



# Interim Financial Report

For the half year ended  
**31 December 2017**



*Celebrating*  
A PROVEN  
TRACK RECORD  
1978-2018

INFRASTRUCTURE  
RENEWABLES  
RESOURCES



## CORPORATE DIRECTORY

### Directors

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

### Executive Team

Scott Criddle, Chief Executive Officer  
Tony Radalj, Chief Operating Officer  
Craig Amos, Chief Financial Officer  
Ray Sputore, Executive Manager Strategy & Pre-Contracts

### 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 &  
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

Decmil Southern Pty Ltd  
Level 3, 853 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  
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](mailto:web.queries@computershare.com.au)  
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 Construction NZ Limited  
Decmil Southern Pty Ltd  
Eastcoast Development Engineering Pty Ltd  
Homeground Villages Pty Ltd  
Homeground Gladstone Pty Ltd ATF  
Homeground Gladstone Unit Trust  
Decmil Properties Pty Ltd  
Decmil Infrastructure Pty Ltd  
Decmil Services Pty Ltd  
Decmil Telecom 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 2017.

### DIRECTORS

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

**Mr Denis Criddle**  
**Mr Scott Criddle**  
**Mr Bill Healy (Chairman)**  
**Mr David Saxelby**  
**Mr Lee Verios (resigned 1 November 2017)**

### REVIEW OF OPERATIONS

#### Operations

Operations in the six months ended 31 December 2017 reflected the diversity of the Group, with project activity spanning a number of sectors including WA Iron Ore works, Queensland coal seam gas upstream maintenance, various public sector infrastructure projects, road and bridge projects for State road authorities and renewable energy.

#### Key highlights:

- Completion and commissioning of projects in the WA Iron Ore sector including a logistics hub for BHP at Port Hedland and non-process infrastructure for Rio Tinto at its Amrun and Silvergrass mines;
- Commencement of \$13 million of early works for BHP at its South Flank project and award of a \$75 million contract for the first phase of a \$105 million overall project to upgrade and expand the Mulla Mulla village;
- Expansion of the Decmil business in New Zealand including the award of a \$60 million new modular prisons Corrections project;
- The award to Decmil's Victorian business unit of almost \$100 million of new transport infrastructure construction work and a significant increase in tendering activity in this region;
- Completion of the Gullen solar project near Goulburn in New South Wales and secured a Memorandum of Understanding for a \$275 million EPC contract with Maoneng Australia in relation to its Sunraysia project; and
- The consolidation of the Group's focus on the Infrastructure, Resources and Renewable Energy sectors and achieving greater operational consistency across regional business units in Australia and New Zealand.

As part of the Group's focus on the Infrastructure, Resources and Renewable Energy sectors it also exited non-core operations in the telecommunications and design consulting sectors.

Operational focus for the remainder of the 2018 financial year will be on the ramp up of BHP's Mulla Mulla Village Expansion, commencement of the NZ Corrections contract, finalisation of deliverables for the Sunraysia Solar project award and the continued focus on project delivery on a wide range of existing projects.

#### Financial Performance

Revenue of \$140.8m for the six months ended 31 December 2017 was steady and at a comparable level to the six months ended 31 December 2016 (\$141.7m). The Company secured a number of new and larger contracts in the later part of H1FY18 which is expected to contribute to strong revenue growth in the second half of the 2018 financial year and into the 2019 financial year.





Gross margin percentage for the six months ended 31 December 2017 was 13.6% which was an improvement to the six months ended 31 December 2016 (11.9%).

As part of the Group's focus on the Infrastructure, Resources and Renewable Energy sectors it permanently exited non-core operations in the telecommunications and design consulting sectors, resulting in a total loss on discontinued operations of \$6.0m for the six months ended 31 December 2017.

Administration costs for the six months ended 31 December 2017 amounted to \$15.7m and is expected to reduce in the second half of the 2018 financial year due to the overhead and structural rationalisation that has occurred across the Group from FY16 to H1FY18. This together with increasing revenue levels in the business will drive an improvement in EBITDA margins in H2FY18 and in the 2019 financial year.

The Group generated positive operating cash flow in H1FY18 of \$1.7m.

## Financial Position

At 31 December 2017 the Group's strong balance sheet reflected an overall net cash position, no drawn core senior secured debt and net tangible assets of \$130 million.

In H1FY18 the Group has also expanded working capital and bonding capacity to over \$215m of facilities to fund expected growth in its operations going into FY19.

