Together, we're the difference

Annual Report 2021

DECMIL

Corporate Directory

Directors

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

Company Secretary

Ian Hobson

Registered Office

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Australian Business Number

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ASX Code

DCG

Auditor

RSM Australia Partners
Level 32, Exchange Tower, 2 The Esplanade, Perth WA 6000
Telephone: 08 9261 9100

Share Registry

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Level 11, 172 St Georges Terrace, Perth WA 6000
Telephone: 08 9323 2000
Email: www-au.computershare.com/Investor
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

Reid Highway, Altone to West Swan Road
Perth, Western Australia

Table of Contents

About this report

This Annual Report is a summary of Decmil Group Limited's (ASX: DCG) ("Decmil" or "Company") operations, activities and financial position as at 30 June 2021. Decmil Group Limited (ABN 35 111 210 390) is the parent Company of the Decmil Group of companies. In this report, unless otherwise stated, references to 'Decmil', 'DGL' and 'the Company', and 'we', 'us' and 'our' refer to Decmil Group Limited and its controlled entities. References in the report to 'the year' or 'the reporting period' relate to the financial year, which is 1 July 2020 to 30 June 2021, unless otherwise stated. All dollar figures are expressed in Australian currency. In an effort to reduce its impact on the environment, Decmil will only post printed copies of this Annual Report to those shareholders who elect to receive one through the share registry. An electronic copy of this Annual Report is available on our website at www.decmil.com

About Us

Our Vision

To be the market leader in project delivery, achieving sustainable growth through the quality of our people and the strength of our relationships.

Our Values

Integrity. We build long-term positive relationships, underpinned by trust.

Solutions. We pursue positive outcomes, empowering our people to create new ways of doing things.

Collaboration. We seek and value strategic alliances, both internally and externally.

Sustainability. Providing value to all of our stakeholders is paramount to the measure of our success.

Performance. We strive for excellence, with stringent processes that assure quality and demand the best.

Together, we're the difference.

Decmil has a proud history of project delivery since 1978. Many things have changed since then, but the foundations of our business remain the same. Our vision continues to remain relevant and essential for Decmil's success. We strive to achieve sustainable growth through our strong relationships with our clients and are determined to find solutions for transformational projects.

Decmil's Core Values and Guiding Principles are the essence of our identity, supporting our vision and shaping our culture. They define why we do what we do, how we do it, and a shared promise to our clients and all stakeholders.

People are integral to the success of Decmil and by working together aligned to our vision and values we can continue to grow and lead the way in project delivery, delivering great outcomes for all of our stakeholders.

As market leaders in complex, multi-disciplinary project delivery for over 40 years, we deliver integrated construction and engineering solutions across the infrastructure, resources, energy and construction sectors.

Albany Ring Road Project
Albany, Western Australia

Chairman's Letter

"In the last 12 months, Decmil has delivered on its commitments to use the 2021 financial year as a year of consolidation, a platform from which to grow in the following financial year and beyond, and to return to profitability.

Andrew Barclay

Chairman

Dear Shareholders,

As Chairman of Decmil Group Limited, and on behalf of my fellow Directors, I am pleased to present the Decmil Group Annual Report for 2021.

In the last 12 months, Decmil has delivered on its commitments to use the 2021 financial year as a year of consolidation, a platform from which to grow in the following financial year and beyond, and to return to profitability.

Consolidation

In my report for the 2020 financial year, I suggested that the focus for the 2021 financial year would be on work winning, financial acumen and risk mitigation.

I am pleased to report that the strategies adopted to achieve those goals have been achieved. Decmil has largely implemented the turnaround plan set at the beginning of the 2021 financial year. During that 12 month period, Decmil has completed the refresh of the Board and Executive Team, delivered projects to forecast, and won key target contracts in our core market sectors and capabilities. Importantly, Decmil has also finalised legacy disputes (namely the dispute with the NZ Department of Corrections on the Rapid Deployment of Prisons project, the dispute on the Mulla Mulla project, SBS and United Petroleum) so that the senior executive team can now concentrate on winning new work and delivering into existing contacts for existing customers.

Further, the standstill arrangements and the repayment plan entered into with Decmil's bank and surety providers during the 2021 financial year have been finalised and closed out. In a show of confidence in the progress of the company's financial strategy, NAB has recently extended its $40 million multi-option facility until July 2023, further supporting Decmil's ongoing financial stability.

Decmil has achieved a 35% decrease in overhead costs for the 2021 financial year. Decmil remains focused on rationalising its cost base without sacrificing its core capabilities to respond strategically to new opportunities, changing market conditions and the challenges now posed by the COVID-19 pandemic.

Board and Governance

I would like to welcome Vin Vassallo and David Steele to the Board of Decmil. Both Vin and David joined the Board in June 2021, and they bring to the Board a wealth of industry knowledge and experience, with both having held senior executive positions at major infrastructure construction and engineering companies.

The Board is focused on the continued stabilisation of the business and building a sustainable foundation for future growth prospects.

Looking Forward

Decmil is well positioned to take advantage of the expected growth in government infrastructure projects fuelled by government stimulus spending in response to the economic recovery post the COVID-19 pandemic. Decmil has already been awarded the Albany Ring Road construction in Western Australia, the upgrade of the Bruce Highway in Queensland and the Gippsland Line Upgrade (rail) in Victoria, to name but a few. These awards evidence Decmil's capability as one of Australia's leading domestic providers of infrastructure services across our core capabilities.

The award and successful delivery of several Resource and Energy contracts during the year has also enabled the Company to establish new, and reaffirm old, customer relationships in the Resources and Energy sectors.

The Company has also increased its focus on its traditional competency as a commercial builder by targeting key projects and existing business relationships in the Western Australian market. This sector continues to show strength through government spending and stimulus across commercial and residential markets.

COVID-19

The Company's activities are based in industries that have largely been deemed 'essential' and therefore the impact of COVID 19 through the 2021 financial year has not been all that significant. A range of safety protocols - observing good personal hygiene practices, social distancing, avoiding unnecessary travel, implementing effective cleaning, and engaging workforces from within home states - has been successfully implemented and has reduced potential interruptions to our people and clients.

However, COVID 19 has caused delays in the final award of new projects, which has impacted the expected timing of awards for Decmil's pipeline of project opportunities currently being tendered.

Our People

Our people will always be the core of our business. I would like to extend my appreciation to employees and management for their strong work ethic, loyalty and dedication over the past year. The achievement of our targets would not have been possible without the commitment and dedication of our people.

The safety of our people is of paramount importance. The management and project teams need to be commended for an exceptional safety performance throughout the year. Decmil has reported industry leading metrics of zero lost time injuries for the period and a total recordable injury frequency rate of 0.9 for FY21.

During the year, Decmil also launched its inaugural Reflect Reconciliation Action Plan. The purpose of the plan is to make a positive impact on Aboriginal and Torres Strait Islander people in the areas of employment and economic development. However, equally importantly, the Plan is designed to enhance cultural understanding of Aboriginal and Torres Strait Islander people within the entire Decmil workforce. Although the implementation of the Plan is an ongoing focus, I am pleased to report that our Albany Ring Road project for Main Roads Western Australia continues to report total work hours by Aboriginal and Torres Strait Islander persons of greater than 25%, with other key infrastructure projects reporting between 5 and 10%.

Conclusion

The Board is confident about the future outlook for Decmil. This confidence is underpinned by work-in-hand revenue of approximately $570 million, which provides a stable revenue base for a further growth in revenue for the 2022 financial year, and which should enable sustainable growth for our Company in the years beyond. The Board believes that it has put in place a foundation which will further improve the financial performance of the Company and create a work environment which is focused on excellence, integrity and performance.

