Bachelor of Applied Science in Construction Management and Economics, Curtin University, Western Australia
- Fellow of the Australian Institute of Building
- Member of the Australian Institute of Company Directors
- Registered Builder – Western Australia

Experience

Scott was appointed Chief Executive Officer in July 2009, and Managing Director of Decmil Group Limited in April 2010 and has been a director of the Company since that time. He was previously the Managing Director of Decmil Australia Pty Ltd, which was acquired by Decmil Group Limited in July 2007. In this role he was responsible for the long-term growth and strategic direction of the Company, playing a key role in building relationships with stakeholders and clients. Scott joined Decmil Australia in 1993 as a construction labourer to gain experience and learn about the Company from the ground up. He held a variety of roles within Decmil Australia including Construction Manager, Estimator, Business Development Manager and Area Manager.

Other Directorships

None

Former Directorships

None



Giles Everist Non-Executive Director

Qualifications

- Bachelor of Science in Mechanical Engineering, University of Edinburgh
- Chartered Accountant, Member of the Institute of Chartered Accountants in England and Wales
- Graduate of the Australian Institute of Company Directors

Experience

Giles joined the Decmil Board in December 2009. He served as Non-Executive Chairman from December 2011 to June 2014 and became Chairman of the Audit and Risk Committee in July 2014. Giles has more than 27 years' experience in the finance, resources and engineering services industry, holding senior executive roles with Coopers and Lybrand, Rio Tinto, Fluor Australia and more recently Monadelphous Group where he was Chief Financial Officer from 2003 to 2009.

Other Directorships

- Austal Ltd
- Macmahon Holdings Ltd
- Norwood Systems Ltd

Former Directorships

- LogiCamms Ltd

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

2. PARTICULARS OF DIRECTORS, COMPANY SECRETARY AND EXECUTIVE MANAGEMENT Cont'd

Lee Verios

Non-Executive Director

Qualifications

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

Experience

Lee was appointed as a Non-Executive Director in April 2010. Lee has more than 40 years' experience as a commercial and property lawyer in Western Australia. Until he retired in July 2012, he was a partner in the international law firm of Norton Rose where he headed its Commercial Property division in Perth. In addition to his legal background, Lee is an experienced company director, having held positions in a variety of enterprises in the public, private and not-for-profit sectors.

Other Directorships

- Finbar Group Ltd
- Wyllie Group Pty Ltd
- Ocean Gardens Inc

Former Directorships

- Port Bouvard Ltd
- Vmoto Ltd



David Saxelby

Non-Executive Director

Qualifications

- Bachelor of Civil Engineering, University of Sydney
- Member of the Australian Institute of Company Directors

Experience

David was appointed as a Non-Executive Director in May 2016. He has held managing director and CEO roles for the past decade, most recently with Lendlease as CEO of Construction and Infrastructure Australia. Prior to Lendlease, David was with the Leighton Group for 18 years, where he held a number of senior positions, most recently as managing director of Thiess. In addition to these roles, David has held a number of senior positions on Industry Boards and was listed in the Top 100 Engineers in Australia for the past four consecutive years.

Other Directorships

- Ocius Pty Ltd
- Australian Constructors Association

Former Directorships

None



2. PARTICULARS OF DIRECTORS, COMPANY SECRETARY AND EXECUTIVE MANAGEMENT Cont'd

Ric Buratto
Chief Executive Officer
Construction and Engineering



Qualifications

- Bachelor of Engineering (Civil)
Hons - University of Adelaide
- Fellow of Engineers Australia

Experience

Ric was appointed Chief Executive Officer of Decmil Construction and Engineering in July 2015. His career stretching over 40 years has seen him hold senior executive roles in major construction, mining and services companies including Thiess, Macmahon, Baulderstone and United Group.



Craig Amos
Chief Financial Officer

Qualifications

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

Experience

Craig held the role of Group Manager for Corporate Development before being appointed Chief Financial Officer in March 2014. Prior to joining Decmil, he held the position of Executive Director in the Corporate Finance division of Ernst & Young. Craig has over 17 years' experience in finance, accounting, corporate transactions and commercial projects in both corporate and professional service environments.

Alison Thompson
Company Secretary



Qualifications

- Bachelor of Commerce, Murdoch
University, Western Australia
- Fellow of Chartered Accountants
Australia & New Zealand
- Graduate Diploma of Applied Corporate
Governance

Experience

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

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

Principal Activities

The consolidated entity's controlled entities provide design, engineering and construction works for the oil & gas, resources, Government and infrastructure sectors. Its principal activities are as follows:

Construction and Engineering

- Civil work on brown and greenfield projects in regional and remote areas;
- Construction of industrial infrastructure, including industrial buildings, processing plants, workshops and storage facilities;
- All aspects of project development from design, site preparation and excavation to bulk earthworks, civil works and construction;
- Government infrastructure projects including accommodation, immigration facilities, office buildings, defence facilities, schools, administration buildings and storage facilities;
- Road and bridge civil engineering projects;
- Design and construction of fuel infrastructure facilities; and
- Turnkey engineering, procurement, construction (EPC) projects.

Property Investment and Accommodation Services

- Ownership and management of commercial properties; and
- Build, own and operate accommodation villages in remote areas.

Telecommunications

- Design, installation, commissioning and maintenance services to telecommunications network owners, manufacturers and NBN service providers.

Operating Results

The consolidated entity reported a statutory loss after providing for income tax expense of \$58,236,000 (2015: profit of \$40,280,000).

Dividends Paid or Recommended

The Company announced a fully franked 2.0 cent per share final dividend with a record date of 2 September 2016 and payment date of 23 September 2016.

Review of Operations

The 2016 financial year saw dramatic changes in the natural resources sectors and in many parts of the Australian economy. As a result, Decmil's traditional source of work dramatically reduced which saw the Group reassess its work profile and associated organisational structures and accelerate its plan of action to:

1. Move into new markets with more stable and recurring demand patterns; and
2. Through this diversification create a business that can better navigate fluctuations in business cycles.

The 2016 financial year therefore became a year of transition for Decmil. As part of the transitional process, the Group has undertaken the following:

- Restructured and reduced the capacity of the traditional resource based business in Western Australia and Queensland;
- Entered the wireless and fibre telecommunications markets with the acquisition of SC Services;
- Entered the East Coast civil infrastructure market with the acquisition of an established local contractor, Cut & Fill;
- Expanded the Group's capability and geographic reach within the defence sector;
- Gained exposure to the EPC market with the acquisition of Scope Australia;
- Entered the New Zealand civil and building markets and established an office in Auckland;

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016



- Secured its first renewable energy contract in the commercial solar sector and pursuing further opportunities; and
- Restructured the Homeground operating model and cost base to breakeven at low levels of occupancy.

Financial Performance

Key highlights:

- Revenue from continuing operations of \$300.3 million;
- EBITDA of \$17.5 million (excluding fair value adjustment on investment property of \$78.1m and various one off and restructuring costs);
- NPAT of \$10.3 million (excluding fair value adjustment on investment property of \$57.8m and various one off and restructuring costs);
- Reducing Group administration expenses by \$12.7 million or 28.7% on the same period last year; and
- Order book of ~\$300 million at 30 June 2016 going into the 2017 financial year.

A reconciliation between the statutory reported and adjusted earnings is included below:

| \$000 | | Full Year EBITDA | Full Year NPAT |
|------------------------------|-----------|---------------------|-------------------|
| June Reported Result | \$ | (75,926) | (58,236) |
| Homeground Revaluation | \$ | 78,069 | 57,759 |
| Hastings | \$ | 7,972 | 5,580 |
| Restructuring Costs | \$ | 4,040 | 2,828 |
| SAS (Discontinued Operation) | \$ | 2,900 | 2,030 |
| NZ Establishment | \$ | 464 | 334 |
| Adjusted Result | \$ | 17,519 | 10,295 |

The 2016 financial year presented a number of challenges to the Group and a number of restructuring activities and one off costs were incurred in the year including:

- The downward revaluation of the Homeground Gladstone Village by a non-cash amount of \$78.1 million;
- Restructuring costs of \$4.0 million arising from redundancy and termination payments;
- The discontinuance of unprofitable parts of the SAS Telecom business;
- \$0.4 million in cost to establish the New Zealand office; and
- A project loss of \$8.0 million on the Hastings project in Victoria.

2016 was also a year of transition and change for the Group, with the Board and management being of the belief that the transformation will create a business with a more diverse, sustainable and better quality of earnings entering the 2017 financial year and beyond.

Financial Position

The Group maintained a net cash position, with cash on hand of \$15.1 million at the end of the period.

Whilst the Group has access to substantial senior debt and bonding facilities, it ended the year very lowly geared (less than 10%). The Board and management considers this fiscal discipline to be appropriate given the challenging environment in the broader construction and engineering sector.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

Operations

Construction and Engineering

Key highlights:

- Defence work secured across Australia including fuel infrastructure works, building refurbishment projects and the construction of new infrastructure such as training facilities and explosives hazard areas;
- In the iron ore sector Decmil's project at Roy Hill for Samsung C&T continued to progress safely and productively towards commissioning, with ongoing maintenance work also secured;
- Strong performance on QGC's wellhead installation programme, securing new brownfield maintenance work and new work for Origin Energy in the gas sector;
- Established a presence in New Zealand with public infrastructure projects underway on both the north and south island;
- Entry to the east coast transport infrastructure market with the acquisition of an established local contractor, Cut & Fill;
- Secured its first renewable energy contract in the commercial solar sector and pursuing further opportunities; and
- Exposure to the mineral sector EPC market through the acquisition of Scope Australia with a number of opportunities present in the gold and lithium sectors.

On 1 July 2015 Ric Buratto joined Decmil as a senior executive in the Construction and Engineering division. Ric has had a long and distinguished career in construction and engineering and most recently held the position of Executive General Manager at Thiess. Ric's extensive experience and network within the industry will bolster Decmil's capability to deliver larger and more complex construction and engineering projects.

Accommodation Services

Key highlights:

- Restructured operating model for Homeground Gladstone resulting in EBITDA breakeven at low levels of occupancy (~12% for FY16);
- Securing an exclusive accommodation agreement with ConocoPhillips for all temporary accommodation requirements of the Australia Pacific LNG facility located on Curtis Island, near Gladstone;
- Other key tenants during FY16 include Bechtel, WICET, Rio Tinto and Aurizon;
- Improved systems and operational processes which are likely to result in future cost reduction; and
- Revaluation of the carrying value of Homeground Gladstone to \$110.8 million following an external valuation at 31 December 2015.

Homeground remains the preferred accommodation provider for major projects and Tier 1 contractors operating in the Gladstone region and plays an important part of the Curtis Island LNG logistics value chain.

Telecommunications

On 1 December 2015 the Company announced it had acquired SC Services Pty Ltd. SC Services is a leading national telecommunications services provider which has capabilities in design, installation, commissioning and maintenance of wireless and fixed line infrastructure.

The business will provide Decmil with scale and a national presence in the growing telecommunications services market.

Since acquisition SC Services has:

- Established a permanent presence in the New South Wales and Victorian markets;

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016



- Secured a two year national panel contract with Ericsson for the design, supply, installation, commissioning and integration of hardware and software in relation to NBN's Fixed Wireless Network Capacity Expansion; and
- Secured a two year NBN MIMA panel contract with Lendlease for the supply, installation, commissioning and integration of NBN's MIMA Fibre to the Node network roll out.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the consolidated entity occurred during the financial year:

Changes in controlled entities and divisions:

- On 1 December 2015, the Group acquired 100% of the issued capital of SC Holdings Pty Ltd, SC Services Pty Ltd and SC Equipment Holdings Pty Ltd for an upfront purchase consideration of \$14,000,000. The SC entities' activities include design, installation, commissioning and maintenance services to telecommunications network owners, manufacturers and NBN service providers.
- On 1 February 2016, the Group acquired 100% of the issued capital of Cut and Fill Pty Ltd for \$9,560,000. Cut & Fill is a Melbourne based civil engineering company focussed on civil infrastructure works across the south eastern seaboard of Australia.
- On 1 March 2016, the Group acquired the business assets of Scope Australia Pty Ltd for \$1,680,000 on a cash free and debt free basis. Scope Australia specialises in the delivery of study, project management, engineering and design consultancy services to a range of industry sectors including mining, resources, government and construction.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

After Balance Date Events

On 26 August 2016, the Company proposed a fully franked 2.0 cent per share final dividend with a record date of 2 September 2016 and payment date of 23 September 2016. The total amount of this dividend payment will be \$3.398 million. After this dividend payment, the franking account balance will be \$58.430 million.

Except for the matters 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.

Likely Developments and Expected Results of Operations

The current transformation of Decmil will create the platform for a business with a more diverse, sustainable and higher quality of earnings in FY17 and beyond. As such, the Group will enter FY17 with:

- Exposure to a range of markets both geographical and functional with committed, long-term recurring spend that covers the telecommunications, civil infrastructure and defence sectors as well as Decmil's traditional Construction and Engineering capability;
- A genuine national presence;
- All acquisitions fully integrated into the Decmil Group, operating autonomously; and
- Order book of ~\$300 million at 30 June 2016 (~\$200 million at 30 June 2015).

Decmil's ability to deliver on its diversification strategy has been one of its key strengths and is very focussed on the long term sustainability and success of the business, building on a history that goes back 37 years.

Construction and Engineering

Decmil's strategy is based on an overall ambition to build a diverse and strong construction and engineering business capable of competing with Tier 1 contractors in Australia and abroad in the key LNG, mining and public infrastructure sectors.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

The following are particular areas of focus:

- Continue growing footprint in public sector infrastructure particularly in defence, health and education;
- Continue diversifying the client base of our upstream CSG business and achieve the number one position in the market for CSG brownfield work;
- Develop a balanced building and civil business in New Zealand that can deliver greater than \$100 million in revenue;
- Grow the Cut & Fill business in Victoria and diversify into the NSW transport infrastructure markets; and
- Through Scope Australia establish a recognised minerals processing EPC brand in the market.

The market outlook for the Victorian construction market is very much on the increase with the New South Wales market set to continue to rise. The Victorian Government supported by federal funding are targeting a large number of rail grade separations and major highway projects.

The positive trends in Federal and State Government infrastructure spending through to 2019 and beyond represents a great opportunity for growth in parts of the business, Cut & Fill in particular.

Positive trends in the minerals sector including the key commodities of gold, lithium and potash are also presenting new EPC opportunities for the business.

Accommodation Services

In the 2016 financial year the peak construction activity experienced in the Gladstone region started to abate as current major LNG and port construction projects neared completion and commissioning. This resulted in low occupancy levels during the 2016 financial year and lower levels of revenue and profit than generated in prior financial years.

However, management expects that in the medium term new opportunities will arise for Homeground Gladstone as the LNG sector in Gladstone moves from the construction to operational and maintenance stages. As an example, Homeground has already secured an agreement with ConocoPhillips for all temporary accommodation requirements of the Australia Pacific LNG facility located on Curtis Island. In addition, there are a number of potential projects in close proximity to Gladstone that may provide future tenancy.

Telecommunications

Public spending on telecommunications infrastructure construction has increased significantly in recent years underpinned by the rollout of new technologies in the downstream wireless tower construction industry and fibre optic cable installation industry.

Further industry growth of 19% was projected for 2015-16 and 11% for 2016-17. This largely reflects the final stages of the rollout of the 4G network infrastructure by the three major carriers and the escalation of construction of the fibre-optic network under the revised fibre-to-the-node (FTTN) NBN plan.

SC Services has historically operated predominantly in WA, which represents ~9% of the national market. As such a key strategic focus will be to increase exposure to other States.

SC Services is well positioned with Tier 1 providers in both wireless tower construction and NBN service offerings which augurs well to gain market share in other States and:

- Expand all service offerings into eastern Australia;
- Increase capability in 'telco civil' and Site Acquisition and Engineering Design (SAED); and
- Grow capability in NBN MIMA space (HFC and Copper).

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016



Material Business Risks

The key challenges for the Group going into the 2017 financial year are:

- To gain traction into the new targeted markets entered in the 2016 financial year (east coast civil infrastructure, telecommunications, Western Australian EPC and New Zealand);
- To recruit quality staff that can sustain projected growth;
- Improve market share with existing clients and sectors (Department of Defence and upstream CSG);
- Retain robust project controls to ensure project returns are predictable;
- To select projects that can deliver acceptable returns; and
- Control overheads across the Group.

Material risks that could adversely affect the Group include the following:

- Continued weakness in the broader construction and engineering sector and a reduction in growth capital expenditure across major new natural resource projects. The Group is responding to this risk with diversification into new sectors (Government) and an increasing focus on winning work in the sustaining capital, non-process infrastructure and operating cycles/sustaining capital works of major resource projects.
- In order for the Group to continue working on resource related projects, a robust safety methodology needs to be in place. A serious safety incident or fatality has the ability to create a substantial risk to Decmil's licence to operate. Decmil mitigates this safety risk via its 'SHIELD' safety methodology, ensuring that all employees (including senior management) and sub-contractors are aligned and engaged with the approach to safety.
- A portion of the Group's contracts are 'lump sum' in nature and to the extent costs exceed the contracted price, there is a risk these amounts may not be recovered. In order to mitigate this risk, the Group has a sophisticated estimating function that utilises a robust estimating methodology and project teams monitor costs closely and maintain good working relationships with clients.
- From time to time Decmil operates in foreign jurisdictions (such as Papua New Guinea and New Zealand) and at times face operational and regulatory issues not generally experienced in Australia. The Group constantly refines its operating and compliance processes to manage these risks.
- Any abatement in construction activity in the Gladstone region will result in a short term diminution in the occupancy levels at the Homeground Village and significantly lower levels of revenue and profit than historically generated. Management expects that in the medium term new opportunities will arise for Homeground Gladstone as the LNG sector in Gladstone moves from the construction to operational and maintenance stages; however the risk of volatility in the short term remains present.

