

Decmil Group Limited

Half Year Report

31 December 2021

**Together, we're
the difference.**

CORPORATE DIRECTORY

Directors

Andrew Barclay, Chairman
Dickie Dique, Managing Director
David Steele, Non-Executive Director
Peter Thomas, Non-Executive Director
Vin Vassallo, Non-Executive Director

Executive Team

Dickie Dique, Chief Executive Officer
Alan Ings, Chief Financial Officer
Damian Kelliher, Chief Commercial Officer
Lance van Drunick, General Manager

Company Secretary

Ian Hobson

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
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 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 2021.

DIRECTORS

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

Mr Andrew Barclay (Chairman)

Mr Dickie Dique

Mr David Steele

Mr Peter Thomas

Mr Vin Vassallo

REVIEW OF OPERATIONS

Principal activities

The Group provides integrated construction and engineering solutions across the Infrastructure, Resources, Energy and Construction sectors, including but not limited to the following:

Infrastructure

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

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.
- 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.
- Feasibility, engineering, project management and construction services for the renewable energy sector including solar, wind and battery.

Construction

- Construction of schools, medical centres, airports and accommodation units, community and sport centres for government and local councils.
- 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.

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, general in-situ construction in WA and balance of plant works in renewable energy across multiple states.

Key operational highlights for the six months ended 31 December 2021 include:

Safety

- Strong safety performance with one lost time injury for the period resulting in a lost time injury frequency rate (LTIFR) of 0.8 and a total recordable injury frequency rate (TRIFR) of 3.3.
- Continued navigation and management of COVID-19 restrictions on personnel movement, offshore manufacture and border restrictions to ensure minimal effect on projects.

Infrastructure

- Award of \$88.7 million contract by Major Road Projects Victoria for the Barwon Heads Road Upgrade Work Package 1, with work on site commenced in September 2021 and scheduled for completion in 2023. The contract was previously preferred.
- Award of a \$25 million contract for the design and construction of phase two of the Albany Ring Road for the Western Australian Government. Works for phase one commenced on site in September 2020 and has been progressing well, with Decmil remaining preferred for the balance of the \$95 million phase two works expected to be awarded in 2022.
- Award of \$28.2 million Roy Hill-Munjina Bridge 5413 road over rail infrastructure project with Main Roads Western Australia.
- Award of \$23.3 million contract by Main Roads WA post-period for the construction of the Mitchell Freeway Principal Shared Path from Civic Place to Reid Highway. The Contract was awarded through the State-wide Road Construction Panel, which Decmil was approved to join in FY21.
- Award of \$7 million Great Eastern Highway Coates Gully projects as part of Main Roads Western Australia Panel Works Program.
- Award of \$8 million Peninsular Development Road project at Archer River for the Queensland Department of Transport.
- Continued positive progress of \$300 million Gippsland Line Upgrade contract to the VicConnect Alliance, an alliance between Rail Projects Victoria, UGL and Arup. Decmil's share of the rail infrastructure contract is \$120 million and commenced on site in April 2021.
- Successful practical completion of the \$110 million Plenty Road Stage 2 project for Major Road Projects Victoria.
- Successful practical completion of the \$400 million Mordialloc Freeway project for Major Road Projects Victoria with JV partner McConnell Dowell. Decmil's share of the project was \$160 million.

Resources

- Award of \$7 million Christmas Creek Hydrogen Refuelling Station for Fortescue Metals Group post-period, marking Decmil's entry into the emerging space.
- Award of \$4 million contract for the construction of surface water management measures on the Cloudbreak mine site for Chichester Metals Pty Ltd. The project achieved practical completion on schedule during the half year.
- The \$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 are well progressed, with practical completion at Mesa A expected in the coming weeks and Mesa J later in CY22.

DIRECTORS' REPORT (CONT'D)

Operations (Cont'd)

Construction

- Award of a \$18.1 million contract from the Town of Port Hedland post-period to construct a new Port Hedland Community Centre building complex.

Energy

- Award of a \$21 million contract for balance of plant works at the Crookwell Windfarm for GPG in New South Wales. Together with the \$51 million Ryan Corner Windfarm, also for GPG, site access to the Windfarms is expected to be granted in 1H CY22 for on-site construction to commence.
- Regulatory Testing of the \$277 million Sunraysia Solar Farm successfully completed in December 2021, with Decmil achieving substantial completion on 31 January 2022.