On behalf of the Board, I thank our highly valued and talented team for their contribution. In addition, I would like to thank our shareholders and various stakeholders for their ongoing support.

I look forward to our people working together to strengthen the Company's financial position in the year ahead while furthering our solid reputation for project excellence across our four industry sectors of infrastructure, resources, energy and construction.

A Barclay.

Andrew Barclay
Chairman

Bruce Highway Upgrade Project
Calliope to Mt Alma, Queensland

Our Business

We have structured our business to focus on our core competencies within the four key market sectors that we operate in; infrastructure, resources, energy and construction.

Plenty Road Upgrade Project
Melbourne, Victoria

Infrastructure

We've constructed some of the most iconic and complex transportation projects across Australia, developing urban and rural infrastructure projects that connect millions of people, freight and products every day.

Decmil has extensive experience providing integrated transport solutions such as major roads, bridges, railway networks, airport and port infrastructure.

Our expertise within the infrastructure sector includes high quality construction, fabrication and civil works across the project lifecycle. We have experience across all areas of transportation infrastructure projects of varying scope and complexity. We have constructed major highway projects, including complex interchange designs, and have constructed various bridges and bridge widenings.

We have expertise in delivering infrastructure projects in regional areas and have successfully delivered complex infrastructure projects in some of the most remote regions in Australia.

Decmil's reliance on reducing, re-using and recycling waste materials is an important part of our logistics strategy, better equipping our team to meet the challenges of delivering remote, regional projects.

Decmil Southern Pty Ltd has Austroads National Prequalification status of R5/ B4/ F150+ and Decmil Australia Pty Ltd has R3/ B3/ F150+ prequalification.

Resources

Our contribution to resource projects has helped to build bigger, better cities around the world, house hundreds of employees in remote areas and generate thousands of Australian jobs.

With operations throughout Australia, Decmil offers a combination of national expertise and local knowledge, supported by a team of valued suppliers and contractors. Our expertise and capability allow us to self-perform works for large, challenging projects, as well as smaller, less complex jobs.

With extensive capabilities and in-house design management teams, we can deliver large-scale projects regardless of complexity, value or location.

We are experienced in providing large scale complex project delivery across a range of resource industries, including mining, metals, minerals, and chemicals. We are experienced in Greenfields and Brownfields environments.

We have delivered non-process infrastructure, structural mechanical and piping, construction management, civil construction such as roads and bridges, processing units and systems, workforce accommodation and engineering infrastructure for power delivery management.

We work in some of the most remote and harsh climatic regions around Australia and understand what is required for successful project delivery in challenging conditions and environments, including operating in some of Australia's more remote regions and communities.

Mulla Mulla Village Expansion Project
Pilbara, Western Australia

Energy

Powering our cities and communities is critical and we help to execute projects that enable people to move freely and enjoy the environments around them.

Decmil has delivered innovative solutions for a wide range of energy requirements. Our experience includes projects across the Renewables Energy industry and the Oil & Gas industry.

We have delivered civil construction works, Structural Mechanical Piping (SMP) and maintenance works across Oil & Gas projects in Australia and internationally. We specialise in construction and engineering that supports Coal Seam Gas (CSG) and Liquified Natural Gas (LNG) Projects.

We have collaborated with our clients to construct well sites, downstream processing components, gas compressors and gas plants, non-process infrastructure such as control rooms, substations and workshops, and accommodation facilities.

We have been involved in Australia's largest solar and wind farms, providing feasibility, engineering, project management and construction services for the renewable energy sector including solar, wind and battery.

We have strong capability in the delivery of Balance of Plant works for wind farms and solar farms. Civil works include wind turbine foundations, earthworks, access tracks, crane pads and hardstands. Electrical works include electrical reticulation, switchroom buildings, and substations.

Yandin Wind Farm Balance of Plant Works
Dandaragan, Western Australia

Bonalbo Multi-Purpose Service Centre Main Works
Bonalbo, New South Wales

Construction

We create hospitals, schools, workplaces, facilities, and infrastructure essential to improving the quality of life for the community.

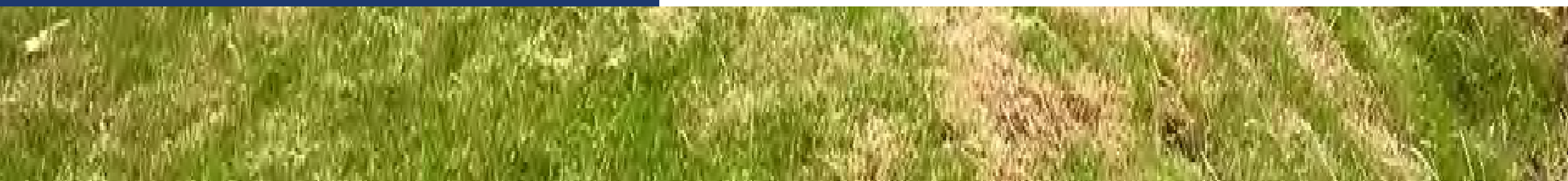
Decmil has delivered schools, medical centres, accommodation units and facilities for the commercial sector and government and local councils across Australia.

We specialise in building commercial and mixed-use developments from concept design management and construction through to commissioning. We deliver high quality commercial buildings within stringent timeframes and budget considerations.

We have designed and built an extensive range of community and social infrastructure projects ranging from civic centres, libraries, cinemas, sporting facilities, gymnasiums and training and education facilities.

We have delivered a variety of Health projects, from small aged care facilities through to larger scale projects in remote areas of Australia and offshore locations for both private and public sector clients.

We are experienced in all levels of stakeholder engagement and understand the complexities of working with diverse groups. We develop project specific plans to identify, engage and communicate with stakeholders throughout the project lifecycle. We have successfully engaged with a wide range of stakeholders, including private developers, government bodies, commuters, Aboriginal and Torres Strait Islander communities, authorities, service providers and end users, to ensure positive project outcomes are achieved.



Homeground Gladstone
Gladstone, Queensland

Homeground Gladstone

Homeground Gladstone accommodation village maintains a high standard in quality workforce accommodation.

About Homeground Gladstone

Homeground Gladstone is a 1,392 room, fully serviced accommodation village located 25km southwest of Gladstone, Queensland. It provides accommodation primarily for workforces servicing and constructing industrial facilities and infrastructure in the Gladstone region.

Homeground Gladstone is the only accommodation facility in the greater Gladstone area that can accommodate larger workforces and is ideally suited to house workers on large capital projects or major maintenance shutdowns.

The site itself is set up well to manage COVID with very clear protocols around those that have entered the village from higher risk areas. Decmil is working further to enhance the safety of the village and establish it as a safe place for workers to stay COVID-free.

Our commitment to project success is testament to our strive for excellence. With stringent processes, we assure quality and demand the best.

Warradarge Wind Farm Project
Warradarge, Western Australia

Health and Safety

Health and Safety

Ensuring the health and safety of our people, partners and communities in which we operate is core to everything we do at Decmil. Keeping our people healthy and safe requires a constant commitment from our teams and our leaders.

During the past year we have placed an increased focus on the management of critical risks, simplification of our management systems and improving the tools we use to efficiently capture and report on health and safety information. This has enabled us to keep pace with technology and strive for continual improvement.

Performance

During the year, all health and safety lagging indicator results, Total Recordable Injury Frequency Rate (TRIFR); Lost Time Injury Frequency Rate (LTIFR) and High Potential Incident Frequency Rate (HPIFR) improved from the previous reporting period.