During the 2015 financial year the Company implemented an enterprise risk review process to identify the most material risks facing the Company enterprise wide, together with an action plan to mitigate the occurrence or effect of each identified risk (Enterprise Risk Register). Each of the risks on the Enterprise Risk Register have been allocated to an owner who is responsible for monitoring, reporting and implementing action plans for each of the risks.

The Enterprise Risk Register brings together the most critical risks (both corporate and operational) identified by the Group Risk Management System and creates a structured process for regular reporting to the Board.

The Enterprise Risk Register is reviewed and presented to the Audit and Risk Committee on a quarterly basis.

Capital Management

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

Whilst the Group has access to substantial senior debt and bonding facilities, it ended the year with limited senior debt and low levels of gearing. The Board considers this fiscal discipline to be appropriate given the challenging environment in the broader construction and engineering sector.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

Management also periodically reviews the level of capital invested in the Homeground Gladstone Village and where appropriate opportunity exists, will consider options to monetise the asset.

Environmental Regulation

The consolidated entity is subject to significant environmental regulation under Australian Commonwealth and State Law.

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

The consolidated entity aims to continually improve its environmental performance.

Directors' Meetings

During the financial year, 10 directors' meetings were held. Attendances by each director during the year were:

| | Directors Meetings | | Audit & Risk | | Remuneration | |
|---------------|---------------------------------------|-----------------|---------------------------------------|-----------------|---------------------------------------|-----------------|
| | Number of meetings eligible to attend | Number attended | Number of meetings eligible to attend | Number attended | Number of meetings eligible to attend | Number attended |
| Denis Criddle | 10 | 9 | 4 | 4 | - | - |
| Scott Criddle | 10 | 10 | - | - | - | - |
| Trevor Davies | 4 | 3 | - | - | - | - |
| Giles Everist | 10 | 10 | 4 | 4 | 2 | 2 |
| Bill Healy | 10 | 10 | 4 | 4 | 2 | 2 |
| David Saxelby | 2 | 2 | - | - | - | - |
| Lee Verios | 10 | 10 | - | - | 2 | 2 |

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016



Remuneration Report - Audited

Dear Shareholders

On behalf of the Board of Directors of Decmil I am pleased to present the Company's 2016 Remuneration Report.

As outlined earlier in this report by both the Chairman and CEO, 2016 saw a dramatic turnabout in the resources and energy sector and it became a year of transition for Decmil, as it actively pursued its diversification strategy. This planned transformation will create a business with a more diverse, sustainable and better quality of earnings in FY17 and beyond.

In such times the quality, stability and commitment of our core people is of the utmost importance for our long term success.

It is for these reasons that, at the 2015 Annual General Meeting, we presented to shareholders a revised package of both STI and LTI benefits for the CEO and other Key Management Personnel (KMP). Our primary objective was to obtain an appropriate balance of motivation, retention and reward, and, in particular, to further enhance alignment between the CEO and shareholder's interests.

This revised package was accepted, full details of which are set out in section 1.2 of the following report.

However, as more than 25% of shareholders voted against adopting the Remuneration Report, the Company incurred a 'first strike'.

As a result, we took positive steps to communicate our position with all key stakeholders. We consulted with the Company's major shareholders, met with senior representatives of the major proxy shareholder groups and procured independent external advice from Ernst & Young. A full analysis of the issues and our responses are set out in section 1.1 of the following report.

After careful consideration of all of these matters, we resolved that it was in the Company's overall best interest to retain the structure of the existing remuneration packages. However, this decision must be viewed within the context of our remuneration policies for FY16, i.e.:

- The fixed remuneration of all KMP was reduced by 10% (effective from 1 February 2016 for all executives and from 1 May 2016 for Non-Executive Directors);
- However, the CEO voluntarily accepted a 15% reduction. (As part of his agreed package, he has accepted that his fixed remuneration until FY18 is not to exceed its FY15 value);
- No STI is to be accrued (The CEO voluntarily determined not to take up an entitlement that he was otherwise due); and
- No LTI Performance Rights are to vest.

With our broad overview of the business, we firmly believe that the raft of measures we have adopted is working. To date, through an extremely difficult period, we have retained and motivated a committed Executive Leadership Team with the capability of reinvigorating the Company's performance in line with its agreed strategies. This team is being led by a proven business winning CEO whose enthusiasm and passion for driving success will, we firmly believe, deliver the outcomes desired by all shareholders.

For full details on these matters, I refer you to the following Remuneration Report.

Yours sincerely

Lee Verios

Chairman of the Remuneration Committee

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

This Remuneration Report for the year ended 30 June 2016 details the nature and amount of remuneration for directors and specified executives of Decmil Group Limited (DGL) in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report is presented under the following sections:

1. Remuneration overview and total realised earnings in FY16
 - 1.1. Response to 'no-vote'
 - 1.2. Changes for FY16
 - 1.3. Total realised earnings in FY16
2. Remuneration governance
 - 2.1. Remuneration committee
 - 2.2. Use of remuneration consultants
3. Executive remuneration approach and structure
 - 3.1. Remuneration philosophy
 - 3.2. Executive remuneration structure
 - 3.3. Remuneration practices
 - 3.4. Short term incentive plan
 - 3.5. Long term incentive plan
4. Link between Company performance and executive remuneration
5. Employment contracts of directors and senior executives
6. Non-Executive Director fee arrangements
7. Details of remuneration (statutory disclosures)

This Remuneration Report sets out remuneration information for Decmil's Key Management Personnel (KMP) (as defined in AASB 124 Related Party Disclosures) including Non-Executive Directors, Executive Directors and other senior executives who have authority for planning, directing and controlling the activities of the Company.

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

| Role | |
|--|---|
| Non-Executive Directors (NEDs) | |
| Mr Bill Healy – Chairman of the Board | Appointed to the Board April 2009 and as Chairman July 2014 |
| Mr Denis Criddle | Appointed August 2007 |
| Mr Giles Everist – Chairman of Audit and Risk Committee | Appointed December 2009 |
| Mr Lee Verios – Chairman of Remuneration Committee | Appointed April 2010 |
| Mr Trevor Davies | Retired November 2015 |
| Mr David Saxelby | Appointed May 2016 |
| Executive Directors | |
| Mr Scott Criddle – Managing Director and Group CEO | Appointed as CEO in July 2009 and Managing Director in April 2010 |
| Executives (Other KMP) | |
| Mr Ric Buratto – CEO Construction and Engineering | Appointed July 2015 |
| Mr Craig Amos – Chief Financial Officer | Appointed March 2014 |

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016



1. Remuneration overview and total realised earnings in FY16

1.1 Response to 'no vote'

At the 2015 Annual General Meeting (2015 AGM) held on 18 November 2015, approximately 68% of shareholders eligible to vote, voted in favour of the adoption of the 2015 Remuneration Report. By virtue of the fact that more than 25% of shareholders voted against the adoption, the Company incurred what is known as a 'first strike' pursuant to section 250R of the Act.

Subsequent to the 2015 AGM the Board has considered the various concerns raised, predominantly by shareholder proxy groups, in relation to the Remuneration Report and other related resolutions put to the 2015 AGM and taken the following action:

- Consulted with the Company's major shareholders;
- The Chairman of the Board and Chairman of the Remuneration Committee met with senior representatives of the major proxy shareholder groups to understand their views and further explain the Company position on these matters;
- Procured independent external advice from Ernst & Young on some of the issues raised and the likely views of key stakeholders and proxy shareholder groups in particular; and
- Considered all of the above in determining the remuneration outcomes for FY16, key of which include the reduction in the total fixed remuneration of all KMP, no short term incentives being payable in respect of the 2016 financial year and no performance based rights vesting in 2016.

The table below provides further information on matters raised by proxy shareholder groups:

| # | Issue | Matters Raised by Proxy Advisors | Company Response |
|-----|---|---|--|
| (a) | Disclosure of performance against STI metrics | Insufficient disclosure of STI outcomes / performance against targets. | <ul style="list-style-type: none"> • Going forward the Company will provide greater transparency of STI outcomes / performance. • No STI Incentive has been accrued for either the CEO or any other executives management personnel in relation to the 2016 financial year. |
| (b) | 'Continuous employment' based vesting condition for LTI | Concerns regarding 20% of the LTI vesting subject to completing a 3 years continued employment. | <ul style="list-style-type: none"> • The continuous employment element of the Group's LTI plan was introduced last year as a retention incentive for key executives within the Group and on the scheme. • Excluding Scott Criddle, no other current executive or senior manager of Decmil has received an award of shares through the vesting of Performance Rights in the 6 years the schemes have been operating. • The continuous employment element was brought into the general LTI plan as a retention incentive for key executives, thereby supporting the stability of the Group's senior leadership teams. • The Board is currently reviewing how the continuous employment condition should apply to the CEO and may seek to make changes to vesting conditions if deemed appropriate. |
| (c) | Re-testing | Concerns about giving executives 'multiple bites at the same cherry'. | <ul style="list-style-type: none"> • We considered how well the testing duration aligned executive motivation with shareholder interests, who we assume would be happy to see strong performances both sooner and later. • We therefore included a capability to vest 25% of the LTI if excellent performance was achieved after 2 and 3 years. • We consider our approach to be one of early rewards to shareholders rather than re-testing. <p>A single measurement period can be unfair to shareholders or executives in our circumstance because:</p> <ul style="list-style-type: none"> • Decmil operates in the construction and engineering industry which is exposed to significant cyclicity and at times short term volatility. |

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

| # | Issue | Matters Raised by Proxy Advisors | Company Response |
|-----|--|---|---|
| (d) | LTI vesting schedule starting at 2 years | Considered 'early' compared with market practice (typically 3 years). | <ul style="list-style-type: none"> The Company also undertakes large capital projects that straddle financial years, with the result that profit and performance can be skewed towards a particular year. The testing methodology of the LTI scheme is aimed at 'smoothing' this effect in the business. It is not intended to be 'multiple bites at the same cherry'. The same factors described above at smoothing rather than testing would apply. Furthermore, potential vesting after 2 years (25%) is offset by a larger portion of the award that may vest after 4 years (50%). Shareholders have told us they want strong performance over 2, 3 and 4 years. |
| (e) | Absolute TSR hurdle | Concerns regarding the replacement of the relative TSR hurdle with an absolute TSR hurdle. | <ul style="list-style-type: none"> For executives to realise value, absolute TSR requires achieving an anticipated future return for shareholders and allows the Company to set targets in line with its business plan. In comparison, relative TSR relies upon a limited number of appropriate comparator companies and the potential volatility in shareholder returns. Decmil has for the last 2-3 years been transforming the business from predominantly a West Australian based mining services business to a national construction and engineering company that undertakes work in multiple sectors including defence, transport infrastructure and telecommunications. This change in the business has created a variety of issues with identifying appropriate comparators. The Board also no longer considers it appropriate to compare the Company against an entire index (e.g. ASX300), given the vast differences between the organisations that comprise the index. |
| (f) | Automatic vesting upon change of control | Clarify treatment on a change of control as current understanding amongst proxy advisors is that awards automatically vest in such a situation. | <ul style="list-style-type: none"> Where a change of control event occurs in respect to the Company, the Board, in its absolute discretion, may determine the treatment of any unvested rights and the timing of such treatment. Only where the Board does not exercise its discretion will unvested awards vest pro-rata based on performance only. The Board will retain discretion in all circumstances to determine a particular treatment. |
| (g) | 2.5 million retention award made to CEO | Concerns that the award didn't sufficiently recognise performance, performance criteria and good leaver provisions. | <ul style="list-style-type: none"> In order for the award to vest, the CEO must also acquire (and has subsequently acquired) in his own right and hold a minimum of 2 million shares in the Company, further strengthening alignment with shareholders. Additionally, the CEO must implement a succession plan approved by the Board within 2 years from the date of grant. Further, the CEO's unvested awards may be clawed back in the event of fraud, gross misconduct or material misstatement. The award was made as a one off retention award hence the absence of the usual performance criteria (e.g. TSR and EPS growth). The performance element of the CEO's LTI structure is captured in the Company's general LTI scheme, under which smaller annual awards are made. For a variety of reasons (some market related and some design related) there has historically been a very low percentage of Performance Rights awarded that actually vest e.g. no Performance Rights have vested since the 2013 financial year despite the fact that in the 2014 and 2015 financial years the Group performed well financially and grew substantially. |

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016



1.2 Changes for FY16

At the 2015 AGM the Company obtained shareholder approval to implement a number of changes to the Chief Executive Officer's remuneration arrangements for FY16, FY17 and FY18. The primary objective of the changes was to obtain an appropriate balance of motivation, retention and reward within the CEO's remuneration package and to further enhance alignment between the CEO and shareholder's interests.

No Increase to the CEO's Fixed Remuneration

As part of the negotiated package with Mr Scott Criddle, he agreed that there would be no increase in his Total Fixed Remuneration for FY16, FY17 and FY18.

Reduction in Total Fixed Remuneration

As part of a restructuring and cost reduction effort by the Company during 2016, the CEO voluntarily accepted a 15% reduction in his TFR while the fixed remuneration of all remaining KMP (inclusive of directors) was reduced by 10% (effective from the 1 February 2016 for KMP and 1 May 2016 for Non-Executive Directors).

Satisfaction of STI through the issue of Restricted Rights rather than payment of cash

Historically, the STI component of the CEO's remuneration has been paid in cash. But it was agreed for, FY16, FY17 and FY18 that 100% of any STI award earned by the CEO would be deferred for 12 months and would be satisfied by the issue of Restricted Rights instead of a cash award. However, due to the Company's performance and notwithstanding a strict entitlement to a portion of his STI, the CEO has voluntarily chosen to forgo that entitlement for 2016 and no STI has been accrued for any other KMP in relation to the 2016 financial year.

Variation of LTI hurdles attaching to Performance Rights issued for FY15, FY16, FY17 and FY18

The hurdles attaching to the Performance Rights to be issued for FY15, FY16, FY17 and FY18 will be altered as follows:

- a) replacement of the Relative Total Shareholder Return (TSR) performance hurdle (40%) with an Absolute TSR performance hurdle. TSR is an appropriate measure as it focusses on share price appreciation and dividends, both of which are important to shareholder constituents. For executives to realise value, absolute TSR provides a clear share price growth hurdle and allows the Company to set targets in line with its business plan. In comparison, we consider relative TSR is inferior as an LTI performance measure due to its reliance upon a limited number of appropriate comparator companies and the associated potential volatility in shareholder returns;
- b) adjustment of the Earnings Per Share (EPS) hurdles (40%) in line with current market expectations; and
- c) inclusion of a performance hurdle (20%) relating to continuous employment with the Group. This performance hurdle is focussed on retention of executives who are considered valuable to the long term success of the Company. The Board is currently reviewing how the continuous employment condition should apply to the CEO and may seek to make changes to vesting conditions if deemed appropriate.

One off Retention Share Grant

For a variety of reasons (some market related and some design related) there has historically been a very low percentage of Performance Rights awarded that actually vest e.g. no Performance Rights have vested since the 2013 financial year despite the fact that in the 2014 and 2015 financial years the Group performed well financially and grew substantially.

In response to this, shareholders approved a one off retention grant of 2,500,000 restricted shares to the CEO, which will vest in equal proportions two and four years from grant date subject to the achievement of certain hurdles.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

The hurdles include:

- continued employment with the Group, which is in line with the Board's 5 year strategy to retain Mr Scott Criddle. This is further enhanced by the inability for Mr Scott Criddle to trade the Restricted Shares, even once vested, until at least June 2020;
- an obligation for Mr Scott Criddle to acquire in his own right and hold a minimum of 2 million shares (Unrestricted Shares in the Company in addition to any Restricted Rights) within 2 years after issue of the Restricted Rights and continue to hold 2 million Unrestricted Shares 4 years after issue of the Restricted Rights. As at the date of this report, Mr Scott Criddle currently holds 2,512,905 Unrestricted Shares.
- developing a succession plan, approved by the Board, for all Executive Leadership Team positions, including the CEO, 2 years from the date of grant of the Restricted Shares which must be in place and effective 4 years from the date of grant of the Restricted Shares.

1.3 Total realised earnings in FY16

The table below sets out the total realised earnings for the executive KMP for FY16 and provides shareholders with details of the 'actual' or 'take-home' pay of executives relating to the 2016 financial year.

These earnings include cash salary, superannuation, bonuses accrued in relation to the current year and the value of share based incentives that vested during the performance period ended 30 June 2016.

The table does not include the accounting value of share based incentives awarded but not vested. This is because those share based payments are dependent on the achievement of performance hurdles and may not be realised. For example, no Performance Rights were vested during the 2016 financial year and none have vested since the 2013 financial year.

Details of the remuneration received by the KMP prepared in accordance with statutory requirements and accounting standards are detailed in note 7.

Whilst an STI in relation to the 2015 financial year was paid in the early part of the 2016 financial year, no STI has been accrued for either the CEO or any other KMP in relation to the 2016 financial year.

