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Decmil Group Limited

# Half Year Report

31 December 2020



## CORPORATE DIRECTORY

### Directors

Andrew Barclay, Chairman  
Dickie Dique, Managing Director  
Peter Thomas, Executive Director

### Executive Team

Dickie Dique, Chief Executive Officer  
Peter Thomas, Chief Financial Officer  
Damian Kelliher, Chief Commercial Officer  
Lance van Drunick, General Manager

### 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

Perth  
Level 6, 20 Parkland Road  
Osborne Park WA 6017  
Telephone: 08 9368 8877

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

Melbourne  
Level 3, 850 Collins Street  
Docklands VIC 3008  
Telephone: 1300 332 645

### Auditor

RSM Australia Partners  
Level 32, Exchange Tower  
2 The Esplanade  
Perth WA 6000  
Telephone: 08 9261 9100

### Share Registry

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
Perth WA 6000  
Telephone: 08 9323 2000  
Email: [www-au.computershare.com/Investor/Contact](http://www-au.computershare.com/Investor/Contact)  
Website: [www.computershare.com](http://www.computershare.com)

### 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 Southern Pty Ltd  
Eastcoast Development Engineering Pty Ltd  
Homeground Villages Pty Ltd  
Homeground Gladstone Pty Ltd ATF  
Homeground Gladstone Unit Trust  
Decmil Maintenance Pty Ltd  
Decmil Group Limited Employee Share Plan Trust

### ASX Code

DCG

## DIRECTORS' REPORT

Your directors submit the financial report of Decmil Group Limited and its controlled entities ("the Group" or "the consolidated entity") for the half-year ended 31 December 2020.

### DIRECTORS

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

**Mr Andrew Barclay (Chairman, appointed 28 July 2020)**

**Mr Dickie Dique**

**Mr Bill Healy (resigned 28 July 2020)**

**Mr David Saxelby (resigned 28 July 2020)**

**Mr Peter Thomas (appointed 28 July 2020)**

### REVIEW OF OPERATIONS

#### Principal activities

Decmil provides integrated construction and engineering solutions across the Infrastructure, Resources, Energy and Construction sectors:

##### Infrastructure

- Government infrastructure projects including major road and bridge civil engineering projects; and
- Integrated transport solutions such as railway networks and airports.

##### Resources

- Non-process infrastructure, including industrial buildings, workshops and storage facilities;
- Construction of workforce accommodation and associated facilities;
- Structural mechanical and piping, processing units and systems and engineering infrastructure for power delivery management; and
- Civil works including site preparation, excavation, bulk earthworks and construction of roads and bridges.

##### Energy

- Oil & Gas projects such as wellhead installation, downstream processing components, gas compressors and gas plants;
- Non-process infrastructure such as control rooms, substations, workshops and accommodation facilities; and
- Feasibility, engineering, project management and construction services for the renewable energy sector including solar, wind and battery.

##### Construction

- Construction of schools, medical centres, facilities, airports and accommodation units for government and local councils; and
- Construction of industrial and commercial buildings.



## DIRECTORS' REPORT (CONT'D)

### Operations

Decmil was established in 1978 and since has grown to provide engineering, construction and maintenance services to the Infrastructure, Resources, Energy and Construction sectors across Australia.

The business has four key sector pillars that form the base of the business:

Infrastructure	Resources	Energy	Construction
Highways and Roads	Process Plants	Liquefied Natural Gas	Aviation
Bridges	Non-Process Infrastructure	Onshore Oil & Gas	Defence and Detention
Rail and Transit	Materials Handling	Wind and Solar	Health and Education
Ports and Marine	Mining	Energy Storage	Accommodation
		Transmission & Distribution	Water and Wastewater

Operations continue to reflect the diversity of the Group, with project activity spanning public sector infrastructure projects across Australia, non-process and worker accommodation facilities for the WA and Queensland resource sectors and balance of plant works in renewable energy.

