2020
INTERIM FINANCIAL REPORT

For the half year ended 31 December 2019

DECMIL

CORPORATE DIRECTORY

Directors

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

Executive Team

Scott Criddle, Chief Executive Officer
Peter Thomas, Chief Financial Officer
Dickie Dique, Executive General Manager – Operations
Damian Kelliher, Executive General Manager – Commercial and Risk

Company Secretary

Alison Thompson

Australian Business Number

35 111 210 390

Principal Registered Address

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Osborne Park WA 6017
Telephone: 08 9368 8877
Facsimile: 08 9368 8878

Postal Address

PO Box 1233
Osborne Park WA 6916

Operational Offices

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Osborne Park WA 6017
Telephone: 08 9368 8877

Brisbane
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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 2019.

DIRECTORS

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

Mr Don Argent (resigned 21 February 2020)
Mr Scott Criddle
Mr Dickie Dique
Mr Bill Healy
Mr David Saxelby (Chairman)

REVIEW OF OPERATIONS

Principal activities

Decmil provides engineering construction services for the Infrastructure, Resources and Renewable Energy sectors:

Infrastructure

- Government infrastructure projects including accommodation, immigration facilities, corrections facilities, office buildings, defence facilities, schools, administration buildings and storage facilities; and
- Road and bridge civil engineering projects.

Resources

- Construction of non-process infrastructure, including industrial buildings, workshops and storage facilities;
- Coal Seam Gas wellhead installation with associated pipelines and facilities; and
- Civil work on brown and greenfield projects including site preparation, excavation and bulk earthworks in regional and remote areas.

Renewables

- EPC and balance of plant works for remote wind and select solar projects.

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
Roads and Bridges	Iron Ore (civil, NPI)	Solar PV (EPC)
Education	Coal Seam Gas	Wind (balance of plant)
Defence	LNG (civil, NPI, maintenance)	Hybrid (including storage)
Corrections		
Immigration		
Health		

DIRECTORS' REPORT (CONT'D)

Operations (cont'd)

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 balance of plant works in renewable energy.

Key operational highlights for the six months ended 31 December 2019 include:

- Strong safety performance with no lost time injuries for the period and a total recordable injury frequency rate of 5.3;
- The award of a $417 million main works package for the Mordialloc Freeway project by Major Road Projects Victoria as a 40% joint venture partner with McConnell Dowell;
- The award of a rail accommodation construction contract valued at $40 million for Carmichael Rail Network;
- Continuation of the relationship with QGC on the three-year framework agreement for operational works across the Surat Basin;
- Successful completion of the Princes Highway duplication project at Warncoort valued at $60 million, and substantial progress on other major infrastructure projects such as the Plenty Road Upgrade and the Drysdale Bypass in Victoria;
- Work continuing on two new transport infrastructure projects in Western Australia (Reid Highway) and Queensland (Warrego Highway) valued at $63 million; and
- Significant progress made on two balance of plant projects worth $151 million at the Warradarge and Yandin wind farms in WA with leading Danish wind company Vestas.

Financial Performance

Revenue of $239.3 million for the six months ended 31 December 2019 was below the comparative period.

Administration expenses for the six months ended 31 December 2019 amounted to $20.9 million, which was an increase on the prior period ($16.1 million). In January 2020, the Company undertook a restructure which removed ~$6.5m of overhead on an annualised basis. The costs associated with this restructure amounted to $850k.

The loss before interest, tax, depreciation and impairment was $63.4 million predominantly due to the termination of the Rapid Deployment Prisons project with the Department of Corrections. The result also includes a reduced reliance on the final settlement of the Mulla Mulla project given the status of negotiations with BHP. Decmil believes it has entitlement to both of these claims and will be seeking recovery of these amounts.

The Group reported an operating cash outflow of $36.3 million for the six months ended 31 December 2019 due to the unwinding of significant advance payments from prior periods on the balance of plant wind farm projects, the delay in achieving substantial completion on the Sunraysia project and delays in receiving time and cost entitlements on the Rapid Deployment Prisons and Mulla Mulla projects.

Financial Position

At 31 December 2019 the Group's balance sheet reflected cash and cash equivalents of $64.7 million, an overall net cash position of $40 million and net assets of $156 million.

The Group renewed its $65 million of working capital facilities with NAB during the period and held bonding capacity of $290 million at 31 December 2019.