Executive Total Realised Earnings in FY16 (non-IFRS)

| Name | Fixed Remuneration ¹ \$ | 2016 STI ² \$ | LTI ³ \$ | Total Realised Remuneration 2016 \$ | Total Realised Remuneration 2015 \$ |
|---|---------------------------------------|-----------------------------|------------------------|--|--|
| Mr Scott Criddle Managing Director and Group CEO | 819,659 | - | - | 819,659 | 1,265,042 |
| Mr Ric Buratto CEO Construction and Engineering | 673,751 | - | - | 673,751 | - |
| Mr Craig Amos Chief Financial Officer | 334,183 | - | - | 334,183 | 490,409 |
| Jon Holmes⁴ Executive General Manager – Decmil Australia | - | - | - | - | 864,285 |
| Pamela Rosenthal⁴ General Manager – Homeground Villages | - | - | - | - | 463,510 |
| Total Realised Earnings | 1,827,593 | - | - | 1,827,593 | 3,083,246 |

¹ Fixed remuneration includes cash salary, paid leave, superannuation, and non-monetary benefits

² Represents the value of the STI awarded in relation to the 2016 financial year

³ Represents the value of the value of share based payments that vested during the 2016 financial year

⁴ Jon Holmes and Pamela Rosenthal left the Executive Leadership Team at the end of the 2015 financial year



DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

2. Remuneration governance

2.1 Remuneration committee

The Remuneration Committee is responsible for reviewing and recommending to the Board of Directors compensation arrangements for the directors and Executive Leadership Team (ELT).

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

2.2 Use of remuneration consultants

To ensure the Company and Remuneration Committee is fully informed when making remuneration decisions, it from time to time seeks external remuneration advice and uses industry salary survey data.

During the financial year, the fixed remuneration of executives was benchmarked against peers based on industry salary surveys sourced from AON Hewitt and Mercer.

Ernst & Young was also engaged to provide advice on the structure of the long term incentive plans and the comparison of the Company's plan to market trends.

For the purposes of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2001 (the Act), any guidance provided by remuneration consultants throughout the financial year was not considered a remuneration recommendation in relation to KMP as defined by Division 1 of Part 1.2 of Chapter 1 of the Act.

3. Executive remuneration approach and structure

3.1 Remuneration philosophy

The performance of the Company ultimately depends upon the quality of its directors and ELT. In order to maintain performance and create shareholder value, the Company must attract, motivate and retain highly skilled and experienced directors and executives.

Decmil aims to provide competitive at market remuneration and rewards in order to:

- attract the right people who are aligned to Decmil's values and behaviours;
- motivate employees so they understand their contribution to Decmil;
- recognise employees' effort and commitment to Decmil; and
- retain the highest quality employees within Decmil.

Decmil ensures:

- appropriate compensation is given to executives for the services they provide;
- attraction and retention of executives with the required skills to effectively manage the operations and growth of the business;
- executives are motivated to perform in the best interest of Decmil; and
- gender pay equality.

3.2 Executive remuneration structure

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including experience, qualifications, job level and overall performance of the Company. The service agreements between the Company and specified directors and executives are on a continuing basis which are not expected to change in the immediate future.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

The following table illustrates the executive remuneration elements, including how each element aligns to the Company's remuneration strategy and links remuneration outcomes to performance.

| Remuneration component | Vehicle | Purpose | Link to performance |
|------------------------|---|---|---|
| Fixed remuneration | Comprises base salary, superannuation contributions and other benefits such as motor vehicles and life insurance. | To provide competitive fixed remuneration for senior executives as determined by the scope of their position and the knowledge, skill and experience required to perform the role. | Company and individual performance are considered during the annual remuneration review. Rates of fixed remuneration are also benchmarked using industry salary surveys and guides. |
| STI | Historically, the STI component of the Chief Executive Officer's remuneration has been paid in cash. For FY16, FY17 and FY18 100% of any STI award earned will be deferred for 12 months and will be satisfied by the issue of Restricted Rights instead of a cash award. The STI of other executives are paid in cash. | Rewards executives for short term achievement of: <ul style="list-style-type: none"> financial and operational key performance indicators; progress with the delivery of the Company's business plan and strategic objectives; and specific goals in relation to the development of people within the Company and its profile within the business community. | Examples of key performance indicators include: <ul style="list-style-type: none"> Achievement of financial targets such as Group revenue and NPAT; Achievement of target work in hand levels at 30 June of each year to ensure the sustainability of revenue in subsequent years; Overhead and cost control targets; Targets set in relation to the achievement of the Group's business plan such as the diversification of the business and entry into new markets; and Targets set for safety performance based on Total Recordable Injury Frequency Rates. |
| LTI | Executives are entitled to participate in the Performance Rights scheme approved by shareholders. Performance Rights do not attract dividends or voting rights. | To better align executives to the interest of shareholders and provide a reward based on long term growth in share price and earnings. | Vesting of awards is dependent on absolute TSR, achieving EPS growth targets and continuous employment. |

3.3 Remuneration practices – Total Fixed Remuneration

The Company aims to reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the business and aligned with market practice.

The Company's policy is to position fixed remuneration within the 50th to 75th percentile of salary bands based on survey of major industry surveys produced by AON Hewitt and Mercer. This aligns with market median for remaining competitive with peers and moving toward top quartile where sustained individual ongoing out-performance creates incremental value for Decmil.

The performance of executives is measured against criteria agreed with each executive and is based predominantly on the Company's performance and shareholder value. Incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and Performance Rights. The policy is designed to attract high calibre executives and reward them for performance that results in long-term growth in shareholder wealth.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016



Where applicable, executive directors and executives receive a superannuation guarantee contribution required by the Government, which during the year was 9.5%, 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.

Upon retirement, specified directors and executives are paid employee entitlements and incentives accrued to the date of their retirement.

All remuneration paid to directors and executives is valued at cost to the Company and expensed. Where Performance Rights are given to directors and executives, they are valued according to the accounting standards.

3.4 Short term incentive plan

| General Terms of the STI Plan | |
|--|---|
| How is it paid? | Generally in cash. The CEO STI award can be satisfied by the issue of Restricted Rights. |
| How much can executives earn? | Executives can earn up to 50% of their total fixed remuneration as an STI incentive. |
| How is performance measured? | Through a balance scorecard of financial, operational and organisation development KPI's set prior to the commencement of each financial year. Financial measures are assessed based on the Group's audited financial results. |
| When is it paid? | In September or October of the financial year after the target year (e.g. 2015 financial year STI was paid in September and October 2015). |
| What are the deferral terms? | Historically, the STI component of the Chief Executive Officer's remuneration has been paid in cash. It was proposed that for, FY16, FY17 and FY18 100% of any STI award earned will be deferred for 12 months and will be satisfied by the issue of Restricted Rights instead of a cash award. |
| What happens if an executive leaves or there is a change of control? | The payment of any accrued or part STI benefit in these circumstances is at the discretion of the Board. |
| How much STI is being accrued in relation to the 2016 financial year? | No STI is being accrued in relation to the 2016 financial year. |

The STI award opportunity is based on a percentage of an individual's base salary. For the CEO, a maximum award opportunity of 50% of total fixed remuneration is available. The STI is based on the previous financial year's base salary earnings to 30 June before performance based remuneration reviews.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

During the financial year ended 30 June 2016 the following key performance indicators were applicable to the STI opportunity of the CEO:

| Key Performance Indicator | KPI Weighting (%) | Measurement |
|---|-------------------|--|
| Group Results | | |
| Net Profit After Tax | 25% | Annual target set by Board measured by audited results |
| Work in Hand | 15% | Level of work in hand in the Group as measured at 30 June |
| Dividend | 10% | Delivering an acceptable dividend to shareholders |
| Group Efficiency | 5% | Measured as Group overhead as a percentage of revenue |
| Safety | 5% | TRIFR (Total recordable injury frequency rate per 1 million man hours) target set by Board |
| Strategic Business Plan Objectives | | |
| Organic Growth | 10% | Achievement of initiatives set out in the annual strategic plan endorsed by the Board |
| People | 5% | All Executive Leadership Team positions (including CEO) have a succession plan in place |
| Culture | 5% | Company-wide employee engagement survey is conducted and all issues raised are addressed |
| New Business | 10% | Identification and development of new business ideas aligned to strategic plan |
| Individual Objectives | | |
| Leadership | 5% | Development plan for Executive Leadership Team is implemented with 100% participation of all members |
| Corporate Brand | 5% | Projecting positive brand image to the market |
| OVERALL TOTAL | 100% | |

As mentioned before, the 2016 financial year saw a dramatic turnabout in the resources and energy sectors and became a year of transition for Decmil. As part of the transitional process, the Group has undertaken a number of steps to restructure and reduce the overhead base in its traditional business units. As part of these efforts executives of the Group agreed to a 10% reduction in total fixed remuneration effective February 2016 (with the CEO voluntarily agreeing to a 15% reduction). In addition, no STI has been accrued for either the CEO or any other KMP in relation to the 2016 financial year.

3.5 Long term incentive plan

The LTI 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 purpose of the LTI scheme is to reward key executives for attaining results over a long measurable period and for staying with the organisation. The LTI Scheme is a share based plan consisting of Performance Rights which have pre-determined vesting conditions.

The LTI Scheme is designed to:

- create a strong link between the eligible participants' performance and Decmil's performance;
- assist in retention of employees; and
- contribute to eligible participants feeling they own part of Decmil and have an influence in the direction of Decmil.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016



General Terms of the LTI Plan

| | |
|---|--|
| How is it paid? | The Company uses Performance Rights as its primary share based incentive plan. |
| How much can executives earn (i.e. maximum opportunity)? | Up to 150% of total fixed remuneration converted into rights at the 60 day VWAP to 30 June. |
| How is performance measured? | Vesting hurdles are set based on absolute TSR (40%), EPS (40%) and Continuous Employment (20%) |
| When is performance measured? | The achievement of vesting conditions are assessed between July and September after the target financial year-end. Measurement periods are from the date of award of the rights to the first tranche being eligible for vesting. |
| What happens if an executive leaves or there is a change of control? | <p>If an employee resigns, or his or her employment is terminated due to misconduct or performance related reasons, all Performance Rights are immediately forfeited.</p> <p>If an employee retires or an employee's employment terminates for redundancy prior to Performance Rights vesting, the Board may use its discretion to vest the Performance Rights.</p> <p>Where a change of control event occurs in respect to the Company, the Board, in its absolute discretion, may determine the treatment of any unvested Performance Rights and the timing of such treatment.</p> <p>Only where the Board does not exercise its discretion to determine a particular treatment, will all unvested Performance Rights vest on change of control.</p> |
| Are executives eligible for dividends? | <p>Performance Rights do not accrue dividends.</p> <p>The retention grant of restricted shares to the CEO accrues dividends which become payable upon vesting.</p> |
| Have many shares vested under the LTI plan? | <p>For a variety of reasons (some market related and some design related) there has historically been a very low percentage of Performance Rights awarded that actually vest e.g. no Performance Rights have vested since the 2013 financial year despite the fact that in the 2014 and 2015 financial years the Group performed well financially and grew substantially.</p> <p>Excluding Scott Criddle, no other current executive or senior manager of Decmil (for the 6 years the Scheme has been operating) has received an award of shares through the vesting of Performance Rights.</p> |

The Performance Rights will vest (that is, shares will be issued or become transferable to the executives upon satisfaction of the Performance Rights vesting conditions) to the extent that the applicable performance hurdles set by the Board are 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.

Any Performance Rights which do not vest at any due vesting date rollover for re-assessment to the next vesting date. The vesting conditions will be subsequently reassessed in that year and Performance Rights may vest as applicable. Unvested Performance Rights will rollover for the length of the performance period and will be forfeited at the end of the grant period if not vested. If an executive resigns from his or her employment, any unvested Performance Rights will lapse, unless the Board determines otherwise.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

Performance Hurdles

Each year the Board reviews and considers the appropriateness of the performance hurdles and, where necessary, makes adjustments and amendments to reflect market conditions.

Below is a summary of the performance hurdles that relate to unvested Performance Rights as at 30 June 2016:

Issued financial year ended 30 June 2013 and prior

Performance Rights issued during the financial year ended 30 June 2013 and prior years are eligible for vesting three, five and seven years after the initial grant date depending upon Total Shareholder Return (TSR) performance relative to a comparator group identified at the time of grant (S&P/ASX 300 Index).

Performance Rights granted during this period remain under these terms and conditions.

The Performance Rights vest according to the schedule below:

| Company TSR Rank in S&P/ASX 300 Index | % of Performance Rights that Vest |
|---|--|
| Below the 50 th Percentile | 0% |
| At or below the 50 th Percentile and below the 75 th Percentile | 50%, plus 2% for every one Percentile increase above 50 th Percentile |
| At or above the 75 th Percentile | 100% |

Issued financial year ended 30 June 2014

These Performance Rights vest two, three and four years after the initial grant date and are subject to the following vesting performance measures:

- Two thirds of the Performance Rights are subject to earnings per share compound annual growth rate (EPS CAGR) performance and;
- One third of the Performance Rights are subject to TSR performance relative to the other companies in the ASX 200.

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

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

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

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

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

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

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016



Issued financial year ended 30 June 2015 and 30 June 2016

These Performance Rights are subject to the following vesting conditions:

- a. 20% of Performance Rights are subject to continuous service of employment. This portion will vest at 100% three years after the financial year of which the grant of the Performance Rights are made;
- a. 40% of Performance Rights are subject to EPS CAGR performance; and
- b. 40% of Performance Rights are subject to absolute TSR performance.

In relation to the Performance Rights subject to the EPS CAGR and TSR, the following vesting tranches will apply:

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

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

| EPS CAGR Measured from the year in respect of which grant of Performance Rights is made | % Performance Rights that Vest |
|--|-------------------------------------|
| < 6% | 0% |
| 6% | 25% |
| >6% <8% | Pro-rata vesting between 25% - 100% |
| >8% | 100% |

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

| Absolute TSR Measured from the year in respect of which grant of Performance Rights is made | % Performance Rights that Vest |
|--|-------------------------------------|
| < 7% | 0% |
| 7% | 50% |
| >7% <11% | Pro-rata vesting between 50% - 100% |
| >11% | 100% |

Note, the Company obtained shareholder approval at the 2015 AGM to implement a number of changes to the hurdles attaching to the Performance Rights to be issued for FY15, FY16, FY17 and FY18. These changes included the replacement of the Relative Total Shareholder Return (TSR) performance hurdle with an Absolute TSR performance hurdle, and adjustment of the Earnings Per Share (EPS) hurdles in line with current market expectations and inclusion of a performance hurdle relating to continuous employment with the Group.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

4. Link between Company performance and executive 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 short term incentive based on key performance indicators, and the second being the issue of Performance Rights to executive directors and executives to encourage the alignment of personal and shareholder interests.

5. Employment contracts of directors and senior executives

The Company has entered into a service agreement with Mr Scott Criddle who commenced in the role of CEO on 1 July 2009.

The key terms of Mr Scott Criddle's service agreement are:

| | |
|------------------------------------|--|
| Notice Period | Three month written notice unless in relation to certain circumstances such as serious misconduct or gross neglect of duty |
| Term | Ongoing until terminated |
| Restraint Period | Three months after termination of employment |
| Total Fixed Remuneration | Reviewed and established annually by the Remuneration Committee |
| Long Term Incentive Scheme | The Decmil Group Limited LTI scheme applies |
| Short Term Incentive Scheme | The Decmil Group Limited STI scheme applies |
| Termination Benefits | No contractual termination benefits apply |

The Company may terminate the contract without cause by providing written notice of the required termination period or by making payment in lieu of notice based on the individual's annual salary component together with a discretionary payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Other executives in the Company have similar executive service agreements which include terms and conditions relating to confidentiality, restraint on employment and intellectual property. The executive service agreements are typically not fixed term agreements and continue on an ongoing basis until terminated.

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

Non-Executive Directors are appointed under appointment letters that deal with, amongst other matters, the following:

- Terms of appointment and tenure;
- Entitlements;
- Duties and responsibilities; and
- Indemnities, insurances and access.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016



6. Non-Executive Director fee arrangements

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

Non-Executive Director (NED) fees consist of base fees and committee chair fees. The payment of committee chair fees recognises the additional time commitment required by NEDs who chair Board committees. The chair of the Board attends all committee meetings but does not receive any additional committee fees in addition to base fees.

The table below summarises Board and committee chair fees payable to NEDs at 30 June 2016 (inclusive of superannuation):

| Board fees | | \$000 |
|-------------------------------|--------|-------|
| Chair | | 144 |
| NED | | 81 |
| Committee fees | | \$000 |
| Audit & Risk and Remuneration | Chairs | 9 |
| | Member | - |

Maximum aggregate NED fee pool

The maximum aggregate amount of fees that can be paid to NEDs is subject to approval by shareholders during a general meeting. The maximum aggregate amount that may be paid to NEDs for their services is \$650,000 during any financial year, as approved by shareholders at the 2012 AGM. The Board will not seek an increase to the aggregate NED fee pool limit at the 2016 AGM.

7. Details of remuneration

As part of a restructuring and cost reduction effort by the Company, effective 1 February 2016, the fixed remuneration of KMP (and directors from 1 May 2016) was reduced by 10% (with the Group CEO voluntarily agreeing to a 15% reduction).