## Strategy and Outlook

The business has consolidated its focus on the Infrastructure, Resources and Renewable Energy sectors and is experiencing strong market conditions across these sectors and expects strong revenue growth in H2FY18 based on recent contract wins including:

- Commencement of \$13 million of early works for BHP at its South Flank project and award of a \$75 million contract for the first phase of a \$105 million overall project to upgrade and expand the Mulla Mulla village;
- Expansion of the Decmil business in New Zealand including the award of a \$60 million new modular prisons Corrections project; and
- The award to Decmil's Victorian business unit of almost \$100 million of new transport infrastructure construction work and a significant increase in tendering activity in this region.

As at the date of this release the Group also had in excess of \$325 million of committed and visible work in hand for FY19. The Group expects FY19 revenue to exceed \$500 million and is either shortlisted or a preferred contractor on a number of large design and construct contracts across all its core sectors.

## Dividend

To preserve working capital and for new opportunities in the business in FY18, the Board has resolved to not declare an interim dividend for FY18. This will be re-assessed given market conditions and working capital requirements.





## 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 dollar, 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.

**Bill Healy**  
**CHAIRMAN**

Dated this 27th day of February 2018



**RSM Australia Partners**

Level 32 Exchange Tower, 2 The Esplanade Perth WA 6000  
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100  
F +61 (0) 8 9261 9111

[www.rsm.com.au](http://www.rsm.com.au)

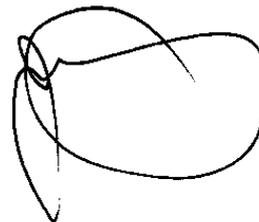
**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Decmil Group Limited for the half-year ended 31 December 2017, 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.

A handwritten signature in black ink that reads "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to be "James Komninos".

JAMES KOMNINOS  
Partner

Perth, WA  
Dated: 27 February 2018



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated Entity	
		31/12/2017	31/12/2016
		\$000	\$000
Revenue from continuing operations	2	140,782	141,652
Cost of sales		(121,609)	(124,839)
Gross profit		19,173	16,813
Administration expenses		(15,653)	(13,597)
Equity based payments		(1,527)	(372)
Restructuring costs		(705)	(614)
Earnings from continuing operations before interest, tax, depreciation and amortisation		1,288	2,230
Interest received		22	26
Borrowing costs		(235)	(117)
Depreciation and amortisation expense		(1,529)	(2,979)
Loss before income tax expense		(454)	(840)
Income tax benefit		153	732
Net loss from continuing operations		(301)	(108)
Loss after tax from discontinued operations	3(a)	(5,958)	(1,358)
Net loss after tax		(6,259)	(1,466)
<b>Other Comprehensive Income</b>			
Other comprehensive income		-	-
Total comprehensive income for the period		(6,259)	(1,466)
<b>Overall Operations</b>			
Basic earnings per share (cents per share)		(3.62)	(0.86)
Diluted earnings per share (cents per share)		(3.62)	(0.86)
<b>Continuing Operations</b>			
Basic earnings per share (cents per share)		(0.17)	(0.06)
Diluted earnings per share (cents per share)		(0.17)	(0.06)
<b>Discontinuing Operations</b>			
Basic earnings per share (cents per share)		(3.45)	(0.80)
Diluted earnings per share (cents per share)		(3.45)	(0.80)

The accompanying notes form part of the interim financial report





## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	Consolidated Entity	
		31/12/2017	30/06/2017
		\$000	\$000
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents		18,854	16,905
Trade and other receivables		32,938	34,950
Work in progress		13,100	11,914
Other assets		9,777	5,716
<b>TOTAL CURRENT ASSETS</b>		<b>74,669</b>	<b>69,485</b>
NON-CURRENT ASSETS			
Investment property	7	92,404	92,400
Property, plant and equipment		7,628	10,425
Deferred tax assets		27,990	27,098
Intangible assets		75,482	75,482
Other assets		1,379	1,595
<b>TOTAL NON-CURRENT ASSETS</b>		<b>204,883</b>	<b>207,000</b>
<b>TOTAL ASSETS</b>		<b>279,552</b>	<b>276,485</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables		67,411	60,158
Current tax payable		49	49
Borrowings		164	350
Provisions		3,273	4,017
<b>TOTAL CURRENT LIABILITIES</b>		<b>70,897</b>	<b>64,574</b>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		783	316
Borrowings		539	474
Provisions		2,011	1,125
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,333</b>	<b>1,915</b>
<b>TOTAL LIABILITIES</b>		<b>74,230</b>	<b>66,489</b>
<b>NET ASSETS</b>		<b>205,322</b>	<b>209,996</b>
<b>EQUITY</b>			
Issued capital	4	164,969	163,384
Retained earnings		40,353	46,612
<b>TOTAL EQUITY</b>		<b>205,322</b>	<b>209,996</b>