DIRECTORS' REPORT (CONT'D)

Financial Position (cont'd)

Following an independent valuation, the Homeground Gladstone accommodation village was revalued from $92.4 million to $85.4 million as at 31 December 2019. The devaluation of the village resulted in a non-cash pre-tax charge of $7.1 million in the period.

Dividend

To preserve working capital for new opportunities in the business in FY20, the Board has resolved to not declare an interim dividend for FY20. This will be re-assessed given market conditions and working capital requirements.

Strategy and Outlook

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

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 select solar PV and wind projects as a balance of plant contractor.

As at 31 December 2019 the Company has committed revenue for FY20 of ~$500 million and ~$490 million of work in hand for the remainder of FY20 and beyond.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investment Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand 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 26th day of March 2020

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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 2019, 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: 26 March 2020

TUTU PHONG
Partner

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

		Consolidated Entity	
		31/12/2019	31/12/2018
	Note	$000	$000
Revenue	2	239,323	275,731
Cost of sales		(281,040)	(249,447)
Gross (loss)/profit		(41,717)	26,284
Administration expenses		(20,849)	(16,102)
Equity based payments		(822)	(930)
(Loss)/earnings before interest, tax, depreciation, amortisation and impairment		(63,388)	9,252
Interest received	2	102	81
Borrowing costs		(1,364)	(852)
Depreciation and amortisation expense		(2,956)	(1,252)
Impairment of land		(260)	-
Investment property fair value adjustment	6	(7,075)	-
(Loss)/profit before income tax expense		(74,941)	7,229
Income tax benefit/(expense)		76	(1,424)
Net (loss)/profit after tax		(74,865)	5,805
Other Comprehensive Income			
Other comprehensive income		-	-
Total comprehensive income for the period		(74,865)	5,805
Basic earnings per share (cents per share)		(31.33)	2.78
Diluted earnings per share (cents per share)		(31.33)	2.78

The accompanying notes form part of the interim financial report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		Consolidated Entity	
		31/12/2019	30/06/2019
	Note	$000	$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		64,676	83,481
Trade and other receivables		36,021	74,272
Contract assets		25,856	65,102
Current tax receivable		529	-
Other assets		13,643	6,648
TOTAL CURRENT ASSETS		140,725	229,503
NON-CURRENT ASSETS			
Investment property	6	85,400	92,449
Property, plant and equipment		10,353	9,994
Right-of-use assets		17,785	-
Deferred tax assets		30,771	30,771
Intangible assets		75,482	75,482
TOTAL NON-CURRENT ASSETS		219,791	208,696
TOTAL ASSETS		360,516	438,199
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		103,421	154,520
Contract liabilities		42,389	35,462
Current tax payable		-	1,698
Borrowings		27,316	212
Lease liabilities		3,516	1,611
Provisions		7,295	6,150
TOTAL CURRENT LIABILITIES		183,937	199,653
NON-CURRENT LIABILITIES			
Deferred tax liabilities		261	191
Lease liabilities		19,618	2,845
Provisions		294	380
TOTAL NON-CURRENT LIABILITIES		20,173	3,416
TOTAL LIABILITIES		204,110	203,069
NET ASSETS		156,406	235,130
EQUITY			
Issued capital	3	217,781	216,858
Retained earnings		(61,375)	18,272
TOTAL EQUITY		156,406	235,130

The accompanying notes form part of the interim financial report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Issued Capital	Retained Earnings	Total
	$000	$000	$000
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	**-**	**5,805**	**5,805**
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**
Balance at 1 July 2019	**216,858**	**18,272**	**235,130**
Net loss for the period	-	(74,865)	**(74,865)**
Total comprehensive income for the period	**-**	**(74,865)**	**(74,865)**
Shares issued for the period	562	-	**562**
Transaction costs net of tax benefit	5	-	**5**
Equity based payments	822	-	**822**
Performance rights converted to shares	(466)	-	**(466)**
Dividends paid	-	(4,782)	**(4,782)**
Balance at 31 December 2019	**217,781**	**(61,375)**	**156,406**

The accompanying notes form part of the interim financial report

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Entity 31/12/2019	31/12/2018
		$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		313,020	229,001
Payments to suppliers and employees		(346,020)	(195,938)
Interest received		102	81
Finance costs		(1,364)	(852)
Income tax paid		(2,069)	(1,422)
Net cash (used in)/provided by operating activities		(36,331)	30,870
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(453)	(735)
Proceeds from sale of non-current assets		77	52
Net cash used in investing activities		(376)	(683)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		25,000	-
Repayment of borrowings		(768)	(244)
Repayment of lease liabilities		(1,636)	-
Net proceeds from share issue		88	48,749
Dividends paid	4	(4,782)	-
Net cash provided by financing activities		17,902	48,505
Net (decrease)/increase in cash held		(18,805)	78,692
Cash at beginning of period		83,481	16,755
Cash at end of period		64,676	95,447

The accompanying notes form part of the interim financial report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The half-year interim financial report ending 31 December 2019 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 2019 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.