Details of the remuneration of KMP of the consolidated entity are set out in the following tables:

| NEDs (\$) | Year | Salary and Fees | Superannuation | STI Paid in relation to Prior Year | STI Accrued Current Year | Fair Value of Incentive Securities Awarded | Other | Total | Total Performance Related % | Total Fixed Remuneration % |
|---------------|------|-----------------|----------------|------------------------------------|--------------------------|--|-------|---------|-----------------------------|----------------------------|
| Bill Healy | 2016 | 143,684 | 13,650 | - | - | - | - | 157,334 | - | 100.0 |
| | 2015 | 146,119 | 13,881 | - | - | - | - | 160,000 | - | 100.0 |
| Denis Criddle | 2016 | 80,822 | 7,678 | - | - | - | - | 88,500 | - | 100.0 |
| | 2015 | 82,192 | 7,808 | - | - | - | - | 90,000 | - | 100.0 |
| Giles Everist | 2016 | 98,333 | - | - | - | - | - | 98,333 | - | 100.0 |
| | 2015 | 100,000 | - | - | - | - | - | 100,000 | - | 100.0 |
| Lee Verios | 2016 | 89,802 | 8,531 | - | - | - | - | 98,333 | - | 100.0 |
| | 2015 | 91,324 | 8,676 | - | - | - | - | 100,000 | - | 100.0 |
| Trevor Davies | 2016 | 34,247 | 3,253 | - | - | - | - | 37,500 | - | 100.0 |
| | 2015 | 82,192 | 7,808 | - | - | - | - | 90,000 | - | 100.0 |
| David Saxelby | 2016 | 13,500 | - | - | - | - | - | 13,500 | - | 100.0 |
| | 2015 | - | - | - | - | - | - | - | - | 100.0 |
| Total | 2016 | 460,388 | 33,112 | - | - | - | - | 493,500 | - | 100.0 |
| | 2015 | 501,827 | 38,173 | - | - | - | - | 540,000 | - | 100.0 |

| Executive Directors (\$) | Year | Salary and Fees | Superannuation | STI Paid in relation to Prior Year | STI Accrued Current Year | Fair Value of Incentive Securities Awarded ¹ | Other | Total | Total Performance Related % | Total Fixed Remuneration % |
|--------------------------|------|-----------------|----------------|------------------------------------|--------------------------|---|-------|-----------|-----------------------------|----------------------------|
| Scott Criddle | 2016 | 800,351 | 19,308 | 392,638 | - | 1,579,438 | - | 2,791,735 | 70.6 | 29.4 |
| | 2015 | 853,745 | 18,660 | 425,653 | 392,638 | 195,835 | - | 1,493,893 | 41.6 | 58.4 |
| Total | 2016 | 800,351 | 19,308 | 392,638 | - | 1,579,438 | - | 2,791,735 | 70.6 | 29.4 |
| | 2015 | 853,745 | 18,660 | 425,653 | 392,638 | 195,835 | - | 1,493,893 | 41.6 | 58.4 |

| Other Executives (\$) | Year | Salary and Fees | Superannuation | STI Paid in relation to Prior Year | STI Accrued Current Year | Fair Value of Incentive Securities Awarded | Other | Total | Total Performance Related % | Total Fixed Remuneration % |
|-------------------------------|------|-----------------|----------------|------------------------------------|--------------------------|--|-------|-----------|-----------------------------|----------------------------|
| Ric Buratto | 2016 | 654,443 | 19,308 | - | - | 136,667 | - | 810,418 | 16.9 | 83.1 |
| | 2015 | - | - | - | - | - | - | - | - | - |
| Craig Amos | 2016 | 314,875 | 19,308 | 146,250 | - | 46,879 | - | 527,312 | 36.6 | 63.4 |
| | 2015 | 325,500 | 18,660 | 30,000 | 146,250 | 11,502 | - | 385,662 | 10.8 | 89.2 |
| Jon Holmes ² | 2016 | - | - | - | - | - | - | - | - | - |
| | 2015 | 615,000 | 18,660 | 189,000 | 230,625 | 311,664 | - | 1,134,324 | 44.1 | 55.9 |
| Pamela Rosenthal ² | 2016 | - | - | - | - | - | - | - | - | - |
| | 2015 | 287,000 | 18,660 | 200,550 | 157,850 | - | - | 506,210 | 39.6 | 60.4 |
| Total | 2016 | 969,318 | 38,616 | 146,250 | - | 183,546 | - | 1,337,730 | 24.7 | 75.3 |
| | 2015 | 1,227,500 | 55,980 | 419,550 | 534,725 | 323,166 | - | 2,026,196 | 36.7 | 63.3 |

¹ Includes fair value of one off retention grant of 2,500,000 restricted shares which are subject to the achievement of hurdles outlined in the Remuneration Report

² Jon Holmes and Pamela Rosenthal left the Executive Leadership Team at the end of the 2015 financial year

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016



Options issued as part of remuneration for the year ended 30 June 2016

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

Performance Rights

During the year ended 30 June 2016, the following Performance Rights were granted.

| Grant Date | Number of Rights Granted | Fair Value of Rights Granted |
|-----------------|--------------------------|------------------------------|
| 1 July 2015 | 2,865,996 | \$531,946 |
| 1 December 2015 | 500,000 | \$36,500 |

During the year ended 30 June 2016, no Performance Rights met their vesting criteria.

During the year ended 30 June 2016, none of the Performance Rights lapsed due to their vesting criteria not being met.

The following rights have been granted but remain unvested at 30 June 2016:

| Grant Date | Number of Unvested Rights | Fair Value of Unvested Rights |
|-----------------|---------------------------|-------------------------------|
| 1 July 2010 | 120,976 | \$42,463 |
| 1 July 2011 | 252,485 | \$53,527 |
| 1 July 2012 | 319,866 | \$65,253 |
| 1 July 2013 | 800,446 | \$285,759 |
| 1 July 2014 | 1,607,010 | \$534,406 |
| 1 July 2015 | 2,865,996 | \$531,946 |
| 1 December 2015 | 500,000 | \$36,500 |
| Total | 6,466,779 | \$1,549,854 |

Additional Information

The earnings of the consolidated entity for the five years to 30 June 2016 are summarised below:

| | 2016 \$000 | 2015 \$000 | 2014 \$000 | 2013 \$000 | 2012 \$000 |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Sales revenue | 302,103 | 666,915 | 618,401 | 528,786 | 555,594 |
| EBITDA | (75,926) | 62,696 | 81,117 | 100,712 | 55,691 |
| EBIT | (82,902) | 55,894 | 74,316 | 92,580 | 51,419 |
| Profit after income tax | (58,236) | 40,280 | 52,627 | 64,367 | 39,056 |

The factors that are considered to affect total shareholders return (TSR) are summarised below:

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|-------------------|-------|--------------------|--------------------|-------|
| Share price at financial year end (\$) | 0.72 | 1.16 | 1.83 | 1.78 | 2.65 |
| Total dividends paid (cents per share) | 10.5 | 13.0 | 12.5 | 11.5 | 8.5 |
| Basic earnings per share (cents per share) | 6.10 ¹ | 23.91 | 29.50 ² | 26.94 ² | 26.51 |

¹ Based on adjusted earnings outlined on page 39

² Excluding business combination gains from both 2013 & 2014 reporting periods

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

Shareholdings, Option Holdings and Performance Rights Holdings

Shareholdings

The number of shares in the Company held during the financial year by each director and KMP of the consolidated entity, including their personally related parties, is set out below:

| 30 June 2016 | Balance 1.07.2015 | Received as part of Remuneration ¹ | Additions | Disposals/ Other ² | Balance 30.06.2016 |
|--|----------------------|---|------------------|----------------------------------|-----------------------|
| Directors: | | | | | |
| Denis Criddle | 18,914,884 | - | 2,074,261 | - | 20,989,145 |
| Scott Criddle | 1,016,790 | 2,500,000 | 2,192,905 | - | 5,709,695 |
| Trevor Davies | 10,000 | - | - | (10,000) | - |
| Giles Everist | 513,332 | - | - | - | 513,332 |
| Bill Healy | 495,190 | - | 105,000 | - | 600,190 |
| David Saxelby | - | - | - | - | - |
| Lee Verios | 66,667 | - | - | - | 66,667 |
| Key management personnel: | | | | | |
| Ric Buratto | - | - | - | - | - |
| Craig Amos | 1,500 | - | - | - | 1,500 |
| Total | 21,018,363 | 2,500,000 | 4,372,166 | (10,000) | 27,880,529 |

Option holdings

There were no options held by directors or KMP at 30 June 2016.

Performance Rights holdings

The number of Performance Rights in the Company held during the financial year by each director and KMP of the consolidated entity, including their personally related parties, is set out below:

| 30 June 2016 | Balance 1.07.2015 | Granted as Remuneration | Vested during the period | Expired/ Other | Balance 30.06.2016 |
|--|----------------------|----------------------------|-----------------------------|-------------------|-----------------------|
| Directors: | | | | | |
| Scott Criddle | 1,984,606 | 1,103,981 | - | - | 3,088,587 |
| Key management personnel: | | | | | |
| Ric Buratto | - | 500,000 | - | - | 500,000 |
| Craig Amos | 40,107 | 280,603 | - | - | 320,710 |
| Jon Holmes ³ | 820,856 | - | - | (820,856) | - |
| Total | 2,845,569 | 1,884,584 | - | (820,856) | 3,909,297 |

¹ One off retention grant of restricted shares which are subject to the achievement of hurdles outlined in the Remuneration Report

² Other includes shares included upon appointment or excluded on resignation

³ Jon Holmes left the Executive Leadership Team at the end of the 2015 financial year

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016



Other transactions with directors, KMP and their related parties:

| | 2016 \$000 |
|---|---------------|
| (a) Director Related Transactions | |
| Rent of various properties used by Decmil Australia Pty Ltd paid to Broadway Pty Ltd, an entity in which Mr Denis Criddle has a beneficial interest | 202 |
| (b) Director Related Balances¹ | |
| Amounts owing to The NeVERN Group Pty Ltd, an entity in which Mr Giles Everist has a beneficial interest, for directors' fees | 8 |
| Amounts owing to Saxelby Associates Pty Ltd, an entity in which Mr David Saxelby has a beneficial interest, for directors' fees and consulting fees | 26 |

On 24 March 2016, the Company announced the acquisition of the business assets of Scope Australia Pty Ltd for \$1.68m on a cash free and debt free basis. Up until the acquisition date, Decmil Group CEO and Managing Director, Mr Scott Criddle was the major shareholder of Scope Australia Pty Ltd. The acquisition was considered by a committee of independent Non-Executive Directors and the price was determined based on an independent external valuation.

[End of Remuneration Report]

Shares Under Option

There were no unissued ordinary shares of the Company under option outstanding at the date of this report.

Shares Issued on the Exercise of Options

There were no ordinary shares of the Company issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

Employee Share Program

At the 2014 Annual General Meeting, shareholders approved the adoption by the Company of a broad based employee share plan and the issue of securities pursuant to that plan. During the financial year, 97,920 shares were issued under this plan as part of the Decmil Employee Share Purchase Plan. Under this plan, employees who purchased up to \$1,000 of shares had those shares matched by the Company. The matched shares are subject to a trade restriction until the earlier of 3 years or cessation of employment with the Company.

Indemnifying Officers or Auditor

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

Premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The total amount of the premium was \$130,753.

There were no premiums paid in respect of a contract to insure the auditor of the Company or any related entity.

¹ Transactions relating to directors' fees are included in the Directors' Report details of remuneration

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2016

Proceedings on Behalf of Company

There are currently no material legal proceedings involving the Company or its subsidiaries.

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Non-Audit Services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to RSM Australia Partners for non-audit services provided during the year ended 30 June 2016:

| | \$ |
|------------------------------|---------------|
| Taxation compliance services | 12,450 |
| Accounting advice | 6,500 |
| | 18,950 |

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* can be found within this financial report.

Rounding of Amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/91 and in accordance with that class order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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 ASX Corporate Governance Principles and Recommendations as detailed in Decmil Corporate Governance Statement which can be found at www.decmil.com.au/investor-relations/corporate-governance/.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Bill Healy
Chairman

26 August 2016

RSM Australia Partners

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 92619100
F +61 (0) 8 92619111

www.rsm.com.au

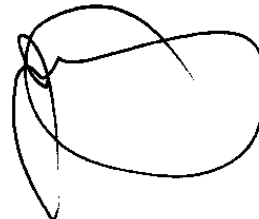
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Decmil Group Limited for the year ended 30 June 2016, 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 AUSTRALIA PARTNERS



J A KOMNINOS
Partner

Perth, WA
Dated: 26 August 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

| Consolidated Entity | | | |
|---|-----------|-----------------|---------------|
| | Note | 2016 \$000 | 2015 \$000 |
| Revenue from continuing operations | 11 | 300,293 | 670,434 |
| Cost of sales | | (258,949) | (560,292) |
| Gross profit | | 41,344 | 110,142 |
| Administration expenses | | (31,545) | (44,243) |
| Depreciation and amortisation expense | 4, 17, 19 | (6,666) | (6,608) |
| Equity based payments | | (707) | 64 |
| Borrowing costs | 4 | (227) | (260) |
| Restructuring costs | | (4,021) | - |
| Investment property fair value adjustment | 33 | (78,069) | - |
| Profit/(loss) before income tax expense | | (79,891) | 59,095 |
| Income tax (expense)/benefit | 5 | 23,806 | (16,274) |
| Net profit/(loss) from continuing operations | | (56,085) | 42,821 |
| Loss after tax from discontinued operations | 6 | (2,151) | (2,541) |
| Net profit/(loss) for the year | | (58,236) | 40,280 |
| Other comprehensive income | | | |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | (58,236) | 40,280 |

Overall Operations

| | | | |
|--|----|---------|-------|
| Basic earnings per share (cents per share) | 9a | (34.50) | 23.91 |
| Diluted earnings per share (cents per share) | 9a | (34.50) | 23.91 |

Continuing Operations

| | | | |
|--|----|---------|-------|
| Basic earnings per share (cents per share) | 9b | (33.23) | 25.42 |
| Diluted earnings per share (cents per share) | 9b | (33.23) | 25.42 |

Discontinuing Operations

| | | | |
|--|----|--------|--------|
| Basic earnings per share (cents per share) | 9c | (1.27) | (1.51) |
| Diluted earnings per share (cents per share) | 9c | (1.27) | (1.51) |

The accompanying notes form part of these financial statements



STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2016

Consolidated Entity

| | Note | 2016 \$000 | 2015 \$000 |
|--------------------------------------|------|----------------|---------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 12 | 15,077 | 59,548 |
| Trade and other receivables | 13 | 29,517 | 47,827 |
| Work in progress | 14 | 15,846 | 15,782 |
| Current tax receivable | 22 | 616 | 4,824 |
| Other current assets | 20 | 7,931 | 14,218 |
| TOTAL CURRENT ASSETS | | 68,987 | 142,199 |
| NON-CURRENT ASSETS | | | |
| Investment property | 18 | 111,032 | 188,374 |
| Property, plant and equipment | 17 | 37,753 | 39,040 |
| Deferred tax assets | 24 | 18,834 | 4,235 |
| Intangible assets | 19 | 86,345 | 70,027 |
| TOTAL NON-CURRENT ASSETS | | 253,964 | 301,676 |
| TOTAL ASSETS | | 322,951 | 443,875 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 21 | 63,533 | 104,791 |
| Borrowings | 23 | 2,161 | 739 |
| Provisions | 25 | 5,145 | 6,737 |
| TOTAL CURRENT LIABILITIES | | 70,839 | 112,267 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 24 | - | 11,970 |
| Borrowings | 23 | 7,212 | 45 |
| Provisions | 25 | 854 | 242 |
| TOTAL NON-CURRENT LIABILITIES | | 8,066 | 12,257 |
| TOTAL LIABILITIES | | 78,905 | 124,524 |
| NET ASSETS | | 244,046 | 319,351 |
| EQUITY | | | |
| Issued capital | 26 | 162,254 | 161,705 |
| Retained earnings | | 81,792 | 157,646 |
| TOTAL EQUITY | | 244,046 | 319,351 |

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

| Consolidated Entity | Note | Issued Capital \$000 | Retained Earnings \$000 | Total \$000 |
|---|-----------|----------------------------|-------------------------------|----------------|
| Balance at 1 July 2014 | | 163,517 | 139,290 | 302,807 |
| Net profit for the year | | - | 40,280 | 40,280 |
| Total comprehensive income for the year | | - | 40,280 | 40,280 |
| Transaction costs net of tax benefit | | (206) | - | (206) |
| Equity based payments | | (64) | - | (64) |
| Share buy-back | | (1,542) | - | (1,542) |
| Dividends paid | 10 | - | (21,924) | (21,924) |
| Balance at 30 June 2015 | | 161,705 | 157,646 | 319,351 |
| Balance at 1 July 2015 | | 161,705 | 157,646 | 319,351 |
| Net loss for the year | | - | (58,236) | (58,236) |
| Total comprehensive income for the year | | - | (58,236) | (58,236) |
| Shares issued for the period | | 47 | - | 47 |
| Transaction costs net of tax benefit | | (205) | - | (205) |
| Equity based payments | | 707 | - | 707 |
| Dividends paid | 10 | - | (17,618) | (17,618) |
| Balance at 30 June 2016 | | 162,254 | 81,792 | 244,046 |

The accompanying notes form part of these financial statements



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

| | | Consolidated Entity | |
|---|--------------|---------------------|-----------|
| | | 2016 | 2015 |
| | | \$000 | \$000 |
| | Note | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 329,086 | 737,056 |
| Payments to suppliers and employees | | (352,739) | (677,797) |
| Interest received | | 459 | 719 |
| Finance costs paid | | (227) | (260) |
| Income taxes received/(paid) | | 3,059 | (26,253) |
| Net cash (used in)/provided by operating activities | 29(a) | (20,362) | 33,465 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (2,920) | (5,668) |
| Purchase of investments, net of cash acquired | 29(b) | (12,825) | (925) |
| Proceeds from sale of non-current assets | | 1,158 | 598 |
| Net cash used in investing activities | | (14,587) | (5,995) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net proceeds from/(repayment of) borrowings | | 8,050 | (3,750) |
| Share issue/buy-back transaction costs | | 46 | (15) |
| Share buy-back | | - | (1,542) |
| Dividends paid | | (17,618) | (21,923) |
| Net cash used in financing activities | | (9,522) | (27,230) |
| Net (decrease)/increase in cash held | | (44,471) | 240 |
| Cash at beginning of the financial year | | 59,548 | 59,308 |
| Cash at end of the financial year | | 15,077 | 59,548 |

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

The financial statements of Decmil Group Limited ('the Company') for the year ended 30 June 2016 comprise of the Company and its controlled entities (collectively referred to as 'the consolidated entity') and the consolidated entity's interests in joint operations. The separate financial statements of the parent entity, Decmil Group Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

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

The financial statements were authorised for issue in accordance with a resolution of the directors dated 26 August 2016.