	2021	2020	2019	2018	2017
TRIFR	0.9	4.3	5.3	3.4	6.3
LTIFR	0.0	0.7	1.1	1.0	0.8
HPIFR	5.5	7.2	9.1	12.9	9.9

Critical Risk Program

Across the industries we operate in, our people are exposed to hazards that can result in accidents and impact our health if not appropriately controlled. With the construction industry ranked highly for worker fatalities and serious injuries, it is crucial that we all understand the risks associated with our operations.

With this in mind, Decmil embarked on a review and revision of our current approach to the management of health and safety risks. Over the course of the year, our project teams committed their time and efforts to developing our new Critical Risk Program, which comprises six critical risks most relevant to the work we do at Decmil. We looked to our clients, our own lessons learned and industry data to develop this new program.

The new Critical Risk Program was implemented across the business at the beginning of 2021 and supports our goal of zero fatalities and no significant incidents on our projects, despite the often difficult conditions we operate in. The Critical Risk Program sets out the minimum requirements to effectively manage and reduce the exposure of our people to the critical risks across our operating environments.

Management System

During the year, Decmil was externally audited by the Office of the Federal Safety Commissioner (OFSC) which resulted in succssfully maintaining OFSC accreditation. This accreditation allows us to deliver federally funded projects and also successfully transitioned our third party accreditation from ISO18001 to ISO45001.

We have implemented a new health and safety data platform which has enhanced the proactive capture and subsequent analysis of health and safety information. The platform has also increased efficiency of project teams with mobility solutions removing significant paperwork for project personnel.

COVID-19

The ongoing challenges from COVID-19 continued throughout the year. A significant effort across all our project and office locations has been made to ensure the health and wellbeing of our people, and where possible maintain productivity of our operations.

A number of control measures were implemented across our operations to manage the risks of COVID-19, tailored to each project and location, including rostering changes to maintain social distancing, modifications to site layouts and implementing health screening and check-in processes prior to workers travelling to site or in screening on arrival prior to entering the workplace.

Our project teams implemented innovative solutions to meet COVID-19 contact tracing requirements using innovative technology to dramatically reduce the risk of COVID-19 during the delivery of vital project works. The lanyard technology allows the identification of close and casual contacts within 5 minutes and subsequent contact of affected individuals by automated message if required.

We received no reports of positive cases amongst our employees or contractors among our operations. Our processes continue to be applied as required and in accordance with applicable public health orders on a project and location basis.

Wellbeing Initiatives

A dedicated campaign in partnership with Mates In Construction, focusing on Suicide Prevention in the industry, was successfully rolled out across all projects and corporate offices. The campaign was extremely well received, with an encouraging number of staff taking part in dedicated Mates In Construction training.

Our EAP provider program was available to all employees and their families and provided short-term and solutions focused counselling to a number of people throughout the year. With COVID-19 related lockdowns affecting the regions we operate in, this service proved a valuable support for our people.

Together we are forward thinking and share the belief in respect for the world and the legacy of our actions.

Mordialloc Freeway Project
South-East Melbourne, Victoria

Sustainability

Environmental Excellence

Strong environmental performance is pivotal to the ongoing success and sustainability of Decmil, and we recognise our contribution to sustainable development through best-practice in environmental management, community investment and increasing the diversity of our workforce, subcontractors and supply chain.

There were no significant environmental incidents or penalties recorded across Decmil's operations.

Key achievements include:

- Maintaining our accredited Environmental Management System
- Rolling out Environmental Sustainability Procedures and supporting tools and training materials to improve awareness and enhance performance
- Continuing to build Environmental and Sustainability capability within the business
- Continuing our transition to a 'paper-light office' by supporting the use of electronic document management and collaboration as well as digital and mobile technology solutions for project based personnel
- Pursuing environmental initiatives relating to carbon reduction, waste management, water recycling and conservation
- Land rehabilitation and native vegetation planting on our projects.

Our approach is aimed at creating new opportunities and enhancing legacy, social and environmental outcomes to deliver lasting benefits for all our stakeholders.

Sustainability

The Infrastructure Sustainability Council of Australia (ISCA) has an IS Rating Scheme (IS), Australia and New Zealand's only comprehensive rating system for evaluating sustainability across the planning, design, construction and operational phases of infrastructure projects.

Decmil currently has two projects undergoing an IS Rating; Mordialloc Freeway seeking a Verified IS Rating V1.2 through ISCA, and Albany Ring Road seeking a Verified Design & As Built IS Rating V2.0 through Main Roads WA.

To support the integration of sustainability practices within the organisation and increase capability amongst our personnel, Decmil has identified 20 senior personnel to participate in further training regarding ISCA requirements. This will help further embed ISCA knowledge requirements and increase capability within the business.

Additionally, there has been a strong focus on supply chain engagement to influence our suppliers and subcontractors with our approach towards sustainability and stimulate innovation within the ever-evolving industry. The 2022 financial year will see many new partnerships and opportunities for local businesses to foster meaningful, long-term relationships with Decmil.

Aboriginal and Torres Strait Islander Participation

Decmil provides a work culture that fosters inclusion, respect and equality for all people. We embrace diversity and understand the significant positive influence that Aboriginal and Torres Strait Islander people have in our teams and in our communities.

During the financial year, Decmil staff received tailored training on supplier diversity and ways to improve Aboriginal and Torres Strait Islander business engagement and procurement within our organisation.

There was an increase in Aboriginal and Torres Strait Islander people engagement by 71.5% across the business for direct employees along with significant improvements to subcontractor and supplier Aboriginal and Torres Strait Islander people participation.

Other key achievements include:

- Launch of our Reflect Reconciliation Action Plan (RAP)
- Ongoing cultural awareness training and inductions on projects
- Setting targets for Aboriginal and Torres Strait Islander employment, participation and/or business spend on key projects
- Undertaking of smoking ceremonies to acknowledge the traditional custodians of the land in which we operate
- Celebrating National Reconciliation Week, NAIDOC week and other significant events.

Yandin Wind Farm Project
Dandaragan, Western Australia

Social Inclusion and Governance

Our Corporate Social Responsibility program, Decmil In The Community, is about giving back, helping people in need and supporting local communities. We do this through charity events, corporate friendships, volunteering and fundraising.

We encourage our project teams to engage with local communities to support education, sport and culture as well as proactively working to improve social amenities.

Our four key areas of focus are:

1. Aboriginal engagement and reconciliation
2. Diversity and inclusion
3. Environmental sustainability
4. Mental health and wellbeing.

Over the past financial year, Decmil has supported a number of social inclusion initiatives on our projects.

Albany Ring Road Project, Western Australia

In 2021, in acknowledgement of the historical context of Albany and the regional ties to ANZAC, Decmil provided a significant donation to the Albany RSL for the annual ANZAC Remembrance Day Services. The donation provided support to the historic dawn service, as well as the mid-morning service for members of the RSL, families of servicemen, as well as members of the community. Decmil representatives from the Albany Ring Road project attended the services.

Mental health support and awareness is ever increasing within the construction industry. The Albany Ring Road project team were provided specific training on mental health awareness by Mates in Construction. Decmil extended this to the broader construction industry in the region by sponsoring Mates in Construction training in conjunction with the Albany division of the Master Builders Association.

An ongoing awareness, outcomes and survey for threatened species, such as the Western Ringtail Possum are being completed within the current footprint. This is through keeping open discussions and engagement with Not For Profit groups (Torbay Catchment), and building relationships with University of Western Australia to ensure that research for conservation occurs during construction. This has also been extended to the broader Albany Urban Conservation Areas, through volunteering with the City of Albany Bushcare Group.

Mordialloc Freeway Project, Victoria

The project team worked closely with our client to maximise the volume of recycled products which could be reused in the construction products for the project.