Going concern

For the half-year ended 31 December 2019, the consolidated entity incurred a loss after tax of $74.9 million after recognising an impairment loss associated with the contract with the Department of Corrections of $49.4 million and a revaluation of its investment property of $7.1 million, and had net cash out flows from operating activities of $36.3 million. As at 31 December 2019, the consolidated entity had net current liabilities of $43.2 million. The ability of the consolidated entity to continue as a going concern is dependent on the continued support of its banker and the ability of the consolidated entity to obtain alternative sources of debt or equity funding.

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the factors set out below.

National Australia Bank Limited (NAB) provides the majority of the consolidated entity's credit facilities, which includes a $65 million multi-option facility.

NAB continues to support the business and has appointed an adviser to assist in obtaining independent confirmation of the consolidated entity's performance and financial position. The adviser's report confirms the information provided by the consolidated entity to NAB. The Directors expect NAB will continue to support the consolidated entity to provide the existing facilities and give the consolidated entity time to pursue the strategies set out below.

The Directors are pursuing concurrent strategies to recapitalise the business, including seeking additional working capital facilities, a strategic lender or investor, a sale of non-core assets and resolution of the dispute with the Department of Corrections, which are expected to be sufficient to meet overall funding requirements.

Should the consolidated entity be unable to achieve the matters above a material uncertainty would exist as to whether the consolidated entity would be able to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The adoption of AASB 16 has no impact on opening retained profits. A reconciliation between operating lease commitments and right-of-use assets at 1 July 2019 is a follows:

	1 July 2019
	$000
Operating lease commitments as at 1 July 2019 (AASB 117)	9,465
Leases not recognised as operating lease commitments as at 1 July 2019 (AASB 117)	3,012
Lease extensions not recognised as operating lease commitments as at 1 July 2019 (AASB 117)	11,003
Subtotal as per AASB 117	23,480
Operating lease commitments discount based on the weighted average incremental borrowing rate of 7.1% (AASB 16)	20,697
Short-term leases not recognised as a right-of-use asset (AASB 16)	(120)
Low-value assets leases not recognised as a right-of-use asset (AASB 16)	(1,520)
Right-of-use assets (AASB 16)	19,057
Lease liabilities - current (AASB 16)	1,268
Lease liabilities - non-current (AASB 16)	17,789

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 2: REVENUE

	Consolidated Entity	
	31/12/2019	31/12/2018
	$000	$000
Construction and engineering revenue	234,860	273,381
Accommodation revenue	4,362	2,350
Other revenue		
- property rentals	101	-
- interest received	102	81
Total revenue	239,425	275,812

Disaggregation of revenue

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

	Consolidated Entity	
	31/12/2019	31/12/2018
	$000	$000
Sectors		
Infrastructure	95,769	105,245
Resources	42,936	104,954
Renewables	96,039	63,036
Accommodation	4,362	2,350
Other	319	227
	239,425	275,812
Geographical regions		
Australia	237,122	222,224
New Zealand	2,303	53,588
	239,425	275,812

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 3: ISSUED CAPITAL

	Consolidated Entity	
	31/12/2019	30/06/2019
	$000	$000
a) Paid up capital		
Fully paid ordinary shares	217,781	216,858

	No. of Shares	Paid Up Capital $000
b) Movements		
Balance 1 July 2019	238,310,204	216,858
Issue of employee shares	953,894	562
	239,264,098	217,420
Add: Equity based payments		822
Add: Transaction costs net of tax benefit		5
Less: Performance rights converted to shares		(466)
		217,781

NOTE 4: DIVIDENDS

The 2019 final dividend of 2.0 cents per share franked at the rate of 30% was paid on 27 September 2019. The dividend paid totalled $4.782 million.