NOTE 1: Summary of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board, and International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

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

(a) Principles of Consolidation

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

Intercompany balances and transactions between entities in the consolidated entity are eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistency with those adopted by the consolidated entity.

Non-controlling interests in the results and equity of controlled entities are shown separately within the equity section of the consolidated statement of financial position and statement of profit or loss and other comprehensive income. The non-controlling interests in the net assets of the controlled entity comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Where the consolidated entity loses control over a controlled entity, it derecognises the assets including goodwill, liabilities and non-controlling interest in the controlled entity together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016



NOTE 1: Summary of Significant Accounting Policies (Cont'd)

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

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.

(b) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

When the taxable temporary difference is associated with interests in controlled entities, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

The consolidated entity recognises the excess of the research and development (R&D) tax offset over the statutory rate ('the R&D offset') being an additional 10% deduction as a government grant when there is reasonable assurance it will be received and any attached conditions will be complied with. As the grant relates to R&D expenditure already incurred it is recognised in the income statement in the period it became receivable.

Tax consolidation

Decmil Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of the entities are set off in the consolidated financial statements.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the controlled entities nor a distribution by the controlled entities to the head entity.

(c) Construction Contracts and Work in Progress

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

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date compared to expected actual costs. Where losses are anticipated they are provided for in full. Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

(d) Interests in Joint Arrangements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016



NOTE 1: Summary of Significant Accounting Policies (Cont'd)

(e) Property, Plant and Equipment

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

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

Depreciation

The depreciable amount of all property, plant and equipment but excluding freehold land is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|-----------------------------|--------------------------|
| Building | 2.5% |
| Owned plant and equipment | 20% to 33% |
| Leased plant and equipment | 20% |

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

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

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

(f) Investment Property

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

(g) Leases

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

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over their estimated useful lives. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

(h) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed immediately to the statement of profit or loss and other comprehensive income.

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

(i) Goodwill

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. It is allocated to the consolidated entity's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not being larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Impairment losses recognised for goodwill are not subsequently reversed.

(j) Intangibles other than Goodwill

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to each class of intangible assets. Where amortisation is charged on assets with finite lives, this expense is taken to the statement of profit or loss and other comprehensive income, through the 'amortisation expenses' line item.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of intangible assets with indefinite useful lives, either individually or at the cash-generating unit level.

(k) Employee Benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016



NOTE 1: Summary of Significant Accounting Policies (Cont'd)

Other long-term employee benefits

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

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

Equity-based payments

The consolidated entity operates an equity-settled equity-based payment employee Performance Rights scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of Performance Rights are ascertained using various option pricing models which incorporate, where required, market vesting conditions. The number of shares and Performance Rights expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(l) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 6 months or less.

(n) Revenue and Other Income

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

Interest revenue is recognised as interest accrues using the effective interest rate method.

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

(o) Financing Costs

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

All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

(p) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Decmil Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(s) 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 relevant revenue authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

(t) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated entity 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 the statement of profit or loss and other comprehensive income immediately.

Classification and subsequent measurement

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

Amortised cost is the amount at which the financial asset or liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest rate method.

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

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

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in the statement of profit or loss and other comprehensive income through the amortisation process and when the financial asset is derecognised.

ii. Financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

iii. Available-for-sale financial assets

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

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

Impairment

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

(u) Trade and Other Receivables

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

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

(v) Current and Non-current Classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

(w) Foreign Currency Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016



NOTE 1: Summary of Significant Accounting Policies (Cont'd)

(x) Fair Value of Assets and Liabilities

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

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

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

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

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

(y) Rounding of Amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/91 and in accordance with that class order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(z) Comparative Figures

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

(aa) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

Impairment of goodwill and intangibles

The consolidated entity determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles are discussed in note 19.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

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 Performance Rights are determined using various option pricing models. The accounting estimates and assumptions relating to equity-settled equity-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Construction contracts

When accounting for construction contracts, the contracts are either combined or segmented if this is deemed necessary to reflect the substance of the agreement. Revenue arising from fixed price contracts is recognised in accordance with the percentage of completion method. Stage of completion is agreed with the customer on a work certified to date basis, as a percentage of the overall contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred plus a percentage of fees earned during the financial year. The percentage of fees earned during the financial year is based on the stage of completion of the contract.

Where a loss is expected to occur from a construction contract, the excess of the total expected contract costs over expected contract revenue is recognised as an expense immediately.

Provision for maintenance

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

Fair value measurement hierarchy

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

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors' financial position.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016



NOTE 1: Summary of Significant Accounting Policies (Cont'd)

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

NOTE 2: New Accounting Standards for Application in Future Periods

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 2: New Accounting Standards for Application in Future Periods (Cont'd)

A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income (OCI). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' (ECL) model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: Parent Entity Information

Parent Entity

| | 2016 | 2015 |
|---|----------------|----------------|
| | \$000 | \$000 |
| Statement of profit or loss and other comprehensive income | | |
| Profit/(loss) for the year | 556 | (5,338) |
| Total comprehensive income for the year | 556 | (5,338) |
| Statement of financial position | | |
| ASSETS | | |
| Current assets | 99,188 | 98,997 |
| Non-current assets | 80,406 | 78,725 |
| TOTAL ASSETS | 179,594 | 177,722 |
| LIABILITIES | | |
| Current liabilities | 137,062 | 119,121 |
| Non-current liabilities | 444 | - |
| TOTAL LIABILITIES | 137,506 | 119,121 |
| EQUITY | | |
| Issued capital | 162,254 | 161,705 |
| Retained earnings | (120,166) | (103,104) |
| TOTAL EQUITY | 42,088 | 58,601 |

a) Guarantees

Cross guarantees have been provided by Decmil Group Limited and its controlled entities as listed in note 15(b).

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 34.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 4: Expenses

| | Consolidated Entity | |
|---|---------------------|---------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| From continuing operations | | |
| (Loss)/profit before income tax includes the following specific expenses: | | |
| Employee benefits costs | 92,477 | 119,938 |
| Finance costs | 227 | 260 |
| Depreciation and amortisation of non-current assets: | | |
| - plant and equipment owned | 5,985 | 5,543 |
| - plant and equipment leased | 81 | 571 |
| - building | 526 | 524 |
| - amortisation of intangible assets | 74 | 164 |
| Total depreciation | 6,666 | 6,802 |
| Write-off fixed assets | - | 120 |
| Rental expense on operating leases | 1,207 | 2,483 |
| Net foreign exchange loss/(gain) | 410 | 179 |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 5: Income Tax Expense

| | | Consolidated Entity | |
|--|-----------|---------------------|----------|
| | | 2016 | 2015 |
| | | \$000 | \$000 |
| Income tax (expense)/benefit is attributable to: | | | |
| | | 23,806 | (16,274) |
| Profit from continuing operations | | | |
| Profit from discontinued operations | 6 | 628 | 200 |
| | | 24,434 | (16,074) |
| The components of income tax (expense)/benefit comprise: | | | |
| Current tax | | (1,000) | (14,884) |
| Deferred tax | 24 | 25,454 | (855) |
| Over/(under) provision for tax in prior year | | (20) | (335) |
| | | 24,434 | (16,074) |
| The prima facie tax expense on (loss)/profit before income tax is reconciled to the income tax (expense)/benefit as follows: | | | |
| Prima facie tax expense on profit before income tax at 30% (2015: 30%) | | 24,801 | (16,906) |
| Adjusted by the tax effect of: | | | |
| - equity based payments | | (212) | 19 |
| - deductible capital raising costs | | 193 | 190 |
| - non-deductible items | | (2,162) | (444) |
| - research and development tax offset (non-refundable) | | 1,834 | 1,402 |
| - over/(under) provision for tax in prior year | | (20) | (335) |
| Income tax (expense)/benefit attributable to profit before income tax | | 24,434 | (16,074) |
| The applicable weighted average effective tax rates are as follows: | | 30% | 29% |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 6: Discontinued Operations

Due to unfavourable market conditions, the unprofitable parts of the SAS Telecom business were discontinued during the financial year.

| (a) Financial performance information | | Consolidated Entity | |
|--|------|----------------------------|---------------|
| | Note | 2016 \$000 | 2015 \$000 |
| Other services revenue | | 2,241 | 1,153 |
| Interest received | | 2 | - |
| Total revenue | | 2,243 | 1,153 |
| Cost of sales | | (2,685) | (2,555) |
| Administration expenses | | (1,574) | (1,145) |
| Depreciation and amortisation expense | | (310) | (194) |
| Impairment of intangible assets | | (433) | - |
| Restructuring costs | | (20) | - |
| Total expenses | | (5,022) | (3,894) |
| Profit/(loss) before income tax expense | | (2,779) | (2,741) |
| Income tax (expense)/benefit | 5 | 628 | 200 |
| Profit/(loss) after income tax expense from discontinued operations | | (2,151) | (2,541) |

| (b) Financial position information | | Consolidated Entity | |
|---|--|----------------------------|---------------|
| | | 2016 \$000 | 2015 \$000 |
| Current Assets | | | |
| Cash and cash equivalents | | 150 | 223 |
| Trade and other receivables | | 505 | 730 |
| Work in progress | | 692 | 156 |
| Current tax receivable | | 587 | 138 |
| Other current assets | | 13 | 6 |
| Total Current Assets | | 1,947 | 1,253 |
| Non-current Assets | | | |
| Deferred tax assets | | 41 | 62 |
| Property, plant and equipment | | 255 | 929 |
| Total Non-current Assets | | 296 | 991 |
| Total Assets | | 2,243 | 2,244 |
| Current Liabilities | | | |
| Trade and other payables | | 6,851 | 4,629 |
| Provisions | | 84 | 156 |
| Total Current Liabilities | | 6,935 | 4,785 |
| Total Liabilities | | 6,935 | 4,785 |
| Net Assets/(Liabilities) | | (4,692) | (2,541) |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 6: Discontinued Operations (Cont'd)

| (c) Cash flow information | Consolidated Entity | |
|--|---------------------|------------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| Net cash used in operating activities | (5) | (2,862) |
| Net cash used in investing activities | (68) | (1,134) |
| Net cash from financing activities | - | 4,219 |
| Net (decrease)/increase in cash and cash equivalents from discontinued operations | (73) | 223 |

NOTE 7: Key Management Personnel Disclosures

- a. Names and positions held of directors and other members of Key Management Personnel in office at any time during the financial year are:

Parent Entity Directors

Denis Criddle

Scott Criddle

Trevor Davies (resigned 18 November 2015)

Giles Everist

Bill Healy

David Saxelby (appointed 11 May 2016)

Lee Verios

Key Management Personnel

Ric Buratto: CEO Construction and Engineering

Craig Amos: Chief Financial Officer

- b. Compensation for Key Management Personnel

The totals of remuneration paid to directors and KMP of the Company and the consolidated entity during the year are as follows:

| | 2016 | 2015 |
|------------------------------|--------------|-------|
| | \$000 | \$000 |
| Short-term employee benefits | 2,860 | 3,541 |
| Equity-based payments | 1,763 | 519 |
| | 4,623 | 4,060 |

- c. Loans to Key Management Personnel

No directors or KMP had any loans during the reporting period.

- d. Other transactions and balances with Key Management Personnel

There were no other transactions and balances with KMP other than that disclosed in note 31.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 8: Auditors' Remuneration

| | Consolidated Entity | |
|--|---------------------|------------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| Remuneration of the auditor of the parent entity for: | | |
| - auditing or reviewing the financial report | 287 | 261 |
| - taxation services | 12 | 104 |
| - assurance assistance | - | 34 |
| - corporate finance services | 7 | 2 |
| | 306 | 401 |

NOTE 9: Earnings Per Share

| | Consolidated Entity | |
|---|---------------------|-------------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| (a) Reconciliation of earnings to profit or loss from overall operations | | |
| Profit/(loss) after income tax | (58,236) | 40,280 |
| Earnings used to calculate basic and dilutive EPS | (58,236) | 40,280 |
| (b) Reconciliation of earnings to profit or loss from continuing operations | | |
| Profit/(loss) after income tax | (56,085) | 42,821 |
| Earnings used to calculate basic and dilutive EPS | (56,085) | 42,821 |
| (c) Reconciliation of earnings to profit or loss from discontinuing operations | | |
| Profit/(loss) after income tax | (2,151) | (2,541) |
| Earnings used to calculate basic and dilutive EPS | (2,151) | (2,541) |
| | No. | No. |
| (d) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 168,800,836 | 168,479,529 |
| Weighted average number of dilutive options outstanding | - | - |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 168,800,836 | 168,479,529 |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 10: Dividends

| | Consolidated Entity | |
|--|---------------------|--------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| Distributions Paid | | |
| Final dividend for the year ended 30 June 2015 of 8.5 cents (2014: 8.5 cents) per share fully franked at the tax rate of 30% (2014: 30%) | 14,220 | 14,336 |
| Interim dividend for the year ended 30 June 2016 of 2.0 cents (2015: 4.5 cents) per share fully franked at the tax rate of 30% (2015: 30%) | 3,398 | 7,588 |
| | 17,618 | 21,924 |
| Balance of franking account at year end | 59,886 | 70,994 |

NOTE 11: Revenue

| | | Consolidated Entity | |
|---|--------------|---------------------|---------|
| | | 2016 | 2015 |
| | Note | \$000 | \$000 |
| From continuing operations | | | |
| Construction and engineering revenue | | 271,638 | 610,407 |
| Accommodation revenue | | 8,964 | 53,826 |
| Other revenue | | | |
| - government grant | | 6,112 | 4,673 |
| - rentals | | 492 | 809 |
| - interest received | 11(a) | 457 | 719 |
| - other services revenue | | 12,630 | - |
| Total revenue from continuing operations | | 300,293 | 670,434 |

(a) Interest revenue

Interest revenue from:

| | | |
|-------------------------------|------------|-----|
| - other persons | 457 | 719 |
| Total interest revenue | 457 | 719 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 12: Cash and Cash Equivalent

| | Consolidated Entity | |
|---|---------------------|--------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| Cash at bank and in hand | 15,077 | 59,548 |
| | 15,077 | 59,548 |
| <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 | 15,077 | 59,548 |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 13: Trade and Other Receivables

| | Consolidated Entity | |
|---|---------------------|--------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| CURRENT | | |
| Trade receivables | 29,517 | 47,827 |
| Less: Provision for impairment of receivables | - | - |
| | 29,517 | 47,827 |
| Movement in the provision for impairment of receivables are as follows: | | |
| Opening balance | - | - |
| Additional provisions recognised | 47 | - |
| Written off during the year as uncollectable | (47) | - |
| Closing balance | - | - |

The following table details the consolidated entity's trade receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the consolidated entity and the customer or counterparty 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 | |
| 2016 | | | | | | | |
| Trade receivables | 29,517 | 23,625 | 4,152 | 604 | 225 | 911 | - |
| Total | 29,517 | 23,625 | 4,152 | 604 | 225 | 911 | - |
| 2015 | | | | | | | |
| Trade receivables | 47,827 | 40,654 | 644 | 4,124 | 305 | 2,100 | - |
| Total | 47,827 | 40,654 | 644 | 4,124 | 305 | 2,100 | - |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 14: Work in Progress

| | | Consolidated Entity | |
|---|-----------|---------------------|-------------|
| | | 2016 | 2015 |
| | | \$000 | \$000 |
| CURRENT | | | |
| <i>Construction and engineering contracts</i> | | | |
| Cost incurred to date plus profit recognised | | 843,853 | 1,085,271 |
| Consideration received and receivables as progress billings | | (850,107) | (1,097,775) |
| | | (6,254) | (12,504) |
| Advanced billings to customers | 21 | (22,100) | (28,286) |
| Unbilled amounts due from customers | | 15,846 | 15,782 |
| | | (6,254) | (12,504) |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 15: Controlled Entities

(a) Controlled Entities

| | Country of Incorporation | Percentage Owned (%) | |
|--|--------------------------|----------------------|------|
| | | 2016 | 2015 |
| Parent Entity: | | | |
| Decmil Group Limited | Australia | | |
| Controlled entities of Decmil Group Limited: | | | |
| Decmil Australia Pty Ltd | Australia | 100% | 100% |
| Decmil Properties Pty Ltd | Australia | 100% | 100% |
| Eastcoast Development Engineering Pty Ltd | Australia | 100% | 100% |
| Homeground Villages Pty Ltd | Australia | 100% | 100% |
| Decmil Infrastructure Pty Ltd | Australia | 100% | 100% |
| Decmil Services Pty Ltd | Australia | 100% | 100% |
| Scope Australia Pty Ltd | Australia | 100% | - |
| Controlled entities of Homeground Villages Pty Ltd: | | | |
| Homeground Gladstone Pty Ltd ATF Homeground Gladstone Unit Trust | Australia | 100% | 100% |
| Homeground Gladstone Unit Trust | Australia | 100% | 100% |
| Homeground Karratha Pty Ltd | Australia | 100% | 100% |
| Controlled entities of Decmil Australia Pty Ltd: | | | |
| Decmil PNG Limited | Papua New Guinea | 100% | 100% |
| Decmil Construction NZ Limited | New Zealand | 100% | 100% |
| Decmil Engineering Pty Ltd | Australia | 100% | 100% |
| Cut and Fill Pty Ltd | Australia | 100% | - |
| Controlled entities of Decmil Infrastructure Pty Ltd: | | | |
| Cornelisse Shoal Pty Ltd | Australia | 100% | 100% |
| Controlled entities of Decmil Services Pty Ltd: | | | |
| Decmil Telecom Pty Ltd | Australia | 100% | 100% |
| SC Holdings Pty Ltd | Australia | 100% | - |
| SC Services Pty Ltd | Australia | 100% | - |
| SC Equipment Holdings Pty Ltd | Australia | 100% | - |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 15: Controlled Entities (Cont'd)

(b) A deed of cross guarantee between Decmil Group Limited and the following wholly-owned controlled entities existed during the financial year and relief was obtained from preparing a financial report for Decmil Group Limited's wholly-owned controlled entities under ASIC Class Order 98/1418: Decmil Australia Pty Ltd, Eastcoast Development Engineering Pty Ltd, Homeground Villages Pty Ltd and Decmil Properties Pty Ltd.