Key operational highlights for the six months ended 31 December 2020 include:

- Strong safety performance with no lost time injuries for the period and a total recordable injury frequency rate of 2.7;
- Continued successful navigation and management of COVID-19 restrictions on personnel movement, offshore manufacture and border restrictions to ensure minimal effect on projects;
- Successful practical completion of the combined \$151 million Yandin and Warradarge Wind Farm balance of plant projects;
- Successful practical completion of the \$47 million Reid Highway Widening project;
- Award of a \$55 million contract for the design and construction of phase one of the Albany Ring Road and the design of phase two works for the Western Australian Government. Works for phase one commenced on site in September 2020, with optioneering for next phase of the project ongoing in partnership with Main Roads Western Australia;
- Award of a \$41 million contract to undertake non-mining process infrastructure works at the Iron Bridge Magnetite Project for Iron Bridge Operations in the Pilbara region of Western Australia with site works commencing in October 2020;
- Award of \$39 million of non-process infrastructure works at the Mesa A and Mesa J iron ore mines in the Pilbara region of Western Australia for Rio Tinto. Both projects are in design phase with commencement on site early 2021;
- Continued successful delivery of the \$400 million Mordialloc Freeway project for MRPV with JV partner McConnell Dowell which is over 50% complete and ahead of schedule;
- The award of a \$51 million contract for balance of plant works at the Ryan Corner Windfarm for GPG in Victoria;
- Appointed as Preferred Proponent by Rail Projects Victoria to deliver the Gippsland Line Upgrade with partners UGL and Arup as part of the VicConnect Alliance;
- Approved by Major Road Projects Victoria as P3 Panelist (\$25 to \$150 million projects) under the new Program Delivery Approach (PDA) model recognising Decmil's capability, capacity, past performance and ability to deliver value-for-money solutions;
- Successful practical completion of the Warrego Highway Upgrade project for the Queensland Department of Transport and Main Roads (TMR);
- Successful practical completion of \$40 million of accommodation infrastructure for the Carmichael Rail Network project leading to award of additional accommodation infrastructure variation works;
- Reaffirmed its F150+ accreditation;

## DIRECTORS' REPORT (CONT'D)

### Operations (Cont'd)

- R1 registration achieved for Sunraysia Solar Farm in December 2020 with commissioning underway; and
- The \$11 million Bruce Highway 10E Calliope to Mt Alma contract for the Queensland Department of Transport and Main Roads (TMR) progressing well ahead of contract completion program.

### COVID-19

Decmil has experienced a limited operational impact from COVID-19, with work across all projects proceeding relatively smoothly and materials being locally sourced as far as practical. Decmil has implemented robust procedures to mitigate the risk of a COVID-19 outbreak, including social distancing measures at its worksites, which will continue to be monitored closely.

While the Company successfully navigated COVID-19 obstacles during 1H FY21, the situation remains dynamic and there remains a possibility for disruptions to operations in 2H FY21. Decmil will continue to proactively manage the COVID-19 situation and continue to inform the market of any updates.

The tendering progress on some Government projects is continuing to take longer than expected, as the focus of governments is directed to managing immediate COVID-19 issues, which is causing a delay in some contract awards.

### Financial Performance

Revenue from continuing operations of \$165.1 million for the six months ended 31 December 2020 was below the comparative period (\$236.9m) due to a number of projects reaching completion during the period and newly awarded projects only recently ramping up.

Administration expenses for the six months ended 31 December 2020 amounted to \$13.4 million, which was a significant decrease on the prior period (\$19.6 million). This is largely the result of the restructure that occurred in early 2020 which removed a regional management layer and a number of support roles from the business.

The business returned a profit before interest, tax and depreciation of \$5.6 million in the period with project margins stabilising through solid operational performance.

The Group reported net operating cash inflows of \$11.9 million for the six months ended 31 December 2020. This is due to solid performance on current projects, successful closeout of the QGC, Warradarge and Yandin contracts, some advance payments on newly awarded projects and the early receipt of December claims from some clients.

### Financial Position

At 31 December 2020 the Group's balance sheet reflected cash and cash equivalents of \$29.7 million after the repayment of its \$25 million corporate markets loan during the period. At balance date the Group held net assets of \$141 million.

The Group executed a \$40 million working capital facility with NAB in December 2020 and confirmed surety bonding support for future projects.

The Homeground Gladstone accommodation village remains as an asset held for sale with a valuation of \$56.6 million.

### Dividend

To preserve working capital for new opportunities in the business in FY21, the Board has resolved to not declare an interim dividend for FY21. This will be re-assessed given market conditions and working capital requirements.

## DIRECTORS' REPORT (CONT'D)

### Strategy and Outlook

The business continues to focus on the Infrastructure, Resources, Energy and Construction sectors which continue to have a strong pipeline of upcoming work.

