Interim Financial Report

For the half year ended **31 December 2018**

DECMIL

INFRASTRUCTURE
RENEWABLES
RESOURCES

Decmil Group Limited ABN 35 111 210 390 and Controlled Entities

CORPORATE DIRECTORY

Directors

David Saxelby, Non-Executive Chairman
Scott Criddle, Managing Director
Dickie Dique, Executive Director
Don Argent, Non-Executive Director
Bill Healy, Non-Executive Director

Executive Team

Scott Criddle, Chief Executive Officer
Craig Amos, Chief Financial Officer
Damian Kelliher, Executive General Manager – Commercial and Risk
Kate Strack, Executive General Manager – People
Michael Learmonth, Executive General Manager – Southern and New Zealand
Dickie Dique, Executive General Manager – Western and Northern

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

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Osborne Park WA 6916

Operational Offices

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Osborne Park WA 6017
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Auckland
Level 12, 16 Kingston Street
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Melbourne
Level 3, 850 Collins Street
Docklands VIC 3008
Telephone: 1300 332 645

Auditor

RSM Australia Partners
Exchange Tower
Level 32, 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 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 Infrastructure 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 2018.

DIRECTORS

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

Mr Don Argent
Mr Denis Criddle (retired 31 October 2018)
Mr Scott Criddle
Mr Dickie Dique (appointed 1 July 2018)
Mr Bill Healy
Mr David Saxelby (Chairman)

REVIEW OF OPERATIONS

Operations

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

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

Infrastructure	Resources	Renewables
Defence	Iron Ore	Solar PV
Roads and Bridges	Coal Seam Gas	Wind BOP
Health	LNG	
Corrections		
Immigration		
Education		

Operations continue to reflect the diversity of the Group, with project activity spanning public sector infrastructure projects in Australia and New Zealand, non-process infrastructure for the WA Iron Ore and LNG sectors, Queensland coal seam gas maintenance; and in recent years renewable energy.

Key operational highlights for the six months ended 31 December 2018 include:

- Strong safety performance with no lost time injuries in the period and a total recordable injury frequency rate of 2.46 as at 31 December 2018;
- Extension and expansion of a project for BHP at its South Flank mine in relation to the upgrade of the Mulla Mulla village;
- Completion of projects for Fortescue in relation to its Port Hedland tug harbor and non-process infrastructure for Rio Tinto at its Amrun mine;
- Extension of the relationship with QGC with a new three-year framework agreement for operational works across the Surat Basin;
- Growth of the Decmil business in New Zealand including the construction of a combined NZ$185 million multi-site Corrections project for rapidly deployable prisons;
- The award to Decmil's Victorian business unit of new transport infrastructure construction work including an $86 million project with the Major Road Project Authority in relation to the design and construction of the Drysdale Bypass from Jetty Road to Whitcombes Road; and
- Completion of the Gullen solar project near Goulburn in New South Wales and award of a $277 million EPC contract in relation to the Sunraysia solar project.

DIRECTORS' REPORT (CONT'D)

Operations (continued)

Growth in the business for the six months ended 31 December 2018 is expected to continue and, in that regard, several new executive management appointments were made including the appointment of Kate Strack (EGM – People), Damian Kelliher (EGM – Commercial & Risk), Michael Learmonth (EGM – Southern and New Zealand) and Dickie Dique (EGM – Western and Northern).

Financial Performance

Revenue of $275.7 million for the six months ended 31 December 2018 increased by 96% on the comparative period as the Company secured several new and larger contracts in the later part of the 2018 calendar year including the Drysdale Bypass project ($86 million), QGC framework agreement ($150 million), Sunraysia solar farm ($277 million) and the expansion of the BHP Mulla Mulla project (to $153 million).

Administration expenses for the six months ended 31 December 2018 amounted to $15.5 million, which is comparable to the prior period ($15.7 million).

Earnings from continuing operations before interest, tax and depreciation was $9.3 million reflecting significant improvement on the prior period ($1.3 million).

The Group generated operating cash flow of $30.9 million for the six months ended 31 December 2018 (prior period $1.7 million).

Financial Position

At 31 December 2018 the Group's balance sheet reflected an overall net cash position, no drawn core senior secured debt and net assets of $229 million.

Cash and cash equivalents at 31 December 2018 was $95.4 million and net current assets were $24.4 million.

The Group renewed its working capital and bonding capacity to $65 million and $242 million of facilities respectively to fund expected growth in its operations going into FY20.

The Homeground investment property remained valued at $92.4 million based on the external independent valuation as at 30 June 2017.

Dividend

The Board has resolved to recommence dividends and pay a 1 cent fully franked interim dividend. The dividend will have a record date of 8 March 2019 and a payment date of 27 March 2019. Any final dividend for FY19 will be assessed based on the given market conditions and working capital requirements at the time.