Under the deed, Decmil Group Limited and the above named wholly-owned controlled entities guarantee to support each other's liabilities and obligations. Decmil Group Limited and its above named wholly-owned controlled entities 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.

| | 2016 | 2015 |
|--|-----------------|----------|
| | \$000 | \$000 |
| Financial information in relation to: | | |
| (i) Statement of profit or loss and other comprehensive income: | | |
| Profit/(loss) before income tax | (78,549) | 51,143 |
| Income tax (expense)/benefit | 22,555 | (16,718) |
| Profit/(loss) after income tax | (55,994) | 34,425 |
| (ii) Retained Earnings: | | |
| Retained earnings at the beginning of the year | 112,582 | 100,081 |
| Profit/(loss) after income tax | (55,994) | 34,425 |
| Dividends recognised for the period | (17,618) | (21,924) |
| Retained earnings at the end of the year | 38,970 | 112,582 |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 15: Controlled Entities (Cont'd)

| | 2016 | 2015 |
|---|----------------|---------|
| | \$000 | \$000 |
| (iii) Statement of Financial Position: | | |
| Current Assets | | |
| Cash and cash equivalents | 10,520 | 54,700 |
| Trade and other receivables | 19,524 | 44,681 |
| Work in progress | 11,093 | 17,982 |
| Current tax receivable | 1,455 | 4,484 |
| Other assets | 1,813 | 2,710 |
| Total Current Assets | 44,405 | 124,557 |
| Non-current Assets | | |
| Investment property | 111,032 | 188,374 |
| Property, plant and equipment | 32,567 | 37,374 |
| Deferred tax assets | 18,006 | 4,079 |
| Intangible assets | 69,343 | 70,027 |
| Other financial assets | 9,560 | - |
| Total Non-current Assets | 240,508 | 299,854 |
| Total Assets | 284,913 | 424,411 |
| Current Liabilities | | |
| Trade and other payables | 80,139 | 130,554 |
| Borrowings | 45 | 738 |
| Provisions | 2,770 | 6,512 |
| Total Current Liabilities | 82,954 | 137,804 |
| Non-current Liabilities | | |
| Deferred tax liabilities | - | 12,033 |
| Borrowings | - | 45 |
| Provisions | 735 | 242 |
| Total Non-current Liabilities | 735 | 12,320 |
| Total Liabilities | 83,689 | 150,124 |
| Net Assets | 201,224 | 274,287 |
| Equity | | |
| Issued capital | 162,254 | 161,705 |
| Retained earnings | 38,970 | 112,582 |
| Net Equity | 201,224 | 274,287 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 16: Joint Arrangements

Interest in Joint Operations

In September 2014, Leighton Contractors Pty Ltd awarded Decmil Australia Pty Ltd, in a joint venture with Structural Systems and Hawkins Civil (DASSH JV), a \$19.9m contract for the construction of the Elizabeth Quay Pedestrian Bridge in Perth, Western Australia. The works are part of the Elizabeth Quay Inlet and Public Space Development for the West Australian State Government. The principal place of business of the joint operation is Australia.

Under the joint venture agreement entered into in 2014, Decmil Australia Pty Ltd has a 45% direct interest in all the assets used, the revenues generated and the expenses incurred by the joint arrangement. Decmil Australia Pty Ltd is also liable for 45% of any liabilities incurred by the joint arrangement. In addition, pursuant to the joint venture agreement, Decmil Australia Pty Ltd has 45% of the voting rights in relation to the DASSH JV.

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

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

| | 2016 | 2015 |
|----------------------------------|----------------|---------|
| | \$000 | \$000 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 41 | 168 |
| Other assets | 3 | 1,285 |
| TOTAL CURRENT ASSETS | 44 | 1,453 |
| TOTAL ASSETS | 44 | 1,453 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 82 | 1,179 |
| TOTAL CURRENT LIABILITIES | 82 | 1,179 |
| TOTAL LIABILITES | 82 | 1,179 |
| Revenue | 1,125 | 7,809 |
| Expenses | (1,437) | (7,085) |
| Profit/(loss) for the year | (312) | 724 |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 16: Joint Arrangements (Cont'd)

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

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

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

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

| | 2016 | 2015 |
|----------------------------------|-----------|---------|
| | \$000 | \$000 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | - | 726 |
| Other assets | - | 68 |
| TOTAL CURRENT ASSETS | - | 794 |
| TOTAL ASSETS | - | 794 |
| CURRENT LIABILITIES | | |
| Trade and other payables | - | 986 |
| TOTAL CURRENT LIABILITIES | - | 986 |
| TOTAL LIABILITES | - | 986 |
| Revenue | 24 | 3,981 |
| Expenses | 1 | (4,367) |
| Profit/(loss) for the year | 25 | (386) |

Contingent Liabilities in Respect of Joint Arrangements

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

| | 2016 | 2015 |
|--|------------|-------|
| | \$000 | \$000 |
| Guarantees given for satisfactory contract performance | 248 | 621 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 17: Property, Plant and Equipment

| | Consolidated Entity | |
|--------------------------------------|---------------------|----------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| LAND AND BUILDING (Secured) | | |
| Freehold land, at cost | 5,002 | 5,002 |
| Building: | | |
| At cost | 21,536 | 21,536 |
| Accumulated depreciation | (2,306) | (1,780) |
| | 24,232 | 24,758 |
| PLANT AND EQUIPMENT | | |
| Plant and Equipment: | | |
| At cost | 43,959 | 35,699 |
| Accumulated depreciation | (30,779) | (22,332) |
| | 13,180 | 13,367 |
| Leased Plant and Equipment (Secured) | 1,268 | 3,032 |
| Accumulated depreciation | (927) | (2,117) |
| | 341 | 915 |
| Total Property, Plant and Equipment | 37,753 | 39,040 |

The Land and Building disclosed above represents the seven storey commercial office building owned by the consolidated entity, which is located at 20 Parkland Road, Osborne Park, Western Australia.

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Land and Building \$000 | Owned Plant and Equipment \$000 | Leased Plant and Equipment \$000 | Total \$000 |
|--|----------------------------|------------------------------------|-------------------------------------|----------------|
| Balance at 1 July 2015 | 24,758 | 13,367 | 915 | 39,040 |
| Additions | - | 2,193 | - | 2,193 |
| Transfer between leased and owned | - | 758 | (758) | - |
| Disposals | - | (940) | - | (940) |
| Additions through acquisition of controlled entity | - | 3,846 | 265 | 4,111 |
| Depreciation expense | (526) | (6,044) | (81) | (6,651) |
| Balance at 30 June 2016 | 24,232 | 13,180 | 341 | 37,753 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016



NOTE 17: Property, Plant and Equipment (Cont'd)

| | Land and Building \$000 | Owne d Plant and Equipment \$000 | Lease d Plant and Equipment \$000 | Total \$000 |
|--|----------------------------|-------------------------------------|--------------------------------------|----------------|
| Balance at 1 July 2014 | 25,385 | 12,957 | 2,108 | 40,450 |
| Additions | 17 | 5,459 | - | 5,476 |
| Transfer between leased and owned | - | 547 | (547) | - |
| Disposals | - | (118) | (75) | (193) |
| Write off | (120) | - | - | (120) |
| Additions through acquisition of controlled entity | - | 65 | - | 65 |
| Depreciation expense | (524) | (5,543) | (571) | (6,638) |
| Balance at 30 June 2015 | 24,758 | 13,367 | 915 | 39,040 |

NOTE 18: Investment Property

| | Consolidated Entity | |
|-------------------------------|---------------------|---------------|
| | 2016 \$000 | 2015 \$000 |
| Balance at beginning of year | 188,374 | 188,182 |
| Additions | 727 | 192 |
| Fair value adjustment | (78,069) | - |
| Balance at end of year | 111,032 | 188,374 |

The investment property comprises the Homeground Gladstone Accommodation Village located in Gladstone, Queensland. The investment property is carried at fair value, with fair value being determined using a discounted cash flow valuation model based on key assumptions made by the consolidated entity as detailed in note 33.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 19: Intangible Assets

| | Consolidated Entity | |
|---|---------------------|--------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| Goodwill at cost | 69,343 | 69,343 |
| Additions | 16,826 | - |
| | 86,169 | 69,343 |
| Customer contracts, at cost | - | 848 |
| Additions | 250 | - |
| Accumulated amortisation | (74) | (164) |
| | 176 | 684 |
| Total intangible assets | 86,345 | 70,027 |
| Movements in Carrying Amounts | | |
| <i>Goodwill</i> | | |
| Balance at the beginning of the year | 69,343 | 69,343 |
| Additions | 16,826 | - |
| Balance at the end of the year | 86,169 | 69,343 |
| <i>Customer Contracts</i> | | |
| Balance at the beginning of the year | 684 | - |
| Additions | 250 | 848 |
| Amortisation | (325) | (164) |
| Customer contracts written off | (433) | - |
| Balance at the end of the year | 176 | 684 |
| Allocation of goodwill to CGU's | | |
| Decmil Australia Pty Ltd | 69,343 | 48,601 |
| Eastcoast Development Engineering Pty Ltd | - | 20,742 |
| SC Services Pty Ltd | 10,687 | - |
| Cut and Fill Pty Ltd | 4,422 | - |
| Scope Australia Pty Ltd | 1,717 | - |
| Balance at the end of the year | 86,169 | 69,343 |

The assumptions used in the value-in-use calculations include an average growth rate of between 5% and 10% and a pre-tax discount rate of ~12.9%.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016



NOTE 19: Intangible Assets (Cont'd)

The cash flows are discounted using a discount rate which recognises the risk factor applicable to the industry in which the Company and its controlled entities operate.

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

Intangible assets in the form of customer contracts valued at \$250,000 were recognised on the acquisition of Cut and Fill Pty Ltd for construction contracts in progress at the time of acquisition. This balance will be amortised on a straight line basis through to 30 June 2017.

Intangible assets relating to managed service contracts with a book value of \$433,000 were written off during the period due to the discontinuation of the SAS Telecom business.

NOTE 20: Other Current Assets

| | Note | Consolidated Entity | |
|-------------|------|---------------------|--------|
| | | 2016 | 2015 |
| | | \$000 | \$000 |
| CURRENT | | | |
| Prepayments | | 1,067 | 1,033 |
| Others | | 6,864 | 13,185 |
| | | 7,931 | 14,218 |

NOTE 21: Trade and Other Payables

| | Note | Consolidated Entity | |
|--------------------------------------|------|---------------------|---------|
| | | 2016 | 2015 |
| | | \$000 | \$000 |
| CURRENT | | | |
| <i>Unsecured Liabilities</i> | | | |
| Trade payables | | 21,619 | 21,863 |
| Advance billings to customers | 14 | 22,100 | 28,286 |
| Sundry payables and accrued expenses | | 19,814 | 54,642 |
| | | 63,533 | 104,791 |

NOTE 22: Current Income tax

| | Note | Consolidated Entity | |
|----------------------------|------|---------------------|---------|
| | | 2016 | 2015 |
| | | \$000 | \$000 |
| Current tax receivable | | | |
| - income tax refundable | | (616) | (4,824) |
| Current tax payable | | | |
| - provision for income tax | | - | - |
| | | (616) | (4,824) |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 23: Borrowings

| | Note | Consolidated Entity | |
|-------------------------------------|------|---------------------|---------------|
| | | 2016 \$000 | 2015 \$000 |
| CURRENT | | | |
| <i>Secured liabilities</i> | | | |
| Bank loan | | 2,000 | - |
| Hire purchase liability | | 161 | 739 |
| Total current borrowings | | 2,161 | 739 |
| NON-CURRENT | | | |
| <i>Secured liabilities</i> | | | |
| Bank loan | | 7,000 | - |
| Hire purchase liability | | 212 | 45 |
| Total non-current borrowings | | 7,212 | 45 |
| Total Borrowings | | 9,373 | 784 |

Hire purchase agreements have an average term of 4 years. The average interest rate implicit in the hire purchase is 5.09% (2015: 5.26%). The hire purchase liability is secured by a charge over the underlying hire purchase assets.

The bank loan matures in January 2018. The interest charged is calculated at Bank Bill Rate plus a margin of 1.40% (2015: nil) which equates to 3.54% as at 30 June 2016.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 24: Other Deferred Tax

| Consolidated Entity | 1 July 2015 Opening Balance \$000 | Under- provision in Prior Year \$000 | Acquired on Acquisition \$000 | Charged to Income \$000 | Charged Directly to Equity \$000 | 30 June 2016 Closing Balance \$000 |
|--|--|--|--|----------------------------------|---|--|
| 2016 | | | | | | |
| Deferred tax assets on: | | | | | | |
| Transaction costs on equity issue | 199 | - | - | - | (193) | 6 |
| Provisions – employee benefits | 2,796 | - | 348 | (1,195) | - | 1,949 |
| Restructuring costs | 9 | - | - | (5) | - | 4 |
| Investment due diligence costs | 60 | 9 | - | (35) | - | 34 |
| Other provisions and accruals | 1,171 | 8 | 7 | (756) | - | 430 |
| Tax losses and carry forward tax credits | - | - | 972 | 8,158 | - | 9,130 |
| Property, plant and equipment | - | - | - | 7,281 | - | 7,281 |
| Total deferred tax assets | 4,235 | 17 | 1,327 | 13,448 | (193) | 18,834 |

Deferred tax liabilities on:

Property, plant and equipment:

| | | | | | | |
|---------------------------------------|---------------|----------|-----------|-----------------|----------|----------|
| Tax allowance | 2,770 | 9 | - | (2,779) | - | - |
| Fair value gain | 9,131 | - | - | (9,131) | - | - |
| Prepayment | 69 | - | 27 | (96) | - | - |
| Total deferred tax liabilities | 11,970 | 9 | 27 | (12,006) | - | - |

| Consolidated Entity | 1 July 2014 Opening Balance \$000 | Under- provision in Prior Year \$000 | Acquired on Acquisition \$000 | Charged to Income \$000 | Charged Directly to Equity \$000 | 30 June 2015 Closing Balance \$000 |
|-----------------------------------|--|--|--|----------------------------------|---|--|
| 2015 | | | | | | |
| Deferred tax assets on: | | | | | | |
| Transaction costs on equity issue | 389 | 16 | - | (16) | (190) | 199 |
| Provisions – employee benefits | 2,943 | - | - | (147) | - | 2,796 |
| Restructuring costs | 14 | - | - | (5) | - | 9 |
| Trademark costs | 1 | - | - | (1) | - | - |
| Investment due diligence costs | 77 | - | - | (17) | - | 60 |
| Other provisions and accruals | 304 | 363 | - | 504 | - | 1,171 |
| Total deferred tax assets | 3,728 | 379 | - | 318 | (190) | 4,235 |

Deferred tax liabilities on:

Property plant and equipment:

| | | | | | | |
|---------------------------------------|---------------|----------|----------|--------------|----------|---------------|
| Tax allowance | 1,665 | - | - | 1,105 | - | 2,770 |
| Fair value gain | 9,131 | - | - | - | - | 9,131 |
| Prepayment | - | - | - | 69 | - | 69 |
| Total deferred tax liabilities | 10,796 | - | - | 1,174 | - | 11,970 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 25: Provisions

| | | Consolidated Entity | |
|-------------------------------------|------|---------------------|---------------|
| | Note | 2016 \$000 | 2015 \$000 |
| CURRENT | | | |
| Employee entitlements | 25a | 4,868 | 6,458 |
| Onerous lease | | 277 | 279 |
| Total current provisions | | 5,145 | 6,737 |
| NON CURRENT | | | |
| Employee entitlements | 25a | 854 | - |
| Onerous lease | | - | 242 |
| Total non-current provisions | | 854 | 242 |
| Total Provisions | | 5,999 | 6,979 |

(a) Provision for Employee Entitlements

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

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

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

| | | Consolidated Entity | |
|--|------|---------------------|---------------|
| | Note | 2016 \$000 | 2015 \$000 |
| <i>Movement in provision</i> | | | |
| Balance at beginning of year | | 6,458 | 5,763 |
| Additional provision | | 6,788 | 7,703 |
| Additions through acquisition of controlled entity | | 1,471 | 98 |
| Amounts used | | (8,995) | (7,106) |
| Balance at end of year | | 5,722 | 6,458 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016



NOTE 26: Issued Capital

| | Consolidated Entity | |
|--|---------------------|---------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| 169,892,219 (2015: 167,294,299) fully paid ordinary shares | 162,254 | 161,705 |

(a) Ordinary Shares

| | 2016 | | 2015 | |
|---|--------------------|----------------|-------------|---------|
| | No. | \$000 | No. | \$000 |
| At the beginning of reporting period | 167,294,299 | 161,705 | 168,657,794 | 163,517 |
| Shares issued during the year | 2,597,920 | 47 | - | - |
| Options exercised during the year | - | - | - | - |
| Performance rights converted to shares | - | - | - | - |
| Share buy-back | - | - | (1,363,495) | (1,542) |
| Equity based payments | - | 707 | - | (64) |
| Transaction costs of issue/buy-back | - | (205) | - | (206) |
| At the end of the reporting date | 169,892,219 | 162,254 | 167,294,299 | 161,705 |

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.