Several of Decmil's key sectors are experiencing strong market conditions. These sectors and their drivers are summarised below:

- **Infrastructure (WA, Vic and Qld):** a significant spend in transport infrastructure (road and rail) over the coming 3-4 years has been announced by all state governments. Decmil continues to build its position in road and rail projects and has won contracts in both road and rail in Victoria, Queensland and WA recently. In addition to Decmil's existing capability in road and bridge construction, there are also opportunities to expand further into rail construction.
- **Iron Ore (WA):** the iron price has remained very strong allowing Pilbara iron ore producers to generate significant cashflows. All four major producers (BHP, Rio, Fortescue, Roy Hill) are each completing projects (South Flank, Koodaideri, Ironbridge, Eliwana) and are investing in significant operational upgrade projects that are expected to continue over the next several years.
- **Other Mining (WA and Qld):** the buoyant iron ore price coupled with strong prices in other mining commodities (gold, copper) are also stimulating investment in several other large projects (e.g. Winu copper project by Rio Tinto).
- **Energy (National):** high levels of capital spend on renewable energy projects with the shift towards a decarbonised economy. Decmil has now established a presence in both solar (Gullen and Sunraysia) and wind (Warradarge and Yandin). Decmil's focus on renewable projects is on balance of plant contracts and Decmil will avoid contracts with interconnection risk.

As at 31 December 2020 the Company has committed revenue for FY21 of ~\$360 million and ~\$600 million of work in hand (contracted and preferred) for the remainder of FY21 and beyond.

### ROUNDING OF AMOUNTS

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investment Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest million.

### AUDITOR'S INDEPENDENCE DECLARATION

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

This report is signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the Corporation Act 2001.

On behalf of the Directors



**Andrew Barclay**  
**CHAIRMAN**

Dated this 23rd day of February 2021

**RSM Australia Partners**

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Decmil Group Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 23 February 2021

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	Consolidated Entity	
		31/12/2020	Restated 31/12/2019
		\$000	\$000
<b>Continuing Operations</b>			
Revenue from continuing operations	2	165,110	236,900
Cost of sales		(146,167)	(236,474)
Gross profit		18,943	426
Administration expenses		(13,360)	(19,551)
Equity based payments		41	(822)
Earnings from continuing operations before interest, tax, depreciation, amortisation and impairments		5,624	(19,947)
Interest received	2	23	53
Borrowing costs		(2,572)	(1,292)
Depreciation and amortisation expense		(2,501)	(2,862)
Non-current asset held for sale fair value adjustment	7	-	(7,335)
Profit/(loss) before income tax expense		574	(31,383)
Income tax expense		-	(66)
Net (loss)/profit after tax from continuing operations		574	(31,449)
<b>Discontinued Operations</b>			
Loss after tax from discontinued operations	3(a)	-	(43,416)
Net loss		-	(43,416)
<b>Other Comprehensive Income</b>			
Other comprehensive income		574	(74,865)
Total comprehensive income for the period		574	(74,865)
<b>Overall Operations</b>			
Basic earnings per share (cents per share)		0.45	(31.33)
Diluted earnings per share (cents per share)		0.45	(31.33)
<b>Continuing Operations</b>			
Basic earnings per share (cents per share)		0.45	(13.16)
Diluted earnings per share (cents per share)		0.45	(13.16)
<b>Discontinued Operations</b>			
Basic earnings per share (cents per share)		-	(18.17)
Diluted earnings per share (cents per share)		-	(18.17)

The accompanying notes form part of the interim financial report



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	Consolidated Entity	
		31/12/2020	30/06/2020
		\$000	\$000
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents		29,696	43,930
Trade and other receivables		20,941	36,762
Contract assets		16,818	18,781
Non-current asset held for sale	7	56,655	56,644
Other assets		4,893	4,496
<b>TOTAL CURRENT ASSETS</b>		<b>129,003</b>	<b>160,613</b>
NON-CURRENT ASSETS			
Property, plant and equipment		6,456	8,884
Right-of-use assets		14,905	16,098
Deferred tax assets		22,560	22,590
Intangible assets		75,482	75,482
<b>TOTAL NON-CURRENT ASSETS</b>		<b>119,403</b>	<b>123,054</b>
<b>TOTAL ASSETS</b>		<b>248,406</b>	<b>283,667</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables		60,139	53,995
Contract liabilities		18,285	18,801
Borrowings		1,962	25,232
Lease liabilities		3,816	3,459
Provisions		7,601	23,487
<b>TOTAL CURRENT LIABILITIES</b>		<b>91,803</b>	<b>124,974</b>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		145	19
Lease liabilities		15,097	17,751
Provisions		255	163
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>15,497</b>	<b>17,933</b>
<b>TOTAL LIABILITIES</b>		<b>107,300</b>	<b>142,907</b>
<b>NET ASSETS</b>		<b>141,106</b>	<b>140,760</b>
<b>EQUITY</b>			
Issued capital	4	267,466	267,694
Accumulated losses		(126,360)	(126,934)
<b>TOTAL EQUITY</b>		<b>141,106</b>	<b>140,760</b>