DIRECTORS' REPORT (CONT'D)

Strategy and Outlook

The business continues to focus on the Infrastructure, Resources and Renewable Energy sectors and is experiencing strong market conditions across these sectors.

Positive market conditions exist across several key sectors including:

- **Infrastructure:** Significant opportunity across Australia in the transport infrastructure sector where the Group is actively pursuing new road and bridge construction projects as both head contractor and in joint ventures. Similarly, the Company can also see opportunity for various forms of social infrastructure in the Defence, Education, Corrections and Health sectors;
- **Natural Resources:** Continuing sustaining capital works and replacement volume projects in the WA Iron Ore sector and renewed activity in both the onshore LNG and CSG markets; and
- **Renewable Energy:** Actively bidding several solar PV and wind projects as a balance of plant contractor.

As at the date of this report the Company has committed revenue for FY19 of approximately $650 million and over $400 million of work in hand (contracted and preferred) for FY20. Accordingly, the Company expects revenue to continue to grow in the financial year ended 30 June 2020 and is either shortlisted or a preferred contractor on several large contracts across all its core sectors.

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, pursuant to section 306(3)(a) of the Corporation Act 2001.

On behalf of the Directors

David Saxelby
CHAIRMAN

Dated this 28th day of February 2019

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 2018, 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

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 28 February 2019

TUTU PHONG
Partner

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

		Consolidated Entity	
		31/12/2018	31/12/2017
	Note	$000	$000
Revenue from continuing operations	2	275,731	140,782
Cost of sales		(249,447)	(121,609)
Gross profit		26,284	19,173
Administration expenses		(15,533)	(15,653)
Equity based payments		(930)	(1,527)
Restructuring costs		(569)	(705)
Earnings from continuing operations before interest, tax, depreciation and amortisation		9,252	1,288
Interest received	2	81	22
Borrowing costs		(852)	(235)
Depreciation and amortisation expense		(1,252)	(1,529)
Profit/(loss) before income tax expense		7,229	(454)
Income tax (expense)/benefit		(1,424)	153
Net profit/(loss) from continuing operations		5,805	(301)
Loss after tax from discontinued operations	3(a)	-	(5,958)
Net profit/(loss) after tax		5,805	(6,259)
Other Comprehensive Income			
Other comprehensive income		-	-
Total comprehensive income for the period		5,805	(6,259)
Overall Operations			
Basic earnings per share (cents per share)		2.78	(3.62)
Diluted earnings per share (cents per share)		2.78	(3.62)
Continuing Operations			
Basic earnings per share (cents per share)		2.78	(0.17)
Diluted earnings per share (cents per share)		2.78	(0.17)
Discontinuing Operations			
Basic earnings per share (cents per share)		-	(3.45)
Diluted earnings per share (cents per share)		-	(3.45)

The accompanying notes form part of the interim financial report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		Consolidated Entity	
		31/12/2018	30/06/2018
	Note	$000	$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		95,447	16,755
Trade and other receivables		40,406	43,672
Work in progress		45,191	28,882
Other assets		9,243	8,561
TOTAL CURRENT ASSETS		190,287	97,870
NON-CURRENT ASSETS			
Investment property	7	92,416	92,410
Property, plant and equipment		8,065	7,565
Deferred tax assets		30,294	30,329
Intangible assets		75,482	75,482
TOTAL NON-CURRENT ASSETS		206,257	205,786
TOTAL ASSETS		396,544	303,656
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		159,357	88,223
Current tax payable		858	1,596
Borrowings		452	387
Provisions		5,226	5,623
TOTAL CURRENT LIABILITIES		165,893	95,829
NON-CURRENT LIABILITIES			
Deferred tax liabilities		284	544
Borrowings		1,239	472
Provisions		470	498
TOTAL NON-CURRENT LIABILITIES		1,993	1,514
TOTAL LIABILITIES		167,886	97,343
NET ASSETS		228,658	206,313
EQUITY			
Issued capital	4	216,218	165,832
Retained earnings		12,440	40,481
TOTAL EQUITY		228,658	206,313

The accompanying notes form part of the interim financial report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Retained Earnings	Total
	$000	$000	$000
Balance at 1 July 2017	**163,384**	**46,612**	**209,996**
Net loss for the period	-	(6,259)	**(6,259)**
Total comprehensive income for the period	**163,384**	**40,353**	**203,737**
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)**
Balance at 31 December 2017	**164,969**	**40,353**	**205,322**
Balance at 30 June 2018	**165,832**	**40,481**	**206,313**
Opening balance adjustment on application of AASB15	-	(33,846)	**(33,846)**
Balance at 1 July 2018	**165,832**	**6,635**	**172,467**
Net profit for the period	-	5,805	**5,805**
Total comprehensive income for the period	**165,832**	**12,440**	**178,272**
Shares issued for the period	51,409	-	**51,409**
Transaction costs net of tax benefit	(1,487)	-	**(1,487)**
Equity based payments	930	-	**930**
Performance rights converted to shares	(466)	-	**(466)**
Balance at 31 December 2018	**216,218**	**12,440**	**228,658**