During the year ended 30 June 2016 shareholders approved a one off retention grant of 2,500,000 restricted shares to the Group CEO, which will vest in equal proportions two and four years from grant date subject to the achievement of certain hurdles outlined in the Remuneration Report. In addition, 97,920 shares were issued under the Decmil Employee Share Purchase Plan. Under this plan, employees who purchased up to \$1,000 of shares had those shares matched by the Company. The matched shares are subject to a trade restriction until the earlier of three years or cessation of employment with the Company.

During the year ended 30 June 2015 the Company purchased and cancelled 1,363,495 ordinary shares under an on-market buy back as part of its capital management program. The buy-back, which was announced to the market on 4 December 2014, did not require shareholder approval. The shares were acquired at an average price of \$1.13 with prices ranging from \$1.02 to \$1.35. The total cost of \$1,541,737, including \$10,792 of after tax transaction costs, was deducted from shareholder equity. No shares were bought back by the Company during the year ended 30 June 2016.

(b) Capital Management

Management controls the capital of the consolidated entity in order to maintain an optimal debt to equity ratio, provide shareholders with adequate returns and ensure that the consolidated entity can fund its operations and continue as a going concern. The consolidated entity's debt and capital includes ordinary share capital and financial liabilities (including bank guarantee and surety bonding facilities), supported by financial assets.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 26: Issued Capital (Cont'd)

(b) Capital Management (Cont'd)

During the year ended 30 June 2015 the Company initiated an on-market share buyback program under provisions set out in the Corporations Act and the ASX Listing Rules. The program allows the Company to buy up to 10% of the Company's fully paid ordinary shares on-market within a twelve month period, which commenced on 18 December 2014. As at 30 June 2015 the Company had repurchased 1,363,495 shares for a total consideration of \$1,541,737.

NOTE 27: Commitments

| | Consolidated Entity | |
|--|---------------------|-------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| (a) Hire Purchase Commitments⁴ | | |
| Payable – minimum HP payments | | |
| - Not later than 1 year | 175 | 765 |
| - Between 1 and 5 years | 228 | 46 |
| Minimum HP payments | 403 | 811 |
| Less future finance charges | (30) | (27) |
| Present value of minimum HP payments | 373 | 784 |
| (b) Operating Leases Payable | | |
| Non-cancellable operating leases contracted for but not recognised as liabilities | | |
| Payable – minimum lease payments | | |
| - Not later than 1 year | 1,164 | 1,487 |
| - Between 1 and 5 years | 585 | 800 |
| | 1,749 | 2,287 |
| (c) Operating Leases Receivable | | |
| Future minimum rentals receivable for operating leases at the end of the reporting period but not recognised as assets | | |
| Payable – minimum lease payments | | |
| - Not later than 1 year | 712 | 361 |
| - Between 1 and 5 years | 711 | 910 |
| | 1,423 | 1,271 |

⁴ Hire purchase commitments includes contracted amounts for various plant and equipment with a written down value of \$341,014 (2015: \$915,212) secured under hire purchase contracts expiring within one to five years. Under the terms of the hire purchase contracts, the consolidated entity has the option to acquire the assets under finance for predetermined residual values on the expiry of the contracts.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016



NOTE 28: Segment Reporting

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

1. Construction and Engineering

- Decmil Australia Pty Ltd – multi-discipline design, civil engineering and construction services;
- Eastcoast Development Engineering Pty Ltd – fabrication and installation of high pressure pipes, vessels and tanks;
- Decmil PNG Limited – construction arm of Decmil located in Papua New Guinea;
- Decmil Engineering Pty Ltd – civil construction including roads and bridges primarily for the Government sector;
- Decmil Construction NZ Limited – construction arm of Decmil located in New Zealand;
- Cut and Fill Pty Ltd – civil engineering company focussed on civil infrastructure works across the South Eastern seaboard of Australia; and
- Scope Australia Pty Ltd – specialising in the delivery of study, project management, engineering and design consultancy services to the mining, resources, government and construction sectors.

2. Accommodation

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

3. Other

- Decmil Properties Pty Ltd – owner and manager of a commercial office building located at 20 Parkland Road, Osborne Park, Western Australia which derives internal and external revenue;
- SC Services Pty Ltd – design, installation, commissioning and maintenance services to telecommunications network owners, manufacturers and NBN service providers; and
- Decmil Telecom Pty Ltd – the discontinued telecommunications and managed services business.

The consolidated entity is domiciled in Australia. 99% of revenue from external customers is generated from Australia.

The consolidated entity derives 24%, 19% and 16% (2015: 38%, 15% and 13%) of its revenues from the top three external customers. 99% of the consolidated entity's assets are located in Australia and 1% are located in Papua New Guinea.

Basis of accounting for purposes of reporting by operating segments

a. Accounting policies adopted

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

b. Intersegment transactions

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

c. Segment assets

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 28: Segment Reporting (Cont'd)

d. Segment liabilities

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

e. Unallocated items

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

- income tax expense;
- deferred tax assets and liabilities; and
- current tax liabilities.

| (a) Segment Performance | Construction & Engineering | Accommodation | Other | Total |
|-------------------------------------|----------------------------|-----------------|----------------|-----------------|
| 2016 | \$000 | \$000 | \$000 | \$000 |
| External sales | 277,256 | 9,149 | 15,239 | 301,644 |
| Total segment revenue | 277,256 | 9,149 | 15,239 | 301,644 |
| Segment EBITDA | 6,721 | (78,830) | (3,129) | (75,238) |
| Depreciation & amortisation expense | (4,621) | (1,316) | (1,039) | (6,976) |
| Net interest | 388 | 6 | (161) | 233 |
| Segment result | 2,488 | (80,140) | (4,329) | (81,981) |
| Other unallocated expenses | | | | (688) |
| Income tax (expense)/benefit | | | | 24,433 |
| Loss for the period | | | | (58,236) |

| Segment Performance | Construction & Engineering | Accommodation | Other | Total |
|-------------------------------------|----------------------------|---------------|----------------|----------------|
| 2015 | \$000 | \$000 | \$000 | \$000 |
| External sales | 614,688 | 54,204 | 1,976 | 670,868 |
| Total segment revenue | 614,688 | 54,204 | 1,976 | 670,868 |
| Segment EBITDA | 40,171 | 25,146 | (1,887) | 63,430 |
| Depreciation & amortisation expense | (4,538) | (1,540) | (724) | (6,802) |
| Net interest | 548 | (93) | 4 | 459 |
| Segment result | 36,181 | 23,513 | (2,607) | 57,087 |
| Other unallocated expenses | | | | (733) |
| Income tax (expense)/benefit | | | | (16,074) |
| Profit for the period | | | | 40,280 |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 28: Segment Reporting (Cont'd)

| (b) Segment Assets | Construction & Engineering \$000 | Accommodation \$000 | Other \$000 | Total \$000 |
|-----------------------------|-------------------------------------|------------------------|----------------|----------------|
| 2016 | | | | |
| Current assets | 54,836 | 2,678 | 9,706 | 67,220 |
| Non-current assets | 84,993 | 112,679 | 36,023 | 233,695 |
| Other unallocated assets | | | | 22,036 |
| Total segment assets | 139,829 | 115,357 | 45,729 | 322,951 |

Total assets includes:

| | | | | |
|-----------------------------------|-------|-----|-------|-------|
| Acquisition of non-current assets | 4,534 | 807 | 1,691 | 7,032 |
|-----------------------------------|-------|-----|-------|-------|

| Segment Assets | Construction & Engineering \$000 | Accommodation \$000 | Other \$000 | Total \$000 |
|-----------------------------|-------------------------------------|------------------------|----------------|----------------|
| 2015 | | | | |
| Current assets | 128,948 | 5,768 | 1,579 | 136,295 |
| Non-current assets | 78,937 | 191,247 | 25,135 | 295,319 |
| Other unallocated assets | | | | 12,261 |
| Total segment assets | 207,885 | 197,015 | 26,714 | 443,875 |

Total assets includes:

| | | | | |
|-----------------------------------|-------|-----|-----|-------|
| Acquisition of non-current assets | 5,141 | 297 | 295 | 5,733 |
|-----------------------------------|-------|-----|-----|-------|

| (c) Segment Liabilities | Construction & Engineering \$000 | Accommodation \$000 | Other \$000 | Total \$000 |
|----------------------------------|-------------------------------------|------------------------|----------------|----------------|
| 2016 | | | | |
| Current liabilities | 61,397 | 1,720 | 6,346 | 69,463 |
| Non-current liabilities | 623 | - | 7,000 | 7,623 |
| Other unallocated liabilities | | | | 1,819 |
| Total segment liabilities | 62,020 | 1,720 | 13,346 | 78,905 |

| Segment Liabilities | Construction & Engineering \$000 | Accommodation \$000 | Other \$000 | Total \$000 |
|----------------------------------|-------------------------------------|------------------------|----------------|----------------|
| 2015 | | | | |
| Current liabilities | 104,853 | 4,607 | 616 | 110,076 |
| Non-current liabilities | 272 | 15 | - | 287 |
| Other unallocated liabilities | | | | 14,161 |
| Total segment liabilities | 105,125 | 4,622 | 616 | 124,524 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 29: Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with (Loss)/Profit after Income Tax

| | Consolidated Entity | |
|---|---------------------|----------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| (Loss)/profit after income tax | (58,236) | 40,280 |
| Adjustments for: | | |
| Depreciation and amortisation | 6,976 | 6,802 |
| Equity based payments | 707 | (64) |
| Impairment of investment property | 78,069 | - |
| Impairment of intangibles | 433 | - |
| Profit on sale of non-current assets | (381) | (405) |
| Fixed assets write off | - | 120 |
| Changes in assets and liabilities | | |
| Trade receivables | 23,410 | 66,033 |
| Other assets | 6,938 | (2,953) |
| Work in progress | (2,560) | 3,825 |
| Trade payable and accruals | (51,906) | (71,330) |
| Current tax liabilities | 3,912 | (10,628) |
| Deferred tax assets | (13,278) | (507) |
| Deferred tax liabilities | (11,997) | 1,174 |
| Provisions | (2,449) | 1,118 |
| Net cash (used by)/provided by operating activities | (20,362) | 33,465 |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 29: Cash Flow Information (Cont'd)

(b) Acquisition of Entities

- (i) On 1 December 2015, the Group acquired 100% of the issued capital of SC Holdings Pty Ltd, SC Services Pty Ltd and SC Equipment Holdings Pty Ltd for an upfront purchase consideration of \$14,000,000. The SC entities' activities include design, installation, commissioning and maintenance services to telecommunications network owners, manufacturers and NBN service providers. The acquisition is part of the Group's strategy to diversify into the telecommunications service sector.

Details of the transaction were:

| | Consolidated Entity | |
|--|---------------------|---------------|
| | 2016 \$000 | 2015 \$000 |
| Purchase consideration | 14,000 | - |
| Less: escrow adjustments | (154) | - |
| Less: cash acquired | - | - |
| Cash outflow on acquisition | 13,846 | - |
| Assets and liabilities held at acquisition date | | |
| Receivables | 3,069 | - |
| Work in progress | 2,651 | - |
| Other assets | 524 | - |
| Plant and equipment | 947 | - |
| Payables | (2,090) | - |
| Accruals | (1,277) | - |
| Provisions | (511) | - |
| Identifiable assets acquired and liabilities assumed | 3,313 | - |
| Goodwill on consolidation | 10,687 | - |
| Purchase consideration | 14,000 | - |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 29: Cash Flow Information (Cont'd)

(b) Acquisition of Entities (Cont'd)

- (ii) On 1 February 2016, the Group acquired 100% of the issued capital of Cut and Fill Pty Ltd for \$9,560,000. Cut & Fill is a Melbourne based civil engineering company focussed on civil infrastructure works across the South Eastern seaboard of Australia.

Details of the transaction were:

| | Consolidated Entity | |
|--|---------------------|-------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| Purchase consideration | 9,560 | - |
| Less: cash acquired | (12,261) | - |
| Cash outflow/(inflow) on acquisition | (2,701) | - |
| Assets and liabilities held at acquisition date | | |
| Cash | 12,261 | - |
| Receivables | 2,031 | - |
| Work in progress | (5,147) | - |
| Deferred tax assets | 1,248 | - |
| Other assets | 171 | - |
| Plant and equipment | 2,967 | - |
| Payables | (6,292) | - |
| Accruals | (906) | - |
| Provisions | (901) | - |
| Other liabilities | (544) | - |
| Identifiable assets acquired and liabilities assumed | 4,888 | - |
| Goodwill on consolidation | 4,422 | - |
| Intangible assets on consolidation | 250 | - |
| Purchase consideration | 9,560 | - |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 29: Cash Flow Information (Cont'd)

(b) Acquisition of Entities (Cont'd)

(iii) On 1 March 2016, the Group acquired the business assets of Scope Australia Pty Ltd for \$1,680,000 on a cash free and debt free basis. Scope Australia specialises in the delivery of study, project management, engineering and design consultancy services to a range of industry sectors including mining, resources, government and construction.

Details of the transaction were:

| | Consolidated Entity | |
|--|---------------------|-------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| Purchase consideration | 1,680 | - |
| Less: cash acquired | - | - |
| Cash outflow on acquisition | 1,680 | - |
| Assets and liabilities held at acquisition date | | |
| Deferred tax assets | 73 | - |
| Plant and equipment | 134 | - |
| Provisions | (244) | - |
| Identifiable assets acquired and liabilities assumed | (37) | - |
| Goodwill on consolidation | 1,717 | - |
| Purchase consideration | 1,680 | - |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 29: Cash Flow Information (Cont'd)

(b) Acquisition of Entities (Cont'd)

- (iv) During the year ended 30 June 2015, the Company acquired the business assets and liabilities of SAS Telecom Pty Ltd by Decmil Telecom Pty Ltd, a wholly-owned controlled entity which traded as SAS Telecom. SAS Telecom provided telecommunications services including communication systems, structured cabling and data supply and provides managed services of communication systems.

Details of the transaction were:

| | Consolidated Entity | |
|--|---------------------|-------|
| | 2016 | 2015 |
| | \$000 | \$000 |
| Purchase consideration | - | 925 |
| Less: cash acquired | - | - |
| Cash outflow on acquisition | - | 925 |
| Assets and liabilities held at acquisition date | | |
| Work in progress | - | 83 |
| Other assets | - | 14 |
| Intangible assets (customer contracts) | - | 848 |
| Plant and equipment | - | 78 |
| Provisions | - | (98) |
| Identifiable assets acquired and liabilities assumed | - | 925 |
| Purchase consideration | - | 925 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016



NOTE 29: Cash Flow Information (Cont'd)

(c) Non-cash Financing and Investing Activities

Consolidated Entity

| | 2016 | 2015 |
|---|-------|-------|
| | \$000 | \$000 |
| Finance leases to acquire plant and equipment | - | - |

(d) Credit Standby Facilities with Banks

Consolidated Entity

| | 2016 | 2015 |
|---|-----------------|----------|
| | \$000 | \$000 |
| Credit facilities | 234,900 | 292,091 |
| <i>Amount utilised</i> | | |
| Loan facility | (9,000) | - |
| Equipment finance | (373) | (784) |
| Bank guarantees and surety bond facilities | (45,207) | (57,095) |
| | 180,320 | 234,212 |
| The credit facilities are summaries as follows: | | |
| Bank overdraft | 15,000 | 15,000 |
| Loan facility | 35,000 | 75,000 |
| Equipment finance | 13,200 | 12,500 |
| Bank guarantees and surety bond facilities | 171,700 | 189,591 |
| | 234,900 | 292,091 |

The majority of credit facilities are provided by National Australia Bank Limited and are subject to annual review. This comprises a \$65 million multi-option facility, \$35 million term debt facility, a \$3 million equipment finance facility and a \$0.5m corporate credit card facility. The \$65m multi-option facility encompasses a bank guarantee facility, letter of credit facility and overdraft facility capped at \$15 million.