The accompanying notes form part of the interim financial report





## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Issued Capital	Retained Earnings	Total
	\$000	\$000	\$000
<b>Balance at 1 July 2016</b>	<b>162,254</b>	<b>81,792</b>	<b>244,046</b>
Net loss for the period	-	(1,466)	(1,466)
<b>Total comprehensive income for the period</b>	<b>162,254</b>	<b>80,326</b>	<b>242,580</b>
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)
<b>Balance at 31 December 2016</b>	<b>162,675</b>	<b>76,928</b>	<b>239,603</b>
<b>Balance at 1 July 2017</b>	<b>163,384</b>	<b>46,612</b>	<b>209,996</b>
Net loss for the period	-	(6,259)	(6,259)
<b>Total comprehensive income for the period</b>	<b>163,384</b>	<b>40,353</b>	<b>203,737</b>
Shares issued for the period	371	-	371
Transaction costs net of tax benefit	(8)	-	(8)
Equity based payments	1,527	-	1,527
Performance rights converted to shares	(305)	-	(305)
Dividends recognised for the period	-	-	-
<b>Balance at 31 December 2017</b>	<b>164,969</b>	<b>40,353</b>	<b>205,322</b>

The accompanying notes form part of the interim financial report





## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated Entity	
		31/12/2017	31/12/2016
		\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		141,601	162,686
Payments to suppliers and employees		(139,687)	(155,534)
Interest received		23	28
Finance costs		(237)	(268)
Income tax received		7	493
Net cash provided by operating activities		1,707	7,405
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(203)	(538)
Proceeds from sale of subsidiary	3(d)	474	-
Proceeds from sale of non-current assets		196	421
Net cash provided by/(used in) investing activities		467	(117)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net repayment of borrowings		(284)	(1,144)
Net proceeds from share issue		59	42
Dividends paid by parent entity		-	(3,398)
Net cash used in financing activities		(225)	(4,500)
Net increase in cash held		1,949	2,788
Cash at beginning of period		16,905	15,077
Cash at end of period		18,854	17,865

The accompanying notes form part of the interim financial report





## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 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 interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 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.

### NOTE 2: REVENUE

	Consolidated Entity	
	31/12/2017	31/12/2016
	\$000	\$000
<b>From continuing operations</b>		
Construction and engineering revenue	138,446	129,726
Accommodation revenue	2,803	10,936
Other revenue		
- government grant	(217)	891
- property rentals	(250)	99
- interest received	22	26
Total revenue from continuing operations	140,804	141,678





## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 (CONT'D)

### NOTE 3: DISCONTINUED OPERATIONS

As part of the Group's refocus on its core construction and engineering business units, on 1 November 2017 the Group's telecommunications division consisting of SC Holdings Pty Ltd and its subsidiaries SC Services Pty Ltd and SC Equipment Holdings Pty Ltd and the Group's design consulting business, Scope Australia Pty Ltd, were discontinued.

#### (a) Financial performance information

		31/12/2017	31/12/2016
	Note	\$000	\$000
Services revenue		7,646	12,907
Interest received		1	1
Total revenue		7,647	12,908
Cost of sales		(8,644)	(13,256)
Administration expenses		(2,001)	(2,065)
Borrowing costs		(2)	(150)
Depreciation and amortisation expense		(111)	(143)
Loss on disposal of subsidiaries		(3,438)	-
Total expense		(14,196)	(15,614)
Loss before income tax expense		(6,549)	(2,706)
Income tax benefit		591	1,348
Loss after income tax expense from discontinued operations		(5,958)	(1,358)





## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 (CONT'D)

### NOTE 3: DISCONTINUED OPERATIONS (Continued)

#### (b) Financial position information

		31/12/2017	30/06/2017
	Note	\$000	\$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		12	41
Trade and other receivables		443	5,019
Work in progress		-	4,179
Other current assets		330	262
<b>TOTAL CURRENT ASSETS</b>		<b>785</b>	<b>9,501</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		-	1,584
Deferred tax assets		-	508
Intangible assets		-	1,717
<b>TOTAL NON-CURRENT ASSETS</b>		<b>-</b>	<b>3,809</b>
<b>TOTAL ASSETS</b>		<b>785</b>	<b>13,310</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		33	6,074
Provisions		-	526
<b>TOTAL CURRENT LIABILITIES</b>		<b>33</b>	<b>6,600</b>
<b>TOTAL LIABILITIES</b>		<b>33</b>	<b>6,600</b>
<b>NET ASSETS</b>		<b>752</b>	<b>6,710</b>





## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 (CONT'D)

### NOTE 3: DISCONTINUED OPERATIONS (Continued)

#### (c) Cash flow information

		31/12/2017	31/12/2016
	Note	\$000	\$000
Net cash used in operating activities		(545)	(216)
Net cash provided by/(used in) investing activities		517	(31)
Net cash used in financing activities		(1)	(1,000)
Net decrease in cash and cash equivalents from discontinued operations		(29)	(1,247)

#### (d) Disposal of subsidiaries

On 1 November 2017, SC Holdings Pty Ltd and its subsidiaries SC Services Pty Ltd and SC Equipment Holdings Pty Ltd were divested.

Goodwill associated with the SC Holdings entities amounting to \$10,687,000 was previously impaired at 30 June 2017.

The divestment excluded pre-completion cash and accounts receivable balances, which accrued to the benefit of Decmil.

Residual net assets (excluding pre-completion cash and accounts receivable) were divested for a consideration of \$919,055.

	Fair Value
	\$000
Sale consideration	919
Less: deferred consideration	(445)
Cash inflow on disposal	474
<b>Assets and liabilities held at disposal date:</b>	
Work in progress	3,892
Plant and equipment	1,361
Deferred tax assets	221
Payables & accruals	(1,133)
Provisions	(653)
	3,688
Loss on disposal	(2,769)
Sale consideration	919





## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 (CONT'D)

### NOTE 3: DISCONTINUED OPERATIONS (Continued)

#### (d) Disposal of subsidiaries (Continued)

On 1 November 2017, residual components of Scope Australia Pty Ltd were divested.

	Fair Value
	\$000
Assets and liabilities held at disposal date:	
Receivables	848
Plant and equipment	72
Deferred tax assets	92
Payables & accruals	(106)
Provisions	(237)
	669
Loss on disposal	(669)
Sale consideration	-

### NOTE 4: ISSUED CAPITAL

	Consolidated Entity	
	31/12/2017	30/06/2017
	\$000	\$000
a) Paid up capital		
Fully paid ordinary shares	164,969	163,384
	No. of Shares	Paid Up Capital \$000
b) Movements		
Balance 1 July 2017	171,737	163,384
Issue of employee shares	126	66
Issue of shares to employee share trust	1,578	-
Performance rights converted to shares	284	-
	173,725	163,450
Add: Equity based payments		1,527
Less: Transaction costs net of tax benefit		(8)
		164,969





## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 (CONT'D)

### NOTE 5: DIVIDENDS

There was no final dividend paid, declared or recommended for payment for the year ended 30 June 2017.

There will be no interim dividend paid, declared or recommended for payment for the period ended 31 December 2017.

### 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 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;
- Decmil Southern Pty Ltd (formerly 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 – a discontinued business 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 – former owner and manager of a commercial office building located at 20 Parkland Road, Osborne Park, Western Australia which derived internal and external revenue;
- SC Services Pty Ltd – a discontinued business specialising in design, installation, commissioning and maintenance services to telecommunications network owners, manufacturers and NBN service providers;
- Decmil Telecom Pty Ltd trading as SAS Telecom – a discontinued mining communications and managed services business.

The majority of assets are located in Australia.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 (CONT'D)

### NOTE 6: SEGMENT INFORMATION (Continued)

(a) Segment performance 31/12/2017	Construction & Engineering \$000	Accommodation \$000	Other \$000	Total \$000
External sales	138,964	2,799	6,665	148,428
Total segment revenue	138,964	2,799	6,665	148,428
Segment EBITDA	1,641	(585)	(5,921)	(4,865)
Depreciation & amortisation expense	(1,185)	(339)	(116)	(1,640)
Net interest	(203)	(2)	(8)	(213)
Segment result	253	(926)	(6,045)	(6,718)
Other unallocated expenses				(285)
Income tax benefit				744
Loss for the period				(6,259)

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)

(b) Segment assets 31/12/2017	Construction & Engineering \$000	Accommodation \$000	Other \$000	Total \$000
Current assets	70,399	709	1,321	72,429
Non-current assets	81,666	92,946	-	174,612
Other unallocated assets	-	-	-	32,511
Total segment assets	152,065	93,655	1,321	279,552





## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 (CONT'D)

### NOTE 6: SEGMENT INFORMATION (Continued)

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

(c) Segment liabilities 31/12/2017	Construction & Engineering \$000	Accommodation \$000	Other \$000	Total \$000
Current liabilities	66,067	1,358	(6)	67,419
Non-current liabilities	2,028	-	-	2,028
Other unallocated liabilities	-	-	-	4,783
Total segment liabilities	68,095	1,358	(6)	74,230

