



Decmil Group Limited

ABN 35 111 210 390

Interim Financial Report for the
half year ended 31 December 2016

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CORPORATE DIRECTORY

Directors

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

Executive Team

Scott Criddle, Chief Executive Officer
 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

Decmil Construction NZ Limited
 Level 6, 16 Kingston Street
 Auckland 1010
 Telephone: +64 9 443 4443

SC Services Pty Ltd
 133A Pilbara Street
 Welshpool WA 6106
 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

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
 Scope Australia 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
 Decmil Group Limited Employee Share Plan
 Trust

ASX Code

DCG

DIRECTORS' REPORT

Your directors submit the financial report of Decmil Group Limited for the half-year ended 31 December 2016.

DIRECTORS

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

Mr Denis Criddle

Mr Scott Criddle

Mr Giles Everist (resigned 7 February 2017)

Mr Bill Healy (Chairman)

Mr David Saxelby

Mr Lee Verios

REVIEW OF OPERATIONS

Overview

Key features of the results for the six months to 31 December 2016 include:

- Revenue from continuing operations of \$152.5 million;
- Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) of \$8.1 million (excluding various one off and restructuring costs); and
- Interim dividend of 2 cents per share.

Operations

Operations for the six months to 31 December 2016 reflects the diversification of the Group in recent years, with project activity spanning a number of sectors including WA Iron Ore sustaining capital works, Queensland coal seam gas upstream maintenance, Defence enabling infrastructure, road and bridge projects for State road authorities, renewable energy and telecommunications.

Key operational activity for the six months to 31 December 2016 includes:

- Sustaining capital work in the WA Iron Ore Sector including a warehouse and logistics hub for BHP Billiton Iron Ore at Port Hedland, an airstrip and associated facilities at Cape Preston for Sino Iron and various works for Samsung C&T at the Roy Hill project;
- Minor capital works at a number of the Australian Defence Force bases and facilities;
- The Group's first substantial renewable energy project, being an engineer, procure and construct (EPC) contract for a 10MW solar farm and a two year operation and maintenance contract near Goulburn in New South Wales;
- Wellhead installation, brownfield maintenance and miscellaneous works for QGC in the Queensland coal seam gas sector;
- Work in New Zealand for the Ministry of Education with school projects in Christchurch and Auckland and securing the first project with the New Zealand Defence Force at Kauri Point;
- A variety of road and bridge projects by Cut & Fill predominantly for Vic Roads including the Sand Road Interchange, the Monash Freeway Bridge Strengthening project and the Sneydes Road Interchange;
- Wireless work in Western Australia, New South Wales and Victoria by SC Services for key customers Ericsson, Huawei and Nokia; and
- A variety of design and consulting engineering work by Scope Australia under the Roy Hill engineering panel.

Furthermore, market conditions improved in some of the Group's core sectors in the latter part of the 2016 calendar year resulting in the following recent contract wins:

- A circa \$50 million contract with RTA Weipa Pty Ltd, a wholly owned subsidiary of Rio Tinto Limited, for the design, construction and commissioning of the mine infrastructure area at the Amrun project;
- A circa \$40 million contract with Hamersley Iron for the design, construction and commissioning of new facilities at the existing Nammuldi central mine services and at the Silvergrass mine services area;
- Cut & Fill awarded a \$22 million project for Vic Roads on the Princess Highway (East); and
- A circa \$14 million contract with NSW Health Infrastructure for the redevelopment of a regional medical facility including the diversion of services, demolition of existing structures and the construction of a new temporary medical centre.

Financial Performance

Statutory reported profit for the six months ended 31 December 2016 was impacted by a number of restructuring activities and one off costs including:

- A project loss of \$6.5 million on the Hastings project in Victoria due to a series of industrial relations, weather and productivity issues over the life of the project;
- Restructuring costs of \$0.6 million arising from redundancy and termination payments; and
- Final costs arising from the discontinuance of unprofitable parts of the SAS Telecom business.