The accompanying notes form part of the interim financial report

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Issued Capital	Retained Earnings / (Accumulated Losses)	Total
	\$000	\$000	\$000
<b>Balance at 1 July 2019</b>	<b>216,858</b>	<b>18,272</b>	<b>235,130</b>
Net loss for the period	-	(74,865)	(74,865)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(74,865)</b>	<b>(74,865)</b>
Shares issued for the period	562	-	562
Transaction costs net of tax benefit	5	-	5
Equity based payments	822	-	822
Performance rights converted to shares	(466)	-	(466)
Dividends paid	-	(4,782)	(4,782)
<b>Balance at 31 December 2019</b>	<b>217,781</b>	<b>(61,375)</b>	<b>156,406</b>
<b>Balance at 1 July 2020</b>	<b>267,694</b>	<b>(126,934)</b>	<b>140,760</b>
Net profit for the period	-	574	574
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>574</b>	<b>574</b>
Shares issued for the period	228	-	228
Transaction costs net of tax benefit	(187)	-	(187)
Equity based payments	(41)	-	(41)
Performance rights converted to shares	(228)	-	(228)
<b>Balance at 31 December 2020</b>	<b>267,466</b>	<b>(126,360)</b>	<b>141,106</b>

The accompanying notes form part of the interim financial report

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Consolidated Entity	
	31/12/2020	31/12/2019
	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	182,088	313,020
Payments to suppliers and employees	(167,612)	(346,020)
Interest received	23	102
Finance costs	(2,572)	(1,364)
Income tax paid	-	(2,069)
Net cash provided by/(used in) operating activities	11,927	(36,331)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(275)	(453)
Proceeds from sale of non-current assets	1,884	77
Net cash provided by/(used in) investing activities	1,609	(376)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	-	25,000
Repayment of borrowings	(25,232)	(768)
Repayment of lease liabilities	(2,507)	(1,636)
Net proceeds from share issue	(31)	88
Dividends paid	5	(4,782)
Net cash (used in)/provided by financing activities	(27,770)	17,902
Net decrease in cash held	(14,234)	(18,805)
Cash at beginning of period	43,930	83,481
Cash at end of period	29,696	64,676

The accompanying notes form part of the interim financial report

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The half-year interim financial report ending 31 December 2020 is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include full disclosures of the type normally included in an annual financial report.

It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Decmil Group Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets. The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial report, except in relation to the matters disclosed below.

#### New and amended Accounting Standards and Interpretations

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

#### Comparative figures

Certain comparative figures have been adjusted to conform to changes in presentation for the current financial period.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

### NOTE 2: REVENUE

	Consolidated Entity	
	31/12/2020	Restated 31/12/2019
	\$000	\$000
<b><u>From continuing operations</u></b>		
Construction and engineering revenue	158,008	232,437
Accommodation revenue	2,291	4,362
Other revenue		
- grant income	4,698	-
- rentals	113	101
- interest received	23	53
Total revenue	165,133	236,953

### Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated Entity	
	31/12/2020	Restated 31/12/2019
	\$000	\$000
<b><u>From continuing operations</u></b>		
<b>Sectors</b>		
Infrastructure	109,641	93,346
Resources	18,084	17,753
Energy	29,930	121,222
Accommodation	2,291	4,362
Other	5,187	270
	165,133	236,953
<b>Geographical regions</b>		
Australia	165,133	236,953
	165,133	236,953



## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

### NOTE 3: DISCONTINUED OPERATIONS

As part of the Group's refocus on its core construction and engineering business in Australia, on 16 April 2020 the Group's New Zealand subsidiary, Decmil Construction NZ Limited was placed into liquidation. As a result, it is now classified as a discontinued operation.