Homeground Gladstone

- Occupancy levels were strong in the first half of FY22 at Homeground Gladstone, with many clients of the village completing maintenance works that were previously deferred due to the COVID-19 impact of various lockdowns that previously inhibited their ability to access FIFO workers.
- Between July 2021 and December 2021, average occupancy was 17.1%.
- Bookings are weaker for the second half with occupancy expected to be lower than the first half.
- Safety performance at Homeground Gladstone was exceptional, with LTIFR of 0 and TRIFR of 0.
- During the period a number of COVID-19 affected individuals were accommodated within the facility and appropriately isolated. This was successfully managed in such a manner that there were no further COVID-19 transmissions within the facility.

COVID-19

Decmil has experienced some operational impact from COVID-19. Several projects were at reduced staffing levels in line with respective Government requirements. Over and above the state border travel restrictions that severely impacted resource movements, material supply has been significantly impacted, which includes strategic components and materials that were delayed from off-shore suppliers.

An additional significant impact of COVID-19 was on the inability of the Decmil senior management team to be able to freely traverse interstate borders, which has meant all projects outside of WA had to be managed remotely from a senior management perspective.

As the date of this report all Decmil sites are operational, with strict hygiene and control measures in place, however, this is subject to change.

Financial Performance

Revenue of \$226.5 million for the six months ended 31 December 2021 was above the comparative period (\$165.1m) due to a larger volume of projects compared to the prior half-year.

The business returned a profit before interest, tax and depreciation of \$1.5 million in the period with administration expenses reduced by \$0.4 million to \$13.0 million compared to the comparative period.

The consolidated entity reported a statutory net loss after providing for income tax of \$3,962,000 (31 December 2020: profit of \$574,000).

The result was affected by COVID-related restrictions (labour movement, labour availability, allocation of resources across state borders), supply chain issues, and provision for a legal contractual dispute.

The Group reported net operating cash outflows of \$6.1 million for the six months ended 31 December 2021 as the business made its final repayment to surety bond providers for the Sunraysia and RDP projects, the unwinding of certain project related upfront payments and invested in growth working capital for new projects.

DIRECTORS' REPORT (CONT'D)

Financial Position

At 31 December 2021 the Group's balance sheet reflected cash and cash equivalents of \$12.9 million after drawing down on a \$20 million syndicated term loan from Pure Asset Management Pty Ltd and Horley Pty Ltd and completion of a \$10 million capital raise during the period. At balance date the Group held net assets of \$135.2 million.

The Homeground Gladstone accommodation village remains as an asset held for sale with a valuation of \$56.8 million.

Dividend

To preserve working capital for new project opportunities in the business in FY22, the Board has resolved to not declare an interim dividend for FY22. This will be re-assessed given future market conditions and working capital requirements.

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.
- **Resources (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 and are investing in significant operational upgrades and maintenance projects that are expected to continue over the next several years.
- Over and above Iron Ore, strong commodity prices in other minerals and a strategic focus by Decmil on opportunities in this sector are anticipated to yield new project awards in the coming months.
- **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 completed with two additional projects secured). Decmil's focus on renewable projects is on balance of plant contracts and Decmil without interconnection risk.

As at 31 December 2021 the Company has committed revenue for FY22 of ~\$460 million, with ~\$520 million of work in hand (contracted and preferred) for the remainder of FY22, extending to FY24.

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.

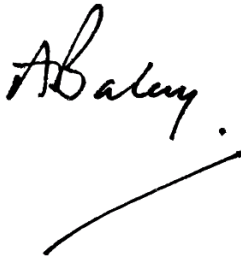
DIRECTORS' REPORT (CONT'D)

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

A handwritten signature in black ink, appearing to read "A Barclay", with a long horizontal stroke extending to the right below the signature.

Andrew Barclay
CHAIRMAN

Dated this 23rd day of February 2022

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

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 2021, 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 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	Consolidated Entity	
		31/12/2021	31/12/2020
		\$000	\$000
Revenue	3	226,475	165,110
Cost of sales		(212,033)	(146,167)
Gross profit		14,442	18,943
Administration expenses		(12,956)	(13,360)
Equity based payments		19	41
Earnings before interest, tax, depreciation, amortisation and impairments		1,505	5,624
Interest received	3	7	23
Borrowing costs		(2,685)	(2,572)
Depreciation and amortisation expense		(2,789)	(2,501)
(Loss)/profit before income tax expense		(3,962)	574
Income tax expense		-	-
Net (loss)/profit after tax		(3,962)	574
Other Comprehensive Income			
Other comprehensive income		(3,962)	574
Total comprehensive income for the period		(3,962)	574
Basic earnings per share (cents per share)		(2.65)	0.45
Diluted earnings per share (cents per share)		(2.65)	0.45