The accompanying notes form part of the interim financial report

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Consolidated Entity	
	31/12/2018	31/12/2017
	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	229,001	141,601
Payments to suppliers and employees	(195,938)	(139,687)
Interest received	81	23
Finance costs	(852)	(237)
Income tax (paid)/received	(1,422)	7
Net cash provided by operating activities	30,870	1,707
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(735)	(203)
Proceeds from sale of subsidiary	-	474
Proceeds from sale of non-current assets	52	196
Net cash (used in)/provided by investing activities	(683)	467
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of borrowings	(244)	(284)
Net proceeds from share issue	48,749	59
Net cash provided by/(used in) financing activities	48,505	(225)
Net increase in cash held	78,692	1,949
Cash at beginning of period	16,755	16,905
Cash at end of period	95,447	18,854

The accompanying notes form part of the interim financial report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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 2018 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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

AASB 15 Revenue from Contracts with Customers

In the current year, the consolidated entity has applied AASB 15 Revenue from Contracts with Customers which has come into effect 1 January 2018. Details of the new requirements of AASB 15 as well as their impact on the Group's consolidated financial statements are described below.

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer.

Significant judgments and estimates are used in determining the impact, such as the assessment of the probability of customer acceptance of claims, estimation of project completion date and assumed levels of project execution productivity.

The contractual terms and the way in which the Group operates its construction contracts is predominantly derived from projects containing one performance obligation. Contracted revenue will continue to be recognised over time, however the new standard provides new requirements for variable consideration, as well as accounting for claims and variations as contract modifications which all impart a higher threshold of probability for recognition. Revenue was previously recognised when it is probable that work performed will result in revenue whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur for these modifications.

Under AASB 111 Construction Contracts, costs incurred during the tender process were able to be capitalised within other current assets when it was deemed probable the contract would be won. Under the new standard, costs can only be capitalised if they are both expected to be recovered and either would not have been incurred if the contract had not been won or if they are intrinsic to the delivery of a project.

The consolidated entity has applied AASB 15 retrospectively with the cumulative effect of initially applying the standards as an adjustment to the opening balance of equity and comparative figures are therefore not restated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: BASIS OF PREPARATION (Continued)

Adjustment of application of AASB 15

Shareholder equity of $206.3 million at 1 July 2018 reduced by $33.8 million upon adoption of all requirements of the new standard.

New, revised or amending Accounting Standards and Interpretations not yet mandatory or early adopted

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

Comparative Figures

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

NOTE 2: REVENUE

	Consolidated Entity	
	31/12/2018	31/12/2017
	$000	$000
From continuing operations		
Construction and engineering revenue	273,381	138,446
Accommodation revenue	2,350	2,803
Other revenue		
- government grant	-	(217)
- property rentals	-	(250)
- interest received	81	22
Total revenue from continuing operations	275,812	140,804

Disaggregation of revenue

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

	Consolidated Entity	
	31/12/2018	31/12/2017
	$000	$000
Sectors		
Infrastructure	105,245	49,605
Resources	104,954	87,904
Renewables	63,036	584
Accommodation	2,350	2,803
Other	227	(92)
	275,812	140,804
Geographical regions		
Australia	222,224	125,327
New Zealand	53,588	15,477
	275,812	140,804

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (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

	Note	31/12/2018 $000	31/12/2017 $000
Services revenue		-	7,646
Interest received		-	1
Total revenue		-	7,647
Cost of sales		-	(8,644)
Administration expenses		-	(2,001)
Borrowing costs		-	(2)
Depreciation and amortisation expense		-	(111)
Loss on disposal of subsidiaries		-	(3,438)
Total expense		-	(14,196)
Loss before income tax expense		-	(6,549)
Income tax benefit		-	591
Loss after income tax expense from discontinued operations		-	(5,958)

(b) Financial position information

	Note	31/12/2018 $000	30/06/2018 $000
CURRENT ASSETS			
Cash and cash equivalents		-	10
Trade and other receivables		-	20
Other current assets		-	752
TOTAL CURRENT ASSETS		-	782
TOTAL ASSETS		-	782
CURRENT LIABILITIES			
Trade and other payables		-	32
TOTAL CURRENT LIABILITIES		-	32
TOTAL LIABILITIES		-	32
NET ASSETS		-	750

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (CONT'D)

NOTE 3: DISCONTINUED OPERATIONS (Continued)