A reconciliation between the reported and adjusted EBITDA for the six months ended 31 December 2016 is included below:

\$000	EBITDA	
Reported Result	\$	(185)
Hastings Project Loss	\$	6,463
Restructuring Costs	\$	614
SAS (Discontinued Operation)	\$	1,249
Adjusted Result	\$	8,141

Delays in the timing of recent contract awards and the release of new defence and telecommunications tenders resulted in revenue for the six months ended 31 December 2016 of \$152.5 million falling 10.9% short on the same period last year. As a result the Group expects revenue for the financial year ended 30 June 2017 to be skewed to the second half and also for some previously expected FY17 revenue to be deferred to FY18.

Despite the decreased revenue, EBITDA of \$8.1 million (excluding various one off and restructuring costs) for the six months ended 31 December 2016 was comparable to the adjusted EBITDA of \$8.3 million achieved in the same period last year, largely due to a greater contribution from the Homeground Gladstone accommodation village which achieved an average occupancy of 30%.

Financial Position

The Group maintained a net cash position including cash on hand of \$17.9 million at 31 December 2016. The Group still has minimal core senior debt (\$8.0 million at 31 December 2016) and recently renegotiated its principal banking facilities, retaining undrawn access to debt and bonding facilities to fund operations.

At 31 December 2016 the Group reported a \$239.6 million net asset position and a \$153.3 million tangible net asset position. Of the \$153.3 million net tangible assets, \$134.5 million is real property

comprised of the Gladstone accommodation village and the Group's office building located at 20 Parkland Road, Osborne Park, in Perth.

Strategy and Outlook

Visibility of Group revenue for the 2018 financial year has improved in recent months due to recent contract wins and tendering activity and a general improvement in the Group's core sectors of natural resources, infrastructure and renewable energy.

At 31 January 2017, FY18 work in hand and visible revenue stands at ~\$175 million.

Other key strategic activities in the Group include:

- Cut & Fill being part of a tier consortium that has been shortlisted for the western package of the Vic Roads Outer Suburban Arterial Roads PPP;
- Progress with a number of strategic partnerships in the renewable energy sector, predominantly focused on new wind and solar development projects; and
- New sustaining capital opportunities in the WA Iron Ore Sector.

Management and the Board have continued to work towards transforming the business and to position it going into the 2018 financial year with:

- An overhead base that is appropriate for the volumes of work in the market (decreasing from \$44.2 million in FY15 to less than \$30 million expected in FY18);
- Exposure to a diverse range of markets including natural resources, infrastructure and renewable energy; and
- A truly national presence across the Australasian region.

Dividend

The Company announced a fully franked 2.0 cents per share interim dividend with a record date of 8 March 2017 and payment date of 29 March 2017.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Corporation's 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 Corporation's Instrument to the nearest thousand dollar, or in certain cases, the nearest million.

AUDITOR'S DECLARATION

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

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


 A handwritten signature in black ink, appearing to read 'Bill Healy'.

Bill Healy
Chairman

Dated this 27th day of February 2017

RSM Australia Partners

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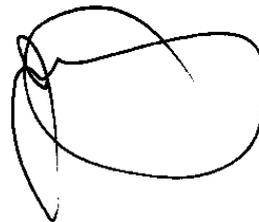
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Decmil Group Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



JAMES KOMNINOS
Partner

Perth, WA
Dated: 27 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated Entity	
		31/12/2016	31/12/2015
		\$000	\$000
Revenue from continuing operations	2	152,501	171,062
Cost of sales		(134,821)	(145,405)
Gross profit		17,680	25,657
Administration expenses		(15,620)	(15,791)
Borrowing expenses		(268)	(32)
Depreciation and amortisation expense		(3,107)	(3,284)
Equity based payments		(372)	(228)
Restructuring costs		(614)	(2,940)
Investment property fair value adjustment	8	-	(78,069)
Loss before income tax		(2,301)	(74,687)
Income tax benefit		1,715	20,823
Net loss from continuing operations		(586)	(53,864)
Loss after tax from discontinued operations	3	(880)	(920)
Net loss after tax		(1,466)	(54,784)
Other Comprehensive Income			
Other comprehensive income		-	-
Total comprehensive income for the period		(1,466)	(54,784)
Overall Operations			
Basic earnings per share (cents per share)		(0.86)	(32.66)
Diluted earnings per share (cents per share)		(0.86)	(32.66)
Continuing Operations			
Basic earnings per share (cents per share)		(0.34)	(32.11)
Diluted earnings per share (cents per share)		(0.34)	(32.11)
Discontinuing Operations			
Basic earnings per share (cents per share)		(0.52)	(0.55)
Diluted earnings per share (cents per share)		(0.52)	(0.55)