High value trees were removed from within the project alignment that were not suitable for reuse within the landscaping, and were reused as follows:

- Habitat management on nearby waterways and creek lines
- Trees were donated to the local community from local men sheds
- Trees were donated to local residents
- Trees were donated to local City Councils.

The project team critically reviewed the project design to minimise the import and use of virgin material. This resulted in a reduction in the plant hours required and therefore reduced emissions and enabled the reuse of recycled materials.

We encourage our project teams to engage with and support the local communities in which we operate.

People and Culture

Our Approach

Decmil's people and culture has been a key factor in the Company's success. Our people approach comprises strategic objectives that create an agile, leadership driven and high performance culture to enable us to rise to the challenge.

Our vision continues to align our people and is essential for success across Decmil. Our Core Values and Guiding Principles define why we do what we do, how we do it, and a shared promise to our clients and all stakeholders.

Our vision is to be the market leader in project delivery, achieving sustainable growth through the quality of our people and the strength of our relationships.

Annual Overview

Decmil's focus has been to centralise the core functions across the business and ensure a sustainable growth, which has meant that there has been a slight decrease to the overall head count in the business. The number of employees at 30 June 2021 was 374: 269 salaried employees and 105 wage employees. This figure does not include contractors, subcontractors or Non-Executive Directors.

With our diverse portfolio of projects we have been able attract over 161 new employees to the business over the last 12 months, all of which have varying backgrounds, skills and experience. At Decmil, we believe that our employees are the best source of quality candidates and have found success in our referral program when sourcing new talent to the business.

We have focused on the retention strategies across the business to ensure we are able to retain the talent across the business. These strategies has meant that our overall rolling turnover has decreased by 9% over the past 12 months, which is a reflection of the continued success we expect to achieve in this area.

Diversity and Inclusion

We consider the continued commitment to diversity and inclusion as an opportunity to deliver on our objective of satisfactory returns to shareholders. We acknowledge that our customers and stakeholders are diverse and therefore, understand that by embracing the individual skills, perspectives and experiences our people bring to the workplace and harnessing these for high performance and improved delivery.

Decmil has a diversity policy in place which guides employees to embrace diversity and inclusion in the workplace and builds a workplace of respect and inclusivity. Diversity at Decmil means respect for individual differences. It means valuing and using the unique knowledge, skills and attributes that our people bring to work.

Our continued commitment in this area has resulted in a number of exciting achievements in relation to Diversity and Inclusion.

Diversity and Inclusion Achievements FY21

- Decmil's Aboriginal and Torres Strait Islander people engagement ratio increased by 71.5% across the business for direct employees along with significant improvements to subcontractor and supplier Aboriginal and Torres Strait Islander people participation.
- 55% of the graduates employed in the business currently are females
- Decmil conducted a review of the support and processes undertaken across the business for returning parents in the workplace, whereby parent rooms were introduced into offices where possible, flexible work arrangements (including working from home) have been adopted across the business and additional wellbeing checks conducted for employees that are on parental leave
- 25% of the promotions across the business were to female employees, with Aboriginal and Torres Strait Islander employees forming 5% of the promotions in the business.
- Project traineeships have increased by 400%.

Our goal is to retain the diverse talent within our workforce and support our people to maintain a long and productive working career.

Outlook

Next year, our focus will be to continue growing our capability across our business by driving inclusive and diverse high-performing teams and increasing collaborative partnerships with both colleagues and clients.

By ensuring that we attract, develop and retain the right people and diverse talent across the business, we can guarantee delivery of results to our stakeholders. This will be achieved by continuing to build a culture of collaboration and continuous learning, where successes are recognised and our people are rewarded. Our leaders are our key drivers in inspiring and encouraging our people and we will therefore be investing in our leaders and capabilities to drive this success.

We are relentless in pursuing positive outcomes, empowering our people to champion our capabilities through innovative thinking.

Mordialloc Freeway Project
South-East Melbourne, Victoria

Smoking Ceremony, Mordialloc Freeway Project
South-East Melbourne, Victoria

Reconciliation Action Plan

Reflect Reconciliation Action Plan (RAP)

In November 2020, during NAIDOC week, we launched our inaugural Reflect Reconciliation Action Plan (RAP).

Our RAP details our Vision for reconciliation and our actions to make a positive difference to Aboriginal and Torres Strait Islander peoples in the areas of employment and economic development, and to enhance cultural understanding and acceptance within our workforce and industry.

Although we have a history of working with and being committed to Aboriginal and Torres Strait Islander peoples and community engagement throughout our business, we acknowledge that more work needs to be done on our journey to achieving our Reconciliation Vision.

We continue to scope and develop relationships with Aboriginal and Torres Strait Islander suppliers and subcontractors and continue to develop our long-standing relationship with Supply Nation as a member. We continue to focus on achieving Aboriginal and Torres Strait Islander employment targets, conducting cultural awareness training for our staff and maintaining and building significant internal competencies in Aboriginal and Torres Strait Islander people engagement.

Our Vision for Reconciliation

We are committed to driving reconciliation by providing an environment where Aboriginal and Torres Strait Islander peoples are given the opportunity to access relevant training and support to fulfil their individual employment goals.

Our objective is to build positive long-term relationships with Aboriginal and Torres Strait Islander communities and businesses. Our intention is to make a lasting and positive difference in the lives of Aboriginal and Torres Strait Islander peoples.

As we commence our reconciliation journey, our priority will be to cultivate more meaningful relationships with Aboriginal and Torres Strait Islander peoples.

Our vision is to build positive long-term relationships with Aboriginal and Torres Strait Islander communities and businesses, making a lasting and positive difference in their lives.

To ensure our success we will:

- Build cultural awareness and cultural competency understanding within our people
- Deliver positive community and commercial solutions through our engagement with Aboriginal and Torres Strait Islander businesses
- Communicate our key deliverables within this RAP to our stakeholders and have ‘buy-in’ from all levels of Decmil for the successful delivery of our commitments
- Make a difference through sponsorships, donations and community-centred initiatives
- Use Aboriginal and Torres Strait Islander people expertise and knowledge to help guide us through our commitments and increase our organisational cultural capability so it is meaningful and continues to have a positive impact for Aboriginal and Torres Islander peoples and communities.

RAP Working Committee

Our Decmil RAP Working Committee was established this year and is overseen by our RAP Champion and Chief Commercial Officer, Damian Kelliher.

This Committee represents a cross-section of our workforce, including senior leaders and personnel from various regions across Australia. On behalf of Decmil they will collaboratively drive, coordinate, and track our RAP commitments. This will include actively guiding the implementation of our RAP and monitoring the progress and delivery of our RAP objectives and actions.

Our RAP Working Committee will drive cultural awareness and recognition across the organisation and will be instrumental in ensuring the success of our first RAP.

Member of Supply Nation

We are proud to be a long-standing member of Supply Nation, Australia’s leading database of certified Aboriginal and Torres Strait Islander businesses.

Our membership with Supply Nation embodies our commitment to diversity both in our workforce and procurement process and allows us to unlock the potential of engaging Aboriginal and Torres Strait Islander enterprises in our supply chain.

We continue to work with Supply Nation to increase the number of certified and registered Aboriginal and Torres Strait Islander businesses within our supply chain.

Board of Directors

Decmil's Board of Directors is a dedicated group of exceptional professionals who drive the overall direction and strategy of the business.