#### (a) Financial performance information

	31/12/2020	Restated 31/12/2019
	\$000	\$000
Construction and engineering revenue	-	2,424
Interest received	-	48
<b>Total revenue</b>	<b>-</b>	<b>2,472</b>
Cost of sales	-	(44,565)
Administration expenses	-	(1,298)
Borrowing costs	-	(72)
Depreciation and amortisation expense	-	(94)
<b>Total expenses</b>	<b>-</b>	<b>(46,029)</b>
<b>Loss before income tax expense</b>	<b>-</b>	<b>(43,557)</b>
Income tax benefit	-	141
<b>Loss after income tax expense from discontinued operations</b>	<b>-</b>	<b>(43,416)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

### NOTE 3: DISCONTINUED OPERATIONS (Cont'd)

#### (b) Financial position information

	31/12/2020	30/06/2020
	\$000	\$000
<b>Current Assets</b>		
Cash and cash equivalents	-	3,144
Trade and other receivables	-	914
Contract assets	-	5,850
Current tax receivable	-	507
Other current assets	-	1,438
<b>Total Current Assets</b>	-	11,853
<b>Non-Current Assets</b>		
Property, plant and equipment	-	176
Right-of-use assets	-	382
Deferred tax assets	-	165
<b>Total Non-Current Assets</b>	-	723
<b>Total Assets</b>	-	12,576
<b>Current Liabilities</b>		
Trade and other payables	-	19,826
Contract liabilities	-	5,837
Lease liabilities	-	84
<b>Total Current Liabilities</b>	-	25,747
<b>Non-Current Liabilities</b>		
Lease liabilities	-	312
Loans to related parties	-	23,952
Deferred tax liabilities	-	9
<b>Total Non-Current Liabilities</b>	-	24,273
<b>Total Liabilities</b>	-	50,020
<b>Net Liabilities</b>	-	(37,444)

#### (c) Cash flow information

	31/12/2020	Restated 31/12/2019
	\$000	\$000
Net cash used in operating activities	-	(16,429)
Net cash used in investing activities	-	(14)
Net cash provided by financing activities	-	7,110
<b>Net decrease in cash and cash equivalents from discontinued operations</b>	-	(9,333)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

### NOTE 4: ISSUED CAPITAL

	Consolidated Entity	
	31/12/2020	30/06/2020
	\$000	\$000
a) Paid up capital		
Fully paid ordinary shares	267,466	267,694
	No. of Shares	Paid Up Capital \$000
b) Movements		
Balance 1 July 2020	1,287,118,809	267,694
Performance rights converted to shares	245,135	228
Share consolidation (one for ten)	(1,158,626,347)	-
	128,737,597	267,922
Less: Equity based payments		(41)
Less: Transaction costs net of tax benefit		(187)
Less: Performance rights converted to shares		(228)
		267,466

### NOTE 5: DIVIDENDS

There was no final dividend paid, declared or recommended for payment for the year ended 30 June 2020.

There will be no interim dividend paid, declared or recommended for payment for the period ended 31 December 2020.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

### NOTE 6: SEGMENT INFORMATION

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

The consolidated entity operates as two segments.

#### 1. Construction & Engineering

- Decmil Australia Pty Ltd – multi-discipline engineering and construction services;
- Decmil Southern Pty Ltd – civil engineering and infrastructure construction services;
- Decmil Construction NZ Limited – discontinued construction arm of Decmil located in New Zealand;
- Decmil Maintenance Pty Ltd (formerly Decmil Infrastructure Pty Ltd) – a dormant entity;
- Eastcoast Development Engineering Pty Ltd – acquired business now integrated into the Decmil Australia Pty Ltd entity;
- Decmil Engineering Pty Ltd – acquired business now integrated into the Decmil Australia Pty Ltd entity; and
- Decmil PNG Limited – dormant construction arm of Decmil located in Papua New Guinea.

#### 2. Accommodation

- Homeground Villages Pty Ltd – Homeground Gladstone Accommodation Village located in Gladstone, Queensland.