Security for the National Australia Bank facilities comprises the following:

- General Security granted by Decmil Group Limited and its controlled entities (other than Decmil PNG Ltd, Homeground Gladstone Pty Ltd and Homeground Karratha Pty Ltd);
- Negative pledge in relation to Homeground Gladstone Pty Ltd
- First registered mortgage over property situated at 20 Parkland Road, Osborne Park, Western Australia.

In addition to the National Australia Bank facilities, the consolidated entity also has the following facilities:

- Equipment finance of \$6.7 million and \$3.5 million with Toyota Finance and Commonwealth Bank Finance respectively; and
- Surety bond facilities of \$50 million with Asset Insure, \$1.3 million with QBE, \$35 million with Vero and \$35 million with New Surety.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 30: Equity-Based Payments

Performance Rights Plan

The Board believes that the long term incentive offered to key executives forms a key part of their remuneration and assists to align their interests with the long term interests of Shareholders. For details of the Long Term Incentive Plan, refer to the Directors' Report.

(i) There were no options granted during the year or outstanding as at 30 June 2016.

(ii) A summary of the movements of all Performance Rights issued is as follows:

| | Number |
|--|------------------|
| Performance Rights outstanding as at 30 June 2014 | 1,436,923 |
| Granted | 1,663,860 |
| Forfeited | - |
| Vested | - |
| Lapsed | - |
| Performance Rights outstanding as at 30 June 2015 | 3,100,783 |
| Granted | 3,365,996 |
| Forfeited | - |
| Vested | - |
| Lapsed | - |
| Performance Rights outstanding as at 30 June 2016 | 6,466,779 |

The fair value of the Performance Rights granted during the financial year was \$568,446. Performance Rights are valued using various valuation methodologies, including Black-Scholes option pricing models and Monte Carlo simulations where Performance Rights have market based vesting conditions. Expected life is based on management's best estimate at the time of valuation of vesting criteria being achieved. The fair value has been discounted by 67% to 90% to reflect the probability of not meeting the vesting conditions. The discount factors were determined through an analysis of relative share price to the date of grant, dividends paid and likelihood of rights being forfeited prior to vesting.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 30: Equity-Based Payments (Cont'd)

The weighted average fair value of Performance Rights granted during the year was \$0.169 (2015: \$0.334). These values were calculated using a Black-Scholes option pricing model applying the following inputs:

| | |
|---|------------------|
| Expected vesting period for the Performance Rights to vest: | 2, 3 and 4 years |
| Expected share price volatility: | 48% |
| Risk-free interest rate: | 3.06% |
| Dividend yield | 11.2% |

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements. Expenses arising from equity-based payment transactions recognised during the year were as follows:

| Performance Rights | Consolidated Entity | |
|---|---------------------|---------------|
| | 2016 \$000 | 2015 \$000 |
| Expenses | 792 | 430 |
| Written back on reassessment of probabilities | (85) | (494) |
| TOTAL | 707 | (64) |

NOTE 31: Related Party Transactions and Balances

Parent entity

Decmil Group Limited is the parent entity.

Controlled entities

Interests in controlled entities are set out in note 15.

Key management personnel

Disclosures relating to KMP are set out in note 7 and the Remuneration Report in the Directors' Report.

Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated Entity | |
|---|---------------------|---------------|
| | 2016 \$000 | 2015 \$000 |
| (a) Director Related Transactions | | |
| Rent of various properties used by Decmil Australia Pty Ltd paid to Broadway Pty Ltd, an entity in which Mr Denis Criddle has a beneficial interest | 202 | 217 |
| (b) Director Related Balances¹ | | |
| Amounts owing to The NeVERN Group Pty Ltd, an entity in which Mr Giles Everist has a beneficial interest, for directors' fees | 8 | 9 |
| Amounts owing to Saxelby Associates Pty Ltd, an entity in which Mr David Saxelby has a beneficial interest, for directors' fees and consulting fees | 26 | - |

¹ Transactions relating to directors fees are included in the Directors' Report details of remuneration

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 31: Related Party Transactions and Balances (Cont'd)

On 24 March 2016, the Company announced the acquisition of the business assets of Scope Australia Pty Ltd for \$1.68m on a cash free and debt free basis. Up until the acquisition date, Group CEO, Mr Scott Criddle, was the major shareholder of Scope Australia Pty Ltd. The acquisition was considered by a committee of independent Non-Executive Directors and the price was determined based on an independent external valuation.

NOTE 32: Financial Instruments

The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable and payable and borrowings.

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

(i) Financial Risk Management Policies

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

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

Treasury functions are performed in accordance with policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis.

(ii) Specific Financial Risk Exposures and Management

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

Interest rate risk

Exposure to interest rate risk arises on financial assets and liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows.

Liquidity risk

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

Credit risk

The maximum exposure to credit risk, at balance date to recognise 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 2016.

In respect of the parent entity, credit risk also incorporates the exposure of Decmil Group Limited to the liabilities of all the parties to the deed of cross guarantee. Credit risk is managed on a consolidated basis and reviewed regularly by finance executives and the Board. It arises from exposures to customers as well as through deposits with financial institutions. The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated entity.

Price risk

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



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 32: Financial Instruments (Cont'd)

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the consolidated entity holds financial instruments which are other than the Australian Dollar (AUD) functional currency of the consolidated entity.

(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 | Carrying Amount \$000 |
|------------------------------|--|----------------------------------|---------------------------|--------------------------|-----------------------------|
| 2016 | | | | | |
| Financial Assets | | | | | |
| Cash and cash equivalents | 2.0 | - | 15,077 | - | 15,077 |
| Receivables | - | 29,517 | - | - | 29,517 |
| | | 29,517 | 15,077 | - | 44,594 |
| Financial Liabilities | | | | | |
| Payables | - | (63,533) | - | - | (63,533) |
| Borrowings | 3.6 | - | (2,161) | (7,212) | (9,373) |
| | | (63,533) | (2,161) | (7,212) | (72,906) |
| 2015 | | | | | |
| Financial Assets | | | | | |
| Cash and cash equivalents | 2.4 | - | 59,548 | - | 59,548 |
| Receivables | - | 47,827 | - | - | 47,827 |
| | | 47,827 | 59,548 | - | 107,375 |
| Financial Liabilities | | | | | |
| Payables | - | (104,791) | - | - | (104,791) |
| Borrowings | 5.3 | - | (739) | (45) | (784) |
| | | (104,791) | (739) | (45) | (105,575) |

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

(iv) Net Fair Values of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 32: Financial Instruments (Cont'd)

(v) Sensitivity Analysis

Interest Rate Risk and Price Risk

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

Interest Rate Sensitivity Analysis

The consolidated entity's cash and cash equivalents and borrowings are subject to interest rate sensitivities. At 30 June 2016, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant is immaterial.

Price Risk Sensitivity Analysis

At 30 June 2016, 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 | |
|---|---------------------|---------------|
| | 2016 \$000 | 2015 \$000 |
| Change in profit | | |
| Increase in labour costs by 5% (CPI assumption) | (4,763) | (5,997) |
| Change in equity | | |
| Increase in labour costs by 5% (CPI assumption) | (4,763) | (5,997) |

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

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

Foreign Exchange Sensitivity Analysis

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



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 33: Fair Value Measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset

| | Level 1 \$000 | Level 2 \$000 | Level 3 \$000 | Total \$000 |
|--------------------------|------------------|------------------|------------------|----------------|
| Consolidated 2016 | | | | |
| Assets | | | | |
| Investment property | - | - | 111,032 | 111,032 |
| Total assets | - | - | 111,032 | 111,032 |
| Consolidated 2015 | | | | |
| Assets | | | | |
| Investment property | - | - | 188,374 | 188,374 |
| Total assets | - | - | 188,374 | 188,374 |

There were no transfers between levels during the financial year.

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

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

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

| Consolidated | Investment Properties \$000 | Total \$000 |
|--------------------------------|--------------------------------|----------------|
| Balance at 1 July 2014 | 188,182 | 188,182 |
| Additions | 192 | 192 |
| Balance at 30 June 2015 | 188,374 | 188,374 |
| Additions | 727 | 727 |
| Revaluation | (78,069) | (78,069) |
| Balance at 30 June 2016 | 111,032 | 111,032 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 33: Fair Value Measurement (Cont'd)

During the reporting period the Group's investment property, being the Homeground Gladstone Accommodation Village located near Gladstone, Queensland, was revalued by an independent valuer (Ernst & Young). The primary valuation method utilised by the valuer was a discounted cash flow model.

Key assumptions utilised by the valuer in the preparation of its valuation included:

- Useful life of the asset in the range of 20 to 30 years with no terminal value;
- Various occupancy assumptions over the estimated useful life (low of 15% to high of 68%);
- Room rate growth in the range of 0% to 2.5%; and
- A nominal post-tax discount rate range of 11.0% to 12.5%.

As a result of the independent valuation, the Homeground Gladstone investment property was revalued to \$110,800,000.

The fair value is sensitive to changes within the range of key assumptions disclosed above. Any material change within the range for any individual assumption or any combination of assumptions will likely have a material impact on the fair value as follows:

| Assumption | Increase in Assumption | Decrease in Assumption |
|------------------|------------------------|------------------------|
| Useful life | Positive impact | Negative impact |
| Occupancy | Positive impact | Negative impact |
| Room rate growth | Positive impact | Negative impact |
| Discount rate | Negative impact | Positive impact |

NOTE 34: Contingent Liabilities

| | Consolidated Entity | |
|--|---------------------|--------|
| | 2016 | 2015 |
| Performance Rights | \$000 | \$000 |
| Guarantees given to external parties for satisfactory contract performance for the consolidated entity | 45,207 | 57,095 |

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

NOTE 35: Subsequent Events

On 26 August 2016, the Company proposed a fully franked 2.0 cent per share final dividend with a record date of 2 September 2016 and payment date of 23 September 2016. The total amount of this dividend payment will be \$3.398 million. After this dividend payment, the franking account balance will be \$58.430 million.

Except for the matters 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.



DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2016

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 15(b) will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

On behalf of the directors

Bill Healy
Chairman

26 August 2016



RSM Australia Partners

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 92619100
F +61 (0) 8 92619111

www.rsm.com.au

**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 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Independence

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

Opinion

In our opinion:

- (a) the financial report of Decmil Group Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

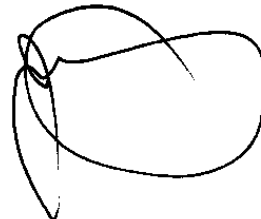
We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Decmil Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.



RSM AUSTRALIA PARTNERS



Perth, WA
Dated: 26 August 2016

J A KOMNINOS
Partner

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

FOR THE YEAR ENDED 30 JUNE 2016

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

1. Substantial shareholders

The names of substantial beneficial shareholders listed on the Company's register as at 31 July 2016 are:

| | Shares | % |
|---------------------------------------|------------|-------|
| Denis Criddle | 20,989,145 | 12.35 |
| Colonial First State | 16,669,207 | 9.83 |
| Thorney Investments Group | 13,041,141 | 7.68 |
| Franco Family Holdings (Retail Group) | 12,675,000 | 7.46 |

The following information is made up as at 31 July 2016:

2. Distribution of shareholdings

| | No. of shareholders | No. of ordinary shares | % |
|------------------|---------------------|------------------------|--------|
| 1 – 1,000 | 1,756 | 983,925 | 0.58 |
| 1,001 – 5,000 | 3,072 | 9,301,813 | 5.48 |
| 5,001 – 10,000 | 1,199 | 9,202,344 | 5.42 |
| 10,001 – 100,000 | 1,149 | 29,615,436 | 17.43 |
| 100,001 and over | 75 | 120,788,701 | 71.09 |
| Total | 7,251 | 169,892,219 | 100.00 |

There are 965 shareholders with an unmarketable parcel totalling 273,481 shares.

3. Voting rights

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



ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2016

4. Twenty largest shareholders

The names of the twenty largest registered shareholders of fully paid ordinary shares in the Company as at 31 July 2016 are:

| | No. of Ordinary Fully Paid Shares Held | % |
|--|--|--------------|
| Citicorp Nominees Pty Ltd | 27,803,881 | 16.37 |
| HSBC Custody Nominees (Australia) Ltd | 19,872,330 | 11.70 |
| Broadway Pty Ltd – The Decmil Australia Fund A/C | 10,475,000 | 6.17 |
| J P Morgan Nominees Australia Ltd | 9,354,508 | 5.51 |
| Broadway Pty Ltd – The Decmil Australia A/C | 7,824,666 | 4.61 |
| L, M & R Franco – LMR Franco Unit Trust A/C | 5,000,000 | 2.94 |
| National Nominees Ltd | 4,028,773 | 2.37 |
| National Exchange Pty Ltd | 2,500,000 | 1.47 |
| SJ & AC Criddle Holdings Pty Ltd – SJ & AC Criddle Family A/C | 2,500,000 | 1.47 |
| Delauney Pty Ltd – Franco Family A/C | 2,300,000 | 1.35 |
| Farview Pty Ltd – Ernesto Franco Family A/C | 2,300,000 | 1.35 |
| Mrs Nola Isabel Criddle – Criddle Investment Fund A/C | 1,947,827 | 1.15 |
| Zero Nominees Pty Ltd | 1,500,000 | 0.88 |
| Brispot Nominees Pty Ltd – House Head Nominee No 1 A/C | 1,402,234 | 0.83 |
| SJ & AC Criddle Holdings Pty Ltd – SJ & AC Criddle Family A/C | 1,257,195 | 0.74 |
| ABN Amro Clearing Sydney Nominees Pty Ltd – Custodian A/C | 1,129,824 | 0.67 |
| Mr Mario Franco + Mrs Immacolata Franco – The Mario Franco S/F A/C | 1,100,000 | 0.65 |
| RBC Investor Services Australia Pty Ltd – VFA A/C | 1,000,000 | 0.59 |
| Criddle Holdings Pty Ltd – SJ Criddle Family A/C | 857,195 | 0.50 |
| O'Neill Administration Pty Ltd – O'Neill Super Fund A/C | 812,500 | 0.48 |
| Total | 104,965,933 | 61.80 |

CORPORATE DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2016

Directors

Bill Healy, Non-Executive Chairman
Scott Criddle, Managing Director
Denis Criddle, Non-Executive Director
Giles Everist, Non-Executive Director
David Saxelby, Non-Executive Director
Lee Verios, Non-Executive Director

Executive Team

Scott Criddle, Group Chief Executive Officer
Ric Buratto, Chief Executive Officer –
Construction and Engineering
Craig Amos, Chief Financial Officer

Company Secretary

Alison Thompson

Australian Business Number

35 111 210 390

Principal Registered Address

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

Postal Address

PO Box 1233
Osborne Park WA 6916

Operational Offices

Decmil Australia Pty Ltd
20 Parkland Road
Osborne Park WA 6017
Telephone: 08 9368 8877

Decmil Australia Pty Ltd, Eastcoast Development
Engineering Pty Ltd, Decmil Engineering Pty Ltd
& Homeground Villages Pty Ltd
Level 5, 60 Edward Street
Brisbane QLD 4000
Telephone: 07 3640 4600

SC Services Pty Ltd
34 Walters Drive
Osborne Park WA 6017
Telephone: 08 9208 5999

Cut and Fill Pty Ltd
86 Denmark Street
Kew VIC 3101
Telephone: 03 8417 7800

Scope Australia Pty Ltd
1025 Wellington Street
West Perth WA 6005
Telephone: 08 9216 7400

Auditor

RSM Australia Partners
8 St Georges Terrace
Perth WA 6000
Telephone: 08 9261 9100
Facsimile: 08 9261 9111

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone: 08 9323 2000
Facsimile: 08 9323 2033
Email: web.queries@computershare.com.au
Website: www.computershare.com

Lawyers

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

Bankers

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

Controlled Entities

Decmil Australia Pty Ltd
Decmil Engineering Pty Ltd
Decmil PNG Limited
Decmil Construction NZ Limited
Cut and Fill Pty Ltd
Eastcoast Development Engineering Pty Ltd
Homeground Villages Pty Ltd
Homeground Gladstone Pty Ltd ATF
Homeground Gladstone Unit Trust
Homeground Karratha Pty Ltd
Decmil Properties Pty Ltd
Decmil Infrastructure Pty Ltd
Cornelisse Shoal Pty Ltd
Decmil Services Pty Ltd
Decmil Telecom Pty Ltd
SC Holdings Pty Ltd
SC Services Pty Ltd
SC Equipment Holdings Pty Ltd
Scope Australia Pty Ltd

ASX Code

DCG



This page has been left blank intentionally.



DECMIL GROUP LIMITED

2016

ANNUAL
REPORT



decmil.com.au