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

### 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 2017 (CONT'D)

### NOTE 7: FAIR VALUE MEASUREMENT (Continued)

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Consolidated – 31 December 2017</b>				
Assets				
Investment property	-	-	92,404	<b>92,404</b>
Total assets	-	-	92,404	<b>92,404</b>
<b>Consolidated – 30 June 2017</b>				
Assets				
Investment property	-	-	92,400	<b>92,400</b>
Total assets	-	-	92,400	<b>92,400</b>

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:

<b>Consolidated</b>	Investment Properties	Total
	\$000	\$000
<b>Balance at 30 June 2017</b>	92,400	<b>92,400</b>
Additions	4	<b>4</b>
<b>Balance at 31 December 2017</b>	92,404	<b>92,404</b>

During the year ended 30 June 2017, 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 in the range of 20 to 30 years with no terminal value;
- Various occupancy assumptions over the estimated useful life based on expected future accommodation demand;
- Room rate growth in the range of 0% to 2.0%; and
- A nominal post-tax discount rate range of 11.0% to 12.0%.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 (CONT'D)

### NOTE 7: FAIR VALUE MEASUREMENT (Continued)

As a result of the independent valuation, the Homeground Gladstone investment property was revalued to \$92,400,000.

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 8: CONTINGENT LIABILITIES

As at 31 December 2017, the guarantees given to various customers for satisfactory contract performance amounted to \$48.7 million.

In or around August 2012, Steel Building Systems (SBS) was engaged as a subcontractor by Decmil Australia Pty Ltd to construct the Gladstone Village in Queensland. SBS' scope of work was the design, manufacture and supply of modular buildings, as well as miscellaneous on-site works associated with the modular buildings. On 17 November 2017, the liquidators of SBS commenced proceedings against Decmil Australia Pty Ltd in the NSW Supreme Court for unpaid contract sums of \$3.3 million and lost profit on the works removed from SBS' scope of works. Decmil rejects the claims brought by the liquidators of SBS and denies it is indebted to SBS as claimed. Decmil's current position is that SBS is in fact indebted to Decmil for a similar sum due to defective works and associated rectification costs, incomplete works, overheads incurred by Decmil in connection with the defects and rectification works, expert costs and fees. Decmil is preparing a cross claim for this sum.

On 1 May 2017 the Company received an advice from AusIndustry, the agency that oversees technical elements of the Australian Tax Office's Research and Development Incentive Scheme ("R&D Scheme"), disputing the eligibility of certain engineering activities submitted by the Company in relation to the 2014 financial year for the R&D Scheme. R&D Scheme benefits received by the Company in relation to the 2014 financial year for the disputed engineering activities amounts to approximately \$3.4 million. The Company does not agree with the advice received from AusIndustry and under the relevant legislation has requested an independent review of the matter. As at the date of this report, the independent review had not been completed. The Company is also considering further review options available to it, including submission to the Australian Administrative Tribunal.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 (CONT'D)

### NOTE 8: CONTINGENT LIABILITIES (Continued)

During the year ended 30 June 2017 the liquidators for Forge Group Ltd (in liquidation)(receivers and managers appointed) commenced an action in the Supreme Court of Western Australia against Eastcoast Development Engineering Pty Ltd ("EDE"), a subsidiary of the Company, for the repayment of \$2.5 million for what they consider constitute unfair preference payments. The liquidators have commenced claims against a number of parties which are joined with EDE in the same action. The claim will be vigorously defended by EDE.

Certain contractual claims arising out of engineering and construction contracts have been made by, or against, controlled entities in the ordinary course of business. The Directors do not presently consider the outcome of any of these claims will be materially different to the position taken in the financial accounts of the Company.

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 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 2017 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

**Bill Healy**  
**CHAIRMAN**

Dated this 27th day of February 2018





**RSM Australia Partners**

Level 32 Exchange Tower, 2 The Esplanade Perth WA 6000  
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100  
F +61 (0) 8 9261 9111

[www.rsm.com.au](http://www.rsm.com.au)

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
DEC MIL 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 2017, 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 2017 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.

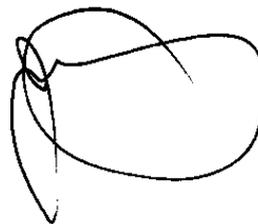
*Conclusion*

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 2017 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 AUSTRALIA PARTNERS



JAMES KOMNINOS  
Partner

Perth, WA  
Dated: 27 February 2018