The accompanying notes form part of the interim financial report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	Consolidated Entity	
		31/12/2016	30/06/2016
		\$000	\$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		17,865	15,077
Trade and other receivables		27,416	29,517
Work in progress		12,972	15,846
Current tax receivable		-	616
Other assets		4,674	7,931
TOTAL CURRENT ASSETS		62,927	68,987
NON-CURRENT ASSETS			
Investment property	8	111,115	111,032
Property, plant and equipment		35,060	37,753
Deferred tax assets		20,571	17,834
Intangible assets		86,256	86,345
Other assets		1,595	1,000
TOTAL NON-CURRENT ASSETS		254,597	253,964
TOTAL ASSETS		317,524	322,951
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		63,108	63,533
Borrowings	4	2,017	2,161
Provisions		4,798	5,145
TOTAL CURRENT LIABILITIES		69,923	70,839
NON-CURRENT LIABILITIES			
Deferred tax liabilities		647	-
Borrowings	4	6,362	7,212
Provisions		989	854
TOTAL NON-CURRENT LIABILITIES		7,998	8,066
TOTAL LIABILITIES		77,921	78,905
NET ASSETS		239,603	244,046
EQUITY			
Issued capital	5	162,675	162,254
Retained earnings		76,928	81,792
TOTAL EQUITY		239,603	244,046

The accompanying notes form part of the interim financial report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Retained Earnings	Total
	\$000	\$000	\$000
Balance at 1 July 2015	161,705	157,646	319,351
Net loss for the period	-	(54,784)	(54,784)
Total comprehensive income for the period	161,705	102,862	264,567
Shares issued for the period	47	-	47
Transaction costs net of tax benefit	(98)	-	(98)
Equity based payments	228	-	228
Dividends recognised for the period	-	(14,220)	(14,220)
Balance at 31 December 2015	161,882	88,642	250,524
Balance at 1 July 2016	162,254	81,792	244,046
Net loss for the period	-	(1,466)	(1,466)
Total comprehensive income for the period	162,254	80,326	242,580
Shares issued for the period	53	-	53
Transaction costs net of tax benefit	(4)	-	(4)
Equity based payments	372	-	372
Dividends recognised for the period	-	(3,398)	(3,398)
Balance at 31 December 2016	162,675	76,928	239,603

The accompanying notes form part of the interim financial report

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Consolidated Entity	
	31/12/2016	31/12/2015
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	162,686	209,763
Payments to suppliers and employees	(155,534)	(211,523)
Interest refunded	28	263
Finance costs	(268)	(32)
Income tax received	493	4,129
Net cash provided by operating activities	7,405	2,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(538)	(1,387)
Investments, net of cash acquired	-	(14,000)
Proceeds from sale of non-current assets	421	380
Net cash used in investing activities	(117)	(15,007)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from/(repayment of) borrowings	(1,144)	9,635
Net proceeds from share issue	42	46
Dividends paid by parent entity	(3,398)	(14,220)
Net cash used in financing activities	(4,500)	(4,539)
Net increase/(decrease) in cash held	2,788	(16,946)
Cash at beginning of period	15,077	59,548
Cash at end of period	17,865	42,602

The accompanying notes form part of the interim financial report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 1: BASIS OF PREPARATION

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Decmil Group Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

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

New and Revised Accounting Standards and Interpretations

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

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

Comparative Figures

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

	Consolidated Entity	
	31/12/2016	31/12/2015
	\$000	\$000
NOTE 2: REVENUE		
From continuing operations		
Construction and engineering revenue	131,183	158,704
Accommodation revenue	10,936	4,786
Services revenue	9,345	1,665
Other revenue		
- government grant	891	5,312
- property rentals	118	333
- interest received	28	262
Total revenue from continuing operations	152,501	171,062

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (CONT'D)