The accompanying notes form part of the interim financial report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	Consolidated Entity	
		31/12/2021	30/06/2021
		\$000	\$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		12,925	9,703
Trade and other receivables		37,209	24,940
Contract assets		40,341	27,436
Non-current asset held for sale	6	56,799	56,655
Other assets		5,973	3,341
TOTAL CURRENT ASSETS		153,247	122,075
NON-CURRENT ASSETS			
Property, plant and equipment		8,660	8,646
Right-of-use assets		12,343	13,655
Deferred tax assets		22,473	22,249
Intangible assets		75,482	75,482
TOTAL NON-CURRENT ASSETS		118,958	120,032
TOTAL ASSETS		272,205	242,107
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		58,420	50,501
Contract liabilities		28,466	14,843
Borrowings		2,068	196
Hire purchase lease liabilities		1,815	2,100
Leasing liabilities		2,463	2,333
Provisions		5,627	4,824
TOTAL CURRENT LIABILITIES		98,859	74,797
NON-CURRENT LIABILITIES			
Trade and other payables		3,184	4,692
Borrowings		20,678	17,597
Hire purchase lease liabilities		2,878	2,853
Leasing liabilities		11,157	12,835
Provisions		297	236
TOTAL NON-CURRENT LIABILITIES		38,194	38,213
TOTAL LIABILITIES		137,053	113,010
NET ASSETS		135,152	129,097
EQUITY			
Issued capital	4	277,504	267,487
Accumulated losses		(142,352)	(138,390)
TOTAL EQUITY		135,152	129,097

The accompanying notes form part of the interim financial report

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	Issued Capital	Accumulated Losses	Total
	\$000	\$000	\$000
Balance at 1 July 2020	267,694	(126,934)	140,760
Net profit for the period	-	574	574
Total comprehensive income for the period	-	574	574
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)
Balance at 31 December 2020	267,466	(126,360)	141,106
Balance at 1 July 2021	267,487	(138,390)	129,097
Net loss for the period	-	(3,962)	(3,962)
Total comprehensive loss for the period	-	(3,962)	(3,962)
Shares issued for the period	10,558	-	10,558
Transaction costs net of tax benefit	(522)	-	(522)
Equity based payments	(19)	-	(19)
Balance at 31 December 2021	277,504	(142,352)	135,152

The accompanying notes form part of the interim financial report

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Consolidated Entity	
	31/12/2021	31/12/2020
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	214,875	182,088
Payments to suppliers and employees	(218,278)	(167,612)
Interest received	7	23
Finance costs	(2,685)	(2,572)
Net cash (used in)/provided by operating activities	(6,081)	11,927
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(701)	(275)
Proceeds from sale of non-current assets	96	1,884
Net cash (used in)/provided by investing activities	(605)	1,609
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	20,000	-
Repayment of borrowings	(17,115)	(25,232)
Repayment of lease liabilities	(2,789)	(2,507)
Net proceeds from share issue	9,812	(31)
Net cash provided by/(used in) financing activities	9,908	(27,770)
Net increase/(decrease) in cash held	3,222	(14,234)
Cash at beginning of period	9,703	43,930
Cash at end of period	12,925	29,696

The accompanying notes form part of the interim financial report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The half-year interim financial report ending 31 December 2021 is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Accounting Standard 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 2021 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.

NOTE 2: 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 design, civil engineering and construction services
- Decmil Southern Pty Ltd – civil engineering and infrastructure construction services
- Decmil Maintenance Pty Ltd – dormant entity formerly known as Decmil Infrastructure Pty Ltd
- 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 Decmil Australia Pty Ltd entity
- Decmil PNG Limited – dormant construction arm of Decmil located in Papua New Guinea.