There will be no interim dividend paid, declared or recommended for payment for the period ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 5: 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.

The majority of assets are located in Australia.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 5: SEGMENT INFORMATION (Cont'd)

(a)	Segment performance 31/12/2019	Construction & Engineering $000	Accommodation $000	Other $000	Total $000
	External sales	234,961	4,362	-	**239,323**
	Total segment revenue	234,961	4,362	-	**239,323**
	Segment EBITDA	(63,738)	620	-	**(63,118)**
	Depreciation & amortisation expense	(2,903)	(53)	-	**(2,956)**
	Impairment of land	(260)	-	-	**(260)**
	Investment property fair value adjustment	-	(7,075)	-	**(7,075)**
	Net interest	(1,263)	1	-	**(1,262)**
	Segment result	(68,164)	(6,507)	-	**(74,671)**
	Other unallocated expenses				**(270)**
	Income tax benefit				**76**
	Loss for the period				**(74,865)**

	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**

(b)	Segment assets 31/12/2019	Construction & Engineering $000	Accommodation $000	Other $000	Total $000
	Current assets	118,016	484	-	**118,500**
	Non-current assets	89,347	85,645	-	**174,992**
	Other unallocated assets	-	-	-	**67,024**
	Total segment assets	**207,363**	**86,129**	**-**	**360,516**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 5: SEGMENT INFORMATION (Cont'd)

	Segment assets 30/06/2019	Construction & Engineering $000	Accommodation $000	Other $000	Total $000
	Current assets	208,949	789	6	**209,744**
	Non-current assets	83,907	92,710	-	**176,617**
	Other unallocated assets	-	-	-	**51,838**
	Total segment assets	**292,856**	**93,499**	**6**	**438,199**

(c)	Segment liabilities 31/12/2019	Construction & Engineering $000	Accommodation $000	Other $000	Total $000
	Current liabilities	152,757	25,718	-	**178,475**
	Non-current liabilities	8,117	-	-	**8,117**
	Other unallocated liabilities	-	-	-	**17,518**
	Total segment liabilities	**160,874**	**25,718**	**-**	**204,110**

	Segment liabilities 30/06/2019	Construction & Engineering $000	Accommodation $000	Other $000	Total $000
	Current liabilities	194,669	600	-	**195,269**
	Non-current liabilities	3,084	53	-	**3,137**
	Other unallocated liabilities	-	-	-	**4,663**
	Total segment liabilities	**197,753**	**653**	**-**	**203,069**

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 2019

NOTE 6: FAIR VALUE MEASUREMENT (Cont'd)

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Consolidated – 31 December 2019				
Assets				
Investment property	-	-	85,400	**85,400**
Total assets	-	-	85,400	**85,400**
Consolidated – 30 June 2019				
Assets				
Investment property	-	-	92,449	**92,449**
Total assets	-	-	92,449	**92,449**

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

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

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

Consolidated	Investment Properties $000	Total $000
Balance at 30 June 2019	92,449	**92,449**
Additions	26	**26**
Fair value adjustment	(7,075)	**(7,075)**
Balance at 31 December 2019	85,400	**85,400**

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%.

As a result of the independent valuation, the Homeground Gladstone investment property was revalued to $85,400,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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 2019, the guarantees given to various customers for satisfactory contract performance amounted to $106.2 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 8: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting date the consolidated entity received a termination notice on the Rapid Deployment Prisons contract with the Department of Corrections in New Zealand. This resulted in a material impact to the forecast revenue and margin which was expected to be achieved on the project. This constitutes an adjusting event under AASB 110 'Events after the Balance Sheet Date' which has been incorporated into this financial report.

The uncertainty around COVID-19 globally and the subsequent actions taken by governments around the world to mitigate its spread may impact both the execution of the current order book and the commencement of new contracts. Management is continuously monitoring the evolving situation and are taking actions to minimise the impact of COVID-19 on the business, but it is not possible to reliably estimate the extent of any potential effect at present.

Except for the matters 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 2019 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 26th day of March 2020

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Decmil Group Limited which comprises the statement of financial position as at 31 December 2019, 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 2019 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 2019 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*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1, which indicates that the consolidated entity incurred a net loss of $74,865,000 and had net cash outflows from operating activities of $36,331,000 for the half-year ended 31 December 2019. As at that date, the consolidated entity's current liabilities exceeded its current assets by $43,212,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 26 March 2020