NOTE 3: DISCONTINUED OPERATIONS

(a) Financial performance information

		31/12/2016	31/12/2015
	Note	\$000	\$000
Services revenue		2,086	1,123
Interest received		-	1
Total revenue		2,086	1,124
Cost of sales		(3,274)	(1,111)
Administration expenses		(42)	(975)
Depreciation and amortisation expense		(15)	(123)
Impairment of intangibles		-	(130)
Restructuring costs		-	(1)
Total expense		(3,331)	(2,340)
Loss before income tax expense		(1,245)	(1,216)
Income tax benefit		365	296
Loss after income tax expense from discontinued operations		(880)	(920)

(b) Financial position information

		31/12/2016	30/06/2016
	Note	\$000	\$000
CURRENT ASSETS			
Cash and cash equivalents		6	150
Trade and other receivables		423	505
Work in progress		-	692
Other current assets		14	13
TOTAL CURRENT ASSETS		443	1,360
NON-CURRENT ASSETS			
Property, plant and equipment		93	255
Deferred tax assets		365	628
TOTAL NON-CURRENT ASSETS		458	883
TOTAL ASSETS		901	2,243
CURRENT LIABILITIES			
Trade and other payables		6,448	6,851
Provisions		26	84
TOTAL CURRENT LIABILITIES		6,474	6,935
TOTAL LIABILITIES		6,474	6,935
NET LIABILITIES		(5,573)	(4,692)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (CONT'D)

NOTE 3: DISCONTINUED OPERATIONS (Continued)

(c) Cash flow information

	31/12/2016	31/12/2015
Note	\$000	\$000
Net cash used in operating activities	(143)	(18)
Net cash used in investing activities	-	-
Net cash used in financing activities	-	-
Net decreased in cash and cash equivalents from discontinued operations	(143)	(18)

	Consolidated Entity	
	31/12/2016	30/06/2016
	\$000	\$000

NOTE 4: BORROWINGS

Current:		
- bank loans ¹	2,000	2,000
- lease liability	17	161
	2,017	2,161
Non-current:		
- bank loans ¹	6,000	7,000
- lease liability	362	212
	6,362	7,212

¹ A \$10 million term loan was drawn down from the Group's principal banking facilities. The loan was used to partly finance the acquisition of SC Services. \$500,000 is repayable every quarter until 31 January 2018 when the remaining \$6 million is due to be refinanced for a further three year term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (CONT'D)

	Consolidated Entity	
	31/12/2016	30/06/2016
	\$000	\$000
NOTE 5: ISSUED CAPITAL		
a) Paid up capital		
Fully paid ordinary shares	162,675	162,254
b) Movements		
Balance 1 July 2016	169,892	162,254
Issue of employee shares	122	53
Issue of retention shares	1,470	-
Performance rights converted to shares	250	-
	171,734	162,307
Add: Equity based payments		372
Less: Transaction costs net of tax benefit		(4)
		162,675

NOTE 6: DIVIDENDS

The 2016 final dividend of 2.0 cents per share franked at the rate of 30% was paid on 23 September 2016. The dividend paid totalled \$3.398 million.

On 27 February 2017, the company proposed a fully franked 2.0 cent per share interim dividend with a record date of 8 March 2017 and payment date of 29 March 2017. The total amount of this dividend payment will be \$3.435 million.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (CONT'D)

NOTE 7: 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 three segments.

1. Construction & Engineering

- Decmil Australia Pty Ltd – multi-discipline design, 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 and commissioning and maintenance services to telecommunications network owners, manufacturers and NBN service providers; and
- Decmil Telecom Pty Ltd trading as SAS Telecom – the discontinued mining telecommunications and managed services business.