2. Accommodation

- Homeground Villages Pty Ltd – holder of the units in the Homeground Gladstone Unit Trust
- Homeground Gladstone Unit Trust – 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 2021

NOTE 2: SEGMENT INFORMATION (Cont'd)

(a) Segment performance 31/12/2021	Construction & Engineering \$000	Accommodation \$000	Total \$000
External sales	220,693	5,782	226,475
Total segment revenue	220,693	5,782	226,475
Segment EBITDA	419	1,361	1,780
Depreciation & amortisation expense	(2,757)	(32)	(2,789)
Net interest	(2,678)	-	(2,678)
Segment result	(5,016)	1,329	(3,687)
Other unallocated expenses			(275)
Loss for the period			(3,962)

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

(b) Segment assets 31/12/2021	Construction & Engineering \$000	Accommodation \$000	Total \$000
Current assets	92,837	57,284	150,121
Non-current assets	85,955	75	86,030
Other unallocated assets	-	-	36,054
Total segment assets	178,792	57,359	272,205

Segment assets 30/06/2021	Construction & Engineering \$000	Accommodation \$000	Total \$000
Current assets	63,382	57,477	120,859
Non-current assets	86,470	108	86,578
Other unallocated assets	-	-	34,670
Total segment assets	149,852	57,585	242,107

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

NOTE 2: SEGMENT INFORMATION (Cont'd)

(c) Segment liabilities 31/12/2021	Construction & Engineering \$000	Accommodation \$000	Total \$000
Current liabilities	92,311	652	92,963
Non-current liabilities	8,579	-	8,579
Other unallocated liabilities	-	-	35,511
Total segment liabilities	100,890	652	137,053

Segment liabilities 30/06/2021	Construction & Engineering \$000	Accommodation \$000	Total \$000
Current liabilities	69,732	839	70,571
Non-current liabilities	10,524	-	10,524
Other unallocated liabilities	-	-	31,915
Total segment liabilities	80,256	839	113,010

NOTE 3: REVENUE

	Consolidated Entity	
	31/12/2021	31/12/2020
	\$000	\$000
Construction and engineering revenue	220,582	158,008
Accommodation revenue	5,782	2,291
Other revenue		
- grant income	-	4,698
- rentals	111	113
- interest received	7	23
Total revenue	226,482	165,133

Disaggregation of revenue

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

	Consolidated Entity	
	31/12/2021	31/12/2020
	\$000	\$000
Sectors		
Infrastructure	155,466	109,641
Resources	36,765	18,084
Energy	28,198	29,930
Accommodation	5,782	2,291
Other	271	5,187
	226,482	165,133
Geographical regions		
Australia	226,482	165,133
	226,482	165,133

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

NOTE 4: ISSUED CAPITAL

	Consolidated Entity	
	31/12/2021	30/06/2021
	\$000	\$000
a) Paid up capital		
Fully paid ordinary shares	277,504	267,487
	No. of Shares '000	Paid Up Capital \$000
b) Movements		
Balance 1 July 2021	128,737,597	267,487
Issue of shares for capital raising	26,395,655	10,558
	155,133,252	278,045
Equity based payments		(19)
Transaction costs net of tax benefit		(522)
		277,504

NOTE 5: DIVIDENDS

There was no final dividend paid, declared or recommended for payment for the year ended 30 June 2021.

There will be no interim dividend paid, declared or recommended for payment for the period ended 31 December 2021 in keeping with the Board resolution to preserve working capital for new project opportunities. This will be re-assessed given future market conditions and working capital requirements.

NOTE 6: 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 2021

NOTE 6: FAIR VALUE MEASUREMENT (Cont'd)

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Consolidated – 31 December 2021				
Assets				
Non-current asset held for sale	-	-	56,799	56,799
Total assets	-	-	56,799	56,799
Consolidated – 30 June 2021				
Assets				
Non-current asset held for sale	-	-	56,655	56,655
Total assets	-	-	56,655	56,655

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.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

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
Balance at 30 June 2021	56,655	56,655
Additions	144	144
Balance at 31 December 2021	56,799	56,799

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.

Due to the long term nature of the 20 year useful life of the asset, at 30 June 2021 a range of occupancy scenarios were re-validated by the expert engaged in order to continue to rely upon them in the independent valuation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

NOTE 6: 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 7: CONTINGENT LIABILITIES

As at 31 December 2021, the guarantees given to various customers for satisfactory contract performance amounted to \$67.8 million.

Decmil is currently engaged in contractual disputes in relation to 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 8: EVENTS SUBSEQUENT TO REPORTING DATE

The Sunraysia project achieved substantial completion on 31 January 2022.

Except for the matter disclosed above, no other 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.

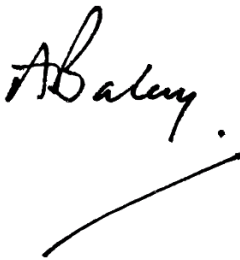
DIRECTORS' DECLARATION

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 2021 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 2022



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

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 2021, 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 2021 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 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 2021 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



TUTU PHONG
Partner

Perth, WA
Dated: 23 February 2022