Andrew Barclay | Chairman

Andrew was appointed as Chairman of Decmil in July 2020. Andrew is an experienced legal practitioner and is a former partner of the Perth office of Mallesons Stephen Jacques (now King and Wood Mallesons) with over 30 years' experience in major projects, mining, banking and finance and insolvency matters. In private practice Andrew was involved in significant Western Australian infrastructure and mining projects, and major Western Australian corporate insolvencies. More recently Andrew has acted as in-house counsel during successful construction phases (through to operation) of the mine, rail and port infrastructure projects of Fortescue Metals Group Ltd and Roy Hill Holdings Ltd.

Dickie Dique | Managing Director and Chief Executive Officer

Dickie Dique was appointed as Managing Director and Chief Executive Officer of Decmil in May 2020. Prior to this, Dickie held the position of Executive General Manager, overseeing our Western and Northern Regions.

Dickie has over 30 years' industry experience covering the mining, modular, civil and residential sectors. He has been a Non-Executive Director on Decmil's Board since July 2018, and is very familiar with the Decmil business, having held the roles of General Manager and Chief Operating Officer for the Decmil Group until 2011.

A registered builder in a number of states in Australia, Dickie's experience covers the commercial, civil, residential, mining and modular sectors.

Peter Thomas | Director

Peter has over 25 years of experience in finance, including 15 years of experience in the resources and construction industry.

Peter was Chief Financial Officer between February 2020 and April 2021, and in July 2020 joined the Decmil Board as a Director.

He is an experienced executive in the construction and resources industry with a proven track record in leading and delivering major construction projects, and leading commercial, financial and corporate affairs.

Peter's experience in the last decade includes CFO, CEO and Project Director roles with Fortescue Metals Group, Adani and Balla Balla Infrastructure (part of the New Zealand Todd Group). Prior to this Peter worked in mergers/acquisitions and corporate finance for Lehman Brothers (New York and London) and Novartis (Switzerland).

Vin Vassallo | Non-Executive Director

Vin was appointed as a Non-Executive Director in June 2021. Vin has over 25 years of experience in the Australian infrastructure sector, including 14 years at Transurban. Vin has previously been Executive Regional Manager for Abigroup Contractors, an Australian infrastructure contractor. Most recently, Vin has taken the role of Group Executive of Development at Transurban. Vin is also an Executive Director at Olla Advisory and holds a bachelor of Engineering, specialising in civil engineering.

David Steele | Non-Executive Director

David was appointed as a Non-Executive Director in June 2021. David has over 35 years of experience in the resources, energy and infrastructure sectors globally, having been with Worley for 17 years. David has worked in Queensland, WA and overseas. He has served as the Regional Managing Director of Asia and the Middle East, and then as Group Managing Director based in Houston, USA. He holds a Bachelor of Engineering, specialising in electrical engineering.

Executive Leadership Team

Decmil's Leadership Team is focused on innovation, growth and diversification and is made up of a group of talented and driven people who offer an expert wealth of knowledge.

Dickie Dique | Managing Director and Chief Executive Officer

Dickie Dique was appointed as Managing Director and Chief Executive Officer of Decmil in May 2020. Prior to this, Dickie held the position of Executive General Manager, overseeing our Western and Northern Regions.

Dickie has over 30 years' industry experience covering the mining, modular, civil and residential sectors. He has been a Non-Executive Director on Decmil's Board since July 2018, and is very familiar with the Decmil business, having held the roles of General Manager and Chief Operating Officer for the Decmil Group until 2011.

A registered builder in a number of states in Australia, Dickie's experience covers the commercial, civil, residential, mining and modular sectors.

Lance van Drunick | General Manager

Lance van Drunick joined Decmil in September 2019 and is familiar with the Decmil business having previously worked for the Company in senior operational positions from 2008 to 2013.

Lance has over 26 years' experience in the construction and engineering industry having worked on major projects within Australia. Prior to joining Decmil, Lance held the role of General Manager at Doric Construction for five years.

As a highly skilled senior manager of construction works within the civil and construction industry, Lance has a demonstrated track record in executive management, strategic business operations, business development, and operational project management.

Within Decmil, Lance oversees project delivery and support functions including health and safety, environmental and sustainability and people and culture.

Damian Kelliher | Chief Commercial Officer

Damian Kelliher was appointed Chief Commercial Officer in May 2020 after joining Decmil in October 2018.

Damian has over 25 years' experience and is an experienced commercial leader with a construction industry background. He has a proven track record in delivering and supporting major projects across various market sectors and contracting models.

Prior to joining Decmil, Damian held senior commercial roles with CPB (formally Leighton Contractors), including Commercial Director on the Gorgon Project and the role of Executive Commercial Manager – Commercial and Risk for Civmec Construction and Engineering.

Damian is a qualified Civil Engineer, and he is a qualified MRICS – Royal Institute Chartered Quantity Surveyor. Damian also has an MBA and a Practitioners Certificate in Mediation.

Damian is a Professional Member of the Royal Institute of Chartered Surveyors. He is also a Member of the Australian Institute of Quantity Surveyors.

Alex Hall | Chief Financial Officer

Alex joined Decmil in May 2021 and brings with him significant financial, risk management and leadership capabilities, including over 15 years of experience in mining services, construction, and maintenance services across Australia.

Alex has an in-depth knowledge of statutory financial reporting requirements, group tax and treasury management, business systems, mergers and acquisitions, and business integrations.

Prior to joining Decmil, Alex held senior finance roles at diversified contracting group, NRW Holdings Ltd, an ASX 200 listed company. He has also worked at Grant Thornton in Business Services and Corporate Finance.

Alex has been a Chartered Accountant (CA ANZ) since 2006 and has a Bachelor of Commerce from the University of Western Australia.

Alex is responsible for implementation of effective financial management across the Decmil Group in line with our strategy.

Directors' Report

Principal Activities

Decmil was established in 1978 and since has grown to provide design, engineering, construction and maintenance engineering construction services to the Infrastructure, Resources, Energy and Construction sectors across Australia:

Infrastructure

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

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, facilities, airports and accommodation units for government and local councils
- Construction of industrial and commercial buildings.

DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2021

Operating and Financial Results

Financial Performance & Position

	Reported FY21 $ millions	Adjustment FY21[1] $ millions	Normalised FY21 $ millions	Reported FY20 $ millions
Continuing Operations				
Revenue	303.7	9.7	**313.4**	451.3
Gross profit	24.3	9.7	**34.0**	(1.1)
Overheads[2]	(26.4)	-	**(26.4)**	(41.2)
EBITDA[3]	(2.1)	9.7	**7.6**	(42.3)
Depreciation	(5.0)	-	**(5.0)**	(5.7)
Impairment[4]	-	-	**-**	(35.8)
EBIT[5]	(7.1)	9.7	**2.6**	(83.8)
Interest	(4.4)	-	**(4.4)**	(3.4)
Profit before tax	(11.5)	9.7	**(1.8)**	(87.2)
Net profit after tax	(11.5)	9.7	**(1.8)**	(95.7)

Normalised revenue from continuing operations for the financial year ended 30 June 2021 was $313 million compared to $451 million in the prior year. Statutory revenue was $304 million which includes a $9.7 million write-down of a contract position from a legacy dispute.

Overheads[2] from continuing operations fell from $41.2 million to $26.4 million as a result of the successful restructure in early 2020.

Normalised EBITDA[3] from continuing operations was $7.6 million. Reported EBITDA[3] was ($2.1 million) which includes a $9.7 million write-down of a contract position from a legacy dispute.

The consolidated entity reported a statutory net loss for the year of $11,456,000 (2020: loss of $140,424,000).

Operating cash flow for the financial year ended 30 June 2021 was a net outflow of $21.7 million. Excluding the repayments of called surety bonds for the Sunraysia and RDP projects of $24.3 million, operating cash flow was a net inflow of $2.6m.