(c) Cash flow information

	Note	31/12/2018 $000	31/12/2017 $000
Net cash used in operating activities		-	(545)
Net cash provided by/(used in) investing activities		-	517
Net cash used in financing activities		-	(1)
Net decrease in cash and cash equivalents from discontinued operations		-	(29)

NOTE 4: ISSUED CAPITAL

	Consolidated Entity 31/12/2018 $000	30/06/2018 $000
a) Paid up capital		
Fully paid ordinary shares	216,218	165,832

	No. of Shares	Paid Up Capital $000
b) Movements		
Balance 1 July 2018	173,811,927	165,832
Issue of employee shares	126,736	58
Issue of shares to employee share trust	-	-
Performance rights converted to shares	633,616	-
Issue of capital raising	63,605,625	50,885
	238,177,904	216,775
Add: Equity based payments		930
Less: Transaction costs net of tax benefit		(1,487)
		216,218

NOTE 5: DIVIDENDS

On 26 February 2019, the company proposed a fully franked 1.0 cent per share interim dividend with a record date of 8 March 2019 and payment date of 27 March 2019. The total amount of this dividend payment will be $2.382 million.

There was no final dividend paid, declared or recommended for payment for the year ended 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (CONT'D)

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 engineering and construction services;
   - Decmil Construction NZ Limited – construction arm of Decmil located in New Zealand;
   - Decmil Southern Pty Ltd – civil engineering company focussed on civil infrastructure works across the South Eastern seaboard of Australia;
   - Decmil Infrastructure Pty Ltd – an entity used for tendering large infrastructure projects and Public Private Partnerships (PPPs);
   - Eastcoast Development Engineering Pty Ltd – an acquired business which has since been integrated into the Decmil Australia Pty Ltd entity;
   - Decmil Engineering Pty Ltd – an acquired business which has since been integrated into the Decmil Australia Pty Ltd entity; and
   - Decmil PNG Limited – construction arm of Decmil located in Papua New Guinea which is now dormant.

2. Accommodation
   - Homeground Villages Pty Ltd – 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 2018 (CONT'D)

NOTE 6: SEGMENT INFORMATION (Continued)

(a)	Segment performance 31/12/2018	Construction & Engineering $000	Accommodation $000	Other $000	Total $000
	External sales	273,381	2,350	-	**275,731**
	Total segment revenue	273,381	2,350	-	**275,731**
	Segment EBITDA	10,634	(574)	(486)	**9,574**
	Depreciation & amortisation expense	(1,173)	(79)	-	**(1,252)**
	Net interest	(776)	1	4	**(771)**
	Segment result	8,685	(652)	(482)	**7,551**
	Other unallocated expenses				**(322)**
	Income tax expense				**(1,424)**
	Profit for the period				**5,805**

	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)**

(b)	Segment assets 31/12/2018	Construction & Engineering $000	Accommodation $000	Other $000	Total $000
	Current assets	186,973	697	6	**187,676**
	Non-current assets	81,820	92,730	-	**174,550**
	Other unallocated assets	-	-	-	**34,318**
	Total segment assets	268,793	93,427	6	**396,544**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (CONT'D)

NOTE 6: SEGMENT INFORMATION (Continued)

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**

(c)	Segment liabilities 31/12/2018	Construction & Engineering $000	Accommodation $000	Other $000	Total $000
	Current liabilities	162,635	829	-	**163,464**
	Non-current liabilities	1,508	54	-	**1,562**
	Other unallocated liabilities	-	-	-	**2,860**
	Total segment liabilities	164,143	883	-	**167,886**

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**

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 2018 (CONT'D)

NOTE 7: FAIR VALUE MEASUREMENT (Continued)

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Consolidated – 31 December 2018				
Assets				
Investment property	-	-	92,416	**92,416**
Total assets	-	-	92,416	**92,416**
Consolidated – 30 June 2018				
Assets				
Investment property	-	-	92,410	**92,410**
Total assets	-	-	92,410	**92,410**

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:

	Investment Properties	Total
Consolidated	**$000**	**$000**
Balance at 30 June 2018	92,410	**92,410**
Additions	6	**6**
Balance at 31 December 2018	92,416	**92,416**

In July 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%.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (CONT'D)

NOTE 7: FAIR VALUE MEASUREMENT (Continued)

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 2018, the guarantees given to various customers for satisfactory contract performance amounted to $160.8 million.

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.

Besides the contingent liabilities outlined in the annual report and above, there have been no further contingent liabilities arising to the consolidated entity during the period.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

On 26 February 2019, the company proposed a fully franked 1.0 cent per share fully franked interim dividend with a record date of 8 March 2019 and payment date of 27 March 2019. The total amount of this dividend payment will be $2.382 million.

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

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

2. The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 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

David Saxelby
CHAIRMAN

Dated this 28th day of February 2019

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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 2018, 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 2018 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.

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 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 28 February 2019