All the assets are located in Australia.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (CONT'D)

NOTE 7: SEGMENT INFORMATION (Continued)

(a) Segment performance 31/12/2016	Construction & Engineering \$000	Accommodation \$000	Other \$000	Total \$000
External sales	131,944	10,999	11,616	154,559
Total segment revenue	131,944	10,999	11,616	154,559
Segment EBITDA	(1,299)	3,912	(2,410)	203
Depreciation & amortisation expense	(2,122)	(567)	(433)	(3,122)
Net interest	(76)	(7)	(156)	(239)
Segment result	(3,497)	3,338	(2,999)	(3,158)
Other unallocated expenses				(388)
Income tax benefit				2,080
Loss for the period				(1,466)

Segment performance 31/12/2015	Construction & Engineering \$000	Accommodation \$000	Other \$000	Total \$000
External sales	163,763	4,938	3,221	171,922
Total segment revenue	163,763	4,938	3,221	171,922
Segment EBITDA	7,090	(78,055)	(1,379)	(72,344)
Depreciation & amortisation expense	(2,320)	(662)	(425)	(3,407)
Net interest	234	5	(8)	231
Segment result	5,004	(78,712)	(1,812)	(75,520)
Other unallocated expenses				(383)
Income tax benefit				21,119
Loss for the period				(54,784)

(b) Segment assets 31/12/2016	Construction & Engineering \$000	Accommodation \$000	Other \$000	Total \$000
Current assets	54,120	1,347	6,284	61,751
Non-current assets	83,610	112,262	35,527	231,399
Other unallocated assets	-	-	-	24,374
Total segment assets	137,730	113,609	41,811	317,524

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (CONT'D)

NOTE 7: SEGMENT INFORMATION (Continued)

Segment assets 31/12/2015	Construction & Engineering \$000	Accommodation \$000	Other \$000	Total \$000
Current assets	61,300	2,294	8,471	72,065
Non-current assets	77,407	113,052	35,814	226,273
Other unallocated assets	-	-	-	27,108
Total segment assets	138,707	115,346	44,285	325,446

(c) Segment liabilities 31/12/2016	Construction & Engineering \$000	Accommodation \$000	Other \$000	Total \$000
Current liabilities	62,365	1,573	4,056	67,994
Non-current liabilities	821	-	6,000	6,821
Other unallocated liabilities	-	-	-	3,106
Total segment liabilities	63,186	1,573	10,056	77,921

Segment liabilities 31/12/2015	Construction & Engineering \$000	Accommodation \$000	Other \$000	Total \$000
Current liabilities	57,887	1,342	5,541	64,770
Non-current liabilities	267	-	8,000	8,267
Other unallocated liabilities	-	-	-	1,885
Total segment liabilities	58,154	1,342	13,541	74,922

NOTE 8: 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 2016 (CONT'D)

NOTE 8: FAIR VALUE MEASUREMENT (Continued)

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Consolidated – 31 December 2016				
Assets				
Investment property	-	-	111,115	111,115
Total assets	-	-	111,115	111,115
Consolidated – 30 June 2016				
Assets				
Investment property	-	-	111,032	111,032
Total assets	-	-	111,032	111,032

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.

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

Consolidated	Investment Properties \$000	Total \$000
Balance at 30 June 2016	111,032	111,032
Additions	83	83
Balance at 31 December 2016	111,115	111,115

During the period ended 31 December 2015 the Group's investment property, being the Homeground accommodation village located near Gladstone, Queensland; was revalued by an independent valuer. Due to the nature of the asset, 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 20 to 30 year 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%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (CONT'D)

NOTE 8: FAIR VALUE MEASUREMENT (Continued)

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 9: CONTINGENT LIABILITIES

As at 31 December 2016, the guarantees given to various customers for satisfactory contract performance amounted to \$43.9 million.

NOTE 10: EVENTS SUBSEQUENT TO REPORTING DATE

On 27 February 2017, the company proposed a fully franked 2.0 cent per share interim dividend with a record date of 8 March 2017 and payment date of 29 March 2017. The total amount of this dividend payment will be \$3.435 million.

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

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 2016 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.



Bill Healy
Chairman

Dated this 27th day of February 2017



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

We have reviewed the accompanying half-year financial report of Decmil Group Limited which comprises the statement of financial position as at 31 December 2016, 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 2016 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.

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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 report.

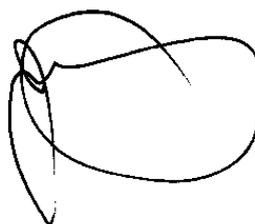
Conclusion

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 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS



JAMES KOMNINOS
Partner

Perth, WA
Dated: 27 February 2017