At 30 June 2021 the balance sheet reflected an overall net debt position of $8.1 million compared to a net cash position in the prior year of $18.7 million. The reduction was predominantly due to $24.3 million of repayments of called surety bonds. Net tangible assets were $40 million at 30 June 2021 compared to the prior year of $49.2 million.

Dividends Paid or Recommended

No final dividend was paid, declared or recommended for payment.

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[1] Adjustment relates to write-down of a contract position from a legacy dispute
[2] Overheads include administration expenses and equity based payments
[3] Earnings before interest, tax, depreciation, amortisation and impairments
[4] Non-current asset held for sale fair value adjustment
[5] Earnings before interest and tax

COVID-19

Decmil has experienced some operational impact from COVID-19. Contracted work across all projects has proceeded relatively smoothly with materials being locally sourced as far as practical. Decmil has implemented robust procedures to mitigate the risk of a COVID-19 outbreak, including social distancing measures at its worksites, which will continue to be monitored closely. Decmil has experienced some delays in site access and contract awards which can be attributed to COVID-19 related breakouts in certain states.

While the Company successfully navigated COVID-19 obstacles during FY21, the situation remains dynamic and there remains a possibility for disruptions to operations in FY22. Decmil will continue to proactively manage the COVID-19 situation and continue to inform the market of any updates.

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.

During FY21, Decmil was successful in securing benefits from the Federal and State Government COVID-19 stimulus packages including JobKeeper, payroll tax rebates and deferrals and PAYG deferrals. Decmil is also expecting to benefit from the significant Federal and State Government investment in infrastructure works following the COVID-19 pandemic.

Operational Overview

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 and balance of plant works in renewable energy.

Key operational highlights for the year ended 30 June 2021 include:

Safety

- Exceptional safety performance with no lost time injuries for the period and a total recordable injury frequency rate of 0.9
- Continued successful navigation and management of COVID-19 restrictions on personnel movement, offshore manufacture and border restrictions to ensure minimal effect on projects.

Infrastructure

- Award 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
- Award of a $55 million contract for the design and construction of phase one of the Albany Ring Road and the design of phase two works for the Western Australian Government. Works for phase one commenced on site in September 2020, with optioneering for next phase of the project ongoing in partnership with Main Roads Western Australia
- Award of $8 million Great Eastern Highway Wooroloo Realignment project as part of Main Roads Western Australia Panel Works Program
- Award of $25 million Bruce Highway Gin Gin to Benaraby road infrastructure project with the Queensland Department of Transport and Main Roads which commenced on site in March 2021
- Approved by Major Road Projects Victoria as P3 Panelist ($25 to $150 million projects) under the new Program Delivery Approach (PDA) model recognising Decmil's capability, capacity, past performance and ability to deliver value-for-money solutions
- Continued successful delivery of the $400 million Mordialloc Freeway project for MRPV with JV partner McConnell Dowell which is ahead of schedule
- Successful practical completion of the $47 million Reid Highway Widening project

Operational Overview (Cont'd)

- Successful practical completion of the Warrego Highway Upgrade project for the Queensland Department of Transport and Main Roads (TMR)
- Successful practical completion of the Bruce Highway (Benaraby – Rockhampton) – Calliope to Mt Alma Safety Works for the Queensland Department of Transport and Main Roads (TMR)
- Successful practical completion of the QR Mayne Brisbane Depot project for Queensland Rail
- Reaffirmed its F150+ accreditation.

Resources

- Award of $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. Both projects commenced on site in 2021
- Successful practical completion of $40 million of accommodation infrastructure for the Carmichael Rail Network project leading to award of additional accommodation infrastructure variation works.

Energy

- The award of a $51 million contract for balance of plant works at the Ryan Corner Windfarm for GPG in Victoria
- The award of a $21 million contract for balance of plant works at the Crookwell Windfarm for GPG in New South Wales
- Successful practical completion of the combined $151 million Yandin and Warradarge Wind Farm balance of plant projects
- R1 registration achieved for Sunraysia Solar Farm in December 2020 with commissioning underway.

Homeground Gladstone

- COVID has impacted occupancy levels in FY21 at Homeground Gladstone, with many Homeground Gladstone clients having to postpone maintenance works due to various lockdowns that have inhibited their ability to access FIFO workers
- Between March 2020 and April 2021, the occupancy at Homeground Gladstone was materially affected by COVID related deferments. Since May 2021, there has been a catch up and occupancy has improved. Between March 2020 and April 2021, average occupancy was 6.5%
- In May, this increased to 9.1%, in June to 13.2% and in July 20.5%. August is forecast to be ~30%. At this stage, bookings are strong for September and then taper off again from October.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

After Balance Date Events

On 27 July 2021, Decmil signed a syndicated facility agreement with Pure Asset Management Pty Ltd (PureAM) and Horley Pty Ltd (Franco) which comprises a $20 million term loan facility ($15 million PureAM and $5 million Franco). The loan is a 3.5 year term (with the option of voluntary prepayment subject to early repayment premiums) at an interest rate of 11% per annum, reducing to 10% if the net leverage ratio falls below 2.0x and increasing to 15% if a review event or event of default is triggered. The facility agreement includes warrants of 30.8 million underlying shares (23.1 million PureAM and 7.7 million Franco) with an exercise price of $0.65 (subject to adjustment), expiring 5 years after issue, subject to shareholder approval at a general meeting of the Company no later than 31 August 2021. The loan is secured by second-ranking security over all present and future-acquired property and a second-ranking registered security over the property located in West Stowe, Queensland (Homeground).

The loan facility was drawn to $20 million at the date of this report.

DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2021

After Balance Date Events (Cont'd)

On 26 July 2021, Decmil initiated a $10 million, $0.40 per share two tranche capital raise (Placement) with a $2 million share purchase plan (SPP). The Placement includes one option for every two new shares issued, exercisable at $0.48, with an expiry date of 2 years from issue.

Tranche one of the Placement ($7.7 million) was settled on 30 July 2021. Tranche two of the Placement and the SPP are subject to shareholder approval at a general meeting of the Company to be held on 30 August 2021. Settlement of the SPP (up to $2 million) is expected on 30 August 2021 and settlement of tranche two of the Placement ($2.3 million) is expected on 3 September 2021.

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

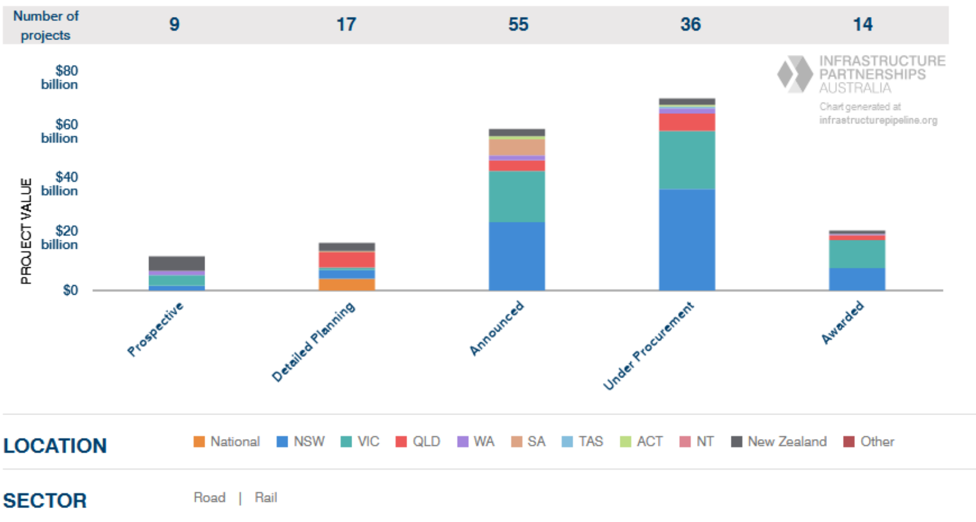
Likely Developments and Outlook

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 5 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. Leveraging Decmil's existing capability in road, rail and bridge construction, there are also opportunities to expand further into the NSW region.
- **Iron Ore (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 investing in significant operational upgrade projects that are expected to continue over the next several years.
- **Other Mining (WA and Qld):** the buoyant iron ore price coupled with strong prices in other mining commodities (gold, copper) are also stimulating investment in several other large projects (e.g. Winu copper project by Rio Tinto).
- **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, Yandin and Ryan Corner). Decmil's focus on renewable projects is on balance of plant contracts and Decmil will avoid contracts with interconnection risk.