All the assets are located in Australia.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

### NOTE 6: SEGMENT INFORMATION (Cont'd)

(a) Segment performance 31/12/2020	Construction & Engineering \$000	Accommodation \$000	Total \$000
External sales	162,787	2,323	165,110
Total segment revenue	162,787	2,323	165,110
Segment EBITDA	6,330	(547)	5,783
Depreciation & amortisation expense	(2,457)	(44)	(2,501)
Net interest	(2,409)	(140)	(2,549)
Segment result	1,464	(731)	733
Other unallocated expenses			(159)
Profit for the period			574

Segment performance 31/12/2019	Construction & Engineering \$000	Accommodation \$000	Total \$000
External sales	234,961	4,362	239,323
Total segment revenue	234,961	4,362	239,323
Segment EBITDA	(63,738)	620	(63,118)
Depreciation & amortisation expense	(2,903)	(53)	(2,956)
Non-current asset held for sale fair value adjustment	-	(7,335)	(7,335)
Net interest	(1,263)	1	(1,262)
Segment result	(68,164)	(6,507)	(74,671)
Other unallocated expenses			(270)
Income tax benefit			76
Loss for the period			(74,865)

(b) Segment assets 31/12/2020	Construction & Engineering \$000	Accommodation \$000	Total \$000
Current assets	68,573	57,074	125,647
Non-current assets	84,758	151	84,909
Other unallocated assets	-	-	37,850
Total segment assets	153,331	57,225	248,406



## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

### NOTE 6: SEGMENT INFORMATION (Cont'd)

Segment assets 30/06/2020	Construction & Engineering \$000	Accommodation \$000	Total \$000
Current assets	101,343	57,045	158,388
Non-current assets	87,415	195	87,610
Other unallocated assets	-	-	37,669
Total segment assets	188,758	57,240	283,667

(c) Segment liabilities 31/12/2020	Construction & Engineering \$000	Accommodation \$000	Total \$000
Current liabilities	97,117	560	97,677
Non-current liabilities	4,909	-	4,909
Other unallocated liabilities	-	-	4,714
Total segment liabilities	102,026	560	107,300

Segment liabilities 30/06/2020	Construction & Engineering \$000	Accommodation \$000	Total \$000
Current liabilities	94,780	25,556	120,336
Non-current liabilities	6,466	-	6,466
Other unallocated liabilities	-	-	16,105
Total segment liabilities	101,246	25,556	142,907

### NOTE 7: 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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

### NOTE 7: FAIR VALUE MEASUREMENT (Cont'd)

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Consolidated – 31 December 2020</b>				
Assets				
Non-current asset held for sale	-	-	56,655	56,655
Total assets	-	-	56,655	56,655
<b>Consolidated – 30 June 2020</b>				
Assets				
Non-current asset held for sale	-	-	56,644	56,644
Total assets	-	-	56,644	56,644

There were no transfers between levels during the half-year period.

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.

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

Consolidated	Non-current asset held for sale \$000	Total \$000
<b>Balance at 30 June 2020</b>	56,644	56,644
Additions	11	11
<b>Balance at 31 December 2020</b>	56,655	56,655

In October 2019, the Group's investment property, being the Homeground accommodation village located near Gladstone, Queensland, was revalued by an independent valuer (Ernst and 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 is 20 years with no terminal value;
- Various occupancy assumptions over the estimated useful life based on expected future accommodation demand;
- Room rate growth of 1.0% from FY21; and
- A nominal post-tax discount rate range of 9.5% to 11.0%.

The Homeground Gladstone investment property is currently on the market and classified as a non-current asset held for sale.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

### NOTE 7: FAIR VALUE MEASUREMENT (Cont'd)

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 8: CONTINGENT LIABILITIES

As at 31 December 2020, the guarantees given to various customers for satisfactory contract performance amounted to \$86.7 million.

Decmil is currently engaged in contractual disputes in relation to some projects, including the Rapid Deployment Prisons project with the New Zealand Department of Corrections, the Sunraysia Solar Farm with Sunraysia Solar Project Pty Ltd and the Amrun project with Southern Cross Electrical Engineering Limited. The Directors do not presently consider the outcome of any of these claims will be materially different to the position recognised in these financial statements.

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

### NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

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

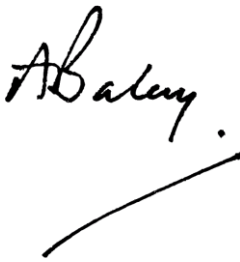
## DIRECTORS' DECLARATION

The directors of the company declare that:

1. The attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
3. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



**Andrew Barclay**  
**CHAIRMAN**

Dated this 23rd day of February 2021



**RSM Australia Partners**

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

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Decmil Group Limited which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Decmil Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**THE POWER OF BEING UNDERSTOOD  
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*Independence*

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

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 23 February 2021