Road/Rail investment by state ($ billion)



Source: Infrastructure Partnerships Australia 2021

Likely Developments and Outlook (Cont'd)

As at 30 June 2021 the Company has approximately $570 million of work in hand (contracted and preferred extending in to FY24). Accordingly, the Company expects revenue to grow in FY22.

Material Business Risks

The key challenges for the Group going into the 2022 financial year are:

- Building and maintaining balance sheet strength
- Delivering profitability within the current and future suite of projects
- Selecting projects that can deliver acceptable returns for commensurate risk.

Material risks that could adversely affect the Group include the following:

- **Potential funding issues:** The Company's ability to effectively implement its business strategy over time, may also depend in part on its ability to raise sufficient working capital. The Company's capital requirements depend on numerous factors. There can be no assurance that any such equity or debt funding will be available to the Company on favourable terms or at all. If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities or otherwise respond to competitive pressures.

  The Company relies on surety bond providers or its primary bank to provide bonding facilities that allow the Company to procure new work. As the Company grows its revenue, it may need to find new bonding facilities which may not be available to the Company on acceptable terms. If such bonding is not available on acceptable terms, the Company may not be able to take advantage of growth opportunities.
- **Current disputes:** The Company is a party to a dispute regarding its Sunraysia Solar Farm contract. This dispute may be resolved on a commercial basis and/or through formal dispute proceedings. The timing and the outcome of this dispute is uncertain and may result in the Company not receiving amounts which it has forecast or making payments which it has not forecast. This may result in significant financial loss to the Company or lower than anticipated project realisation. The Company has signed a Moratorium with the Client, agreeing a stay of Arbitration proceedings as well as an agreement not to draw down on Security Bonds to offset potential liquidated damages – this Moratorium runs through to anticipated Substantial Completion of the works, which is nominated as 30/11/2021. The Arbitration proceedings against Schneider (downstream) remain on foot.

  In addition, Southern Cross Electrical Engineering (SCEE) is in formal arbitration proceedings with Decmil relating to SCEE's subcontract on the 2017 Rio Tinto Amrun Project. While Decmil considers that SCEE is unlikely to be successful in this arbitration, there remains a chance that SCEE may be successful in which case the Company may have to make a payment to SCEE. This may result in a material financial loss to the Company.
- **Debt facilities:** The Company has agreed debt and bonding facilities with both National Australia Bank Limited, Pure Asset Management Pty Ltd, Horley Pty Ltd and its four main surety bond providers.

  If the Company is unable to repay or refinance its debt facilities upon the expiry of these facilities, the Company may have to seek further equity funding, dispose of its assets, or enter into new debt facilities on less favourable terms and there is no guarantee it will be able to do so. These factors could materially affect the Company's ability to operate its business and its financial performance.

  The Company is also subject to various covenants and obligations contained in its debt facilities. In the event that any of these are breached, the Company's lenders may cancel their commitments under the facilities and require all amounts payable to them under or in connection with the facilities to be repaid immediately. If the Company is unable to repay or refinance its debt facilities upon maturity, or in the event of a breach of covenant, the Company may have to seek further equity funding, dispose of its assets, or enter into new debt facilities on less favourable terms and there is no guarantee it will be able to obtain further debt. These factors would materially affect the Company's ability to continue to operate its business and its financial performance.

DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2021

Material Business Risks (Cont'd)

- **Accreditations:** The Company relies heavily upon various technical and financial accreditations to operate its business. These include safety accreditations, quality assurance standards, building licences, technical accreditations by State Main Roads agencies and various financial accreditations. Many of these accreditations are assessed and monitored by State and Federal government agencies on a regular basis. Any failure to maintain or comply with an accreditation can impact the eligibility of the Company to participate in certain projects and/or sectors and this will have a material effect on the business.
- **Effective management of contracts and the risk of dispute:** Effective ongoing contract management seeks to ensure, among other things, appropriate project and customer selection and the effective management of customer expectations and contract terms. There is a risk that the Company may fail to manage its existing contracts appropriately and may therefore be subject to disputes with customers regarding the payment of fees and liability for costs and delays. Such disputes can be costly, result in further liability to the Company, absorb significant amounts of management time and damage customer relationships. The Company may also experience payment defaults or delays, whether in conjunction with disputes or otherwise, leading to increased debt levels.
- **External factors that may impede operational activities:** The Company's activities are subject to numerous operational risks, many of which are beyond the Company's control. The Company's activities may be curtailed, delayed or cancelled as a result of factors such as adverse weather conditions, mechanical difficulties, shortages or increases in the costs of consumables, spare parts, plant and equipment, external services failure, industrial disputes and action, IT system failures, mechanical failures and compliance with governmental requirements. Industrial and environmental accidents could lead to substantial claims against the Company for injury or loss of life, and damage or destruction to property, as well as regulatory investigations, penalties and the suspension of operations. The occurrence of any one or a combination of these events may have a material adverse effect on the Company's performance and the value of its assets.
- **Safety:** In order for the Company to continue working on engineering construction projects, a robust safety methodology needs to be in place. A serious safety incident or fatality may impact the Company's social licence to operate. This can affect the Company by increasing its costs for carrying out work, increasing the time required to complete packages of work and impairing the Company's ability to win new work.
- **Labour costs and availability:** The Company's ability to remain productive and competitive and to affect its planned growth initiatives depends on its ability to attract and retain skilled labour.

  Tightening of the labour market in key regions due to a shortage of skilled labour, combined with a high industry turnover rate and growing number of competing employers for skilled labour, may inhibit the Company's ability to hire and retain employees. The Company is exposed to increased labour costs in markets where the demand for labour is strong. A shortage of skilled labour could limit the Company's ability to grow its business or lead to a decline in productivity and an increase in training costs and adversely affect its safety record. Each of these factors could materially adversely impact its revenue and, if costs increase or productivity declines, its operating margins.
- **Tender processes and new contracts:** The Company's revenue is dependent on winning new contracts with acceptable terms and conditions. The Company operates in increasingly competitive markets and it is difficult to predict whether and when the Company will be awarded new contracts due to multiple factors influencing how clients evaluate potential service providers, such as accreditations, maintenance and safety standards, experience, reputation, client relationships and financial strength. Consequently, the Company is subject to the risk of losing new awards to competitors which will adversely impact its business, results of operations and financial condition. The Company's results of operations and cash flows may fluctuate from quarter to quarter depending on the timing and size of new contract awards. The Company is also at risk from materially underestimating the cost of providing services, equipment or plant.

Material Business Risks (Cont'd)

- **Homeground occupancy:** Any abatement in economic activity in the Gladstone region will result in a short-term diminution in the occupancy levels at the Homeground Village and lower levels of revenue and profit than historically generated. The Company expects that in the medium-term new opportunities will arise for Homeground Gladstone as energy prices rise and energy companies (gas, hydrogen, renewables) progress investment plans; however, the risk of volatility in the short term remains present.
- **Environmental regulation:** The Company is subject to environmental regulation in accordance with applicable state, territory or federal legislation and statutory requirements for the jurisdictions in which it operates. The Company aims to continually improve its environmental performance.
- **Inflation:** The buoyant economy and demand for construction services and commodities is impacting the price of many construction components including steel, concrete and other items. While most of the Company's contracts contain rise and fall clauses, those clauses generally reference publicly available cost indices which may not correspond to the price rises of cost inputs and as such the profitability of individual projects may be impacted.
- **Climate risk:** There are a number of climate-related factors that may affect the operations and proposed activities of the Company. The climate change risks particularly attributable to the Company include:
    - I. the emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Company and its profitability. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by these occurrences.
    - II. climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which the Company operates.
- **Coronavirus (COVID-19):** The outbreak of the coronavirus disease (COVID-19) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.

  In addition, the Company's Australian projects may be impacted by international supply issues and the inability for the Company's workforce to move between states. The delivery of key supplies and construction components have all been either delayed or cancelled as a result of restricted international trade in light of COVID-19. As a result of sudden and unpredictable border travel changes, freight of interstate supply items may be impacted which in turn may cause delays in the delivery of projects.

  The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. In compliance with its continuous disclosure obligations, the Company will continue to update the market in regard to the impact of COVID-19 on its revenue channels and any adverse impact on the Company.

Material Business Risks (Cont'd)

- **Economic:** General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's, as well as on its ability to fund those activities.

  The Company is exposed to the impact of economic cycles and, in particular, how these cycles increase or decrease future capital expenditure by state and federal governments and by energy and resources companies. These economic cycles are in turn impacted by a number of factors including: the fiscal conditions of the economy; government policies on capital expenditure; and commodity prices.
- **Lump sum contract:** A portion of the Company's contracts are 'lump sum' in nature and to the extent costs exceed the contracted price, there is a risk these amounts may not be recovered. From time-to-time, variations to the planned scope occur or issues arise during the construction phase of a project, not anticipated at the time of bid. This may give rise to claims under the contract with the principal in the ordinary course of business. Where such claims are not resolved in the ordinary course of business, they may enter formal dispute and the outcome upon resolution of these claims may be materially different to the position taken by Company.
- **Market conditions:** Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:
  - I. general economic outlook
  - II. introduction of tax reform or other new legislation
  - III. interest rates and inflation rates
  - IV. changes in investor sentiment toward particular market sectors
  - V. the demand for, and supply of, capital
  - VI. terrorism or other hostilities.

  The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

  In addition, the extent of the effects of COVID-19 is at this stage uncertain and continuing to evolve. The COVID-19 pandemic is having, and is expected to continue to have, a significant influence on the volatility of equity markets generally and may continue to impact and influence the value of the Company's quoted securities.
- **Litigation risk:** The Company is exposed to possible litigation risks including intellectual property claims, contractual disputes, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position.
- **Reliance on key personnel:** The Company's ability to remain productive, profitable and competitive and to affect its planned growth initiatives, depends on its ability to attract and retain skilled labour. Tightening of the labour market in key regions due to a shortage of skilled labour, combined with a high industry turnover rate and growing number of competing employers for skilled labour, may inhibit the Company's ability to hire and retain employees.

  The Company is exposed to increased labour costs in markets where the demand for labour is strong. A shortage of skilled labour could limit the Company's ability to grow its business or lead to a decline in productivity and an increase in training costs and adversely affect its safety record.

  Each of these factors could materially adversely impact its revenue and, if costs increase or productivity declines, its operating margins.

DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2021

Environmental Regulation

The Company is subject to environmental regulation in accordance with applicable state, territory or federal legislation and statutory requirements for the jurisdictions in which it operates.

There was one event that was reported to Department of Environment & Science (Queensland) relating to a minor exceedance of the Environmental Authority discharge criteria for electrical conductivity and a formal warning letter was received. No remediation action was required however more frequent water monitoring and reporting procedures were implemented. There were no fines or infringement notices received from the Regulator.

The Company aims to continually improve its environmental performance in accordance with ISO 14001 – 2015.

Directors' Meetings

During the financial year, 8 directors' meetings were held. Attendances by each director during the year were:

	Directors' Meetings		Audit & Risk		Remuneration	
	Number of meetings eligible to attend	Number attended	Number of meetings eligible to attend	Number attended	Number of meetings eligible to attend	Number attended
Andrew Barclay	7	7	1	1	1	1
Dickie Dique	8	8	1	1	1	1
Bill Healy	1	1	-	-	-	-
David Saxelby	1	1	-	-	-	-
David Steele	1	1	1	1	1	1
Peter Thomas	7	7	1	1	1	1
Vin Vassallo	1	1	1	1	1	1

Remuneration Report – Audited

This Remuneration Report for the year ended 30 June 2021 details the nature and amount of remuneration for directors and specified executives of Decmil Group Limited in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report is presented under the following sections:

1. Remuneration governance
   1.1. Remuneration committee
   1.2. Use of remuneration consultants
2. Executive remuneration approach and structure
   2.1. Remuneration philosophy
   2.2. Executive remuneration structure
   2.3. Remuneration practices
   2.4. Link between Company performance and executive remuneration
   2.5. Short term incentive plan
   2.6. Long term incentive plan
3. Employment contracts of directors and senior executives
4. Director options
5. Non-Executive Director fee arrangements
6. Details of remuneration
7. Shareholdings, option holdings and performance rights holdings
8. Other transactions with directors, KMP and their related parties

This Remuneration Report sets out remuneration information for Decmil's Key Management Personnel (KMP) (as defined in AASB 124 Related Party Disclosures) including Non-Executive Directors, Executive Directors and other senior executives who have authority for planning, directing and controlling the activities of the Company.

The following persons acted as Directors or Executives during or since the end of the financial year:

Role	
Non-Executive Directors (NEDs)	
Mr Andrew Barclay – Chairman of the Board	Appointed on 28 July 2020
Mr Bill Healy	Resigned on 28 July 2020
Mr David Saxelby	Resigned on 28 July 2020
Mr David Steele	Appointed on 14 June 2021
Mr Vin Vassallo	Appointed on 14 June 2021
Executive Directors	
Mr Dickie Dique – Managing Director and CEO	Appointed as Director on 1 July 2018 and appointed as Managing Director and CEO on 19 May 2020
Mr Peter Thomas	Appointed as Director on 28 July 2020. Previously appointed Chief Financial Officer on 28 February 2020 until 27 April 2021.
Executives (Other KMP)	
Mr Alex Hall	Appointed Chief Financial Officer on 27 April 2021
Mr Damian Kelliher	Appointed Chief Commercial Officer on 19 May 2020

Remuneration Report (Cont'd)

1. Remuneration governance

1.1 Remuneration committee

The Remuneration Committee is responsible for reviewing and recommending to the Board of Directors compensation arrangements for the directors and Executive Leadership Team (ELT).

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and the ELT on a periodic basis. The assessment is made with reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

1.2 Use of remuneration consultants

To ensure the Company and Remuneration Committee is fully informed when making remuneration decisions, it from time to time seeks external remuneration advice and uses industry salary survey data.

During the financial year, the fixed remuneration of executives is benchmarked against peers based on industry salary surveys sourced from AON Hewitt and Mercer.

In the past, Ernst & Young has also been engaged to provide advice on the structure of the long term incentive plans and provide a comparison of the Company's plan to market trends.

For the purposes of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2001 (the Act), any guidance provided by remuneration consultants throughout the financial year was not considered a remuneration recommendation in relation to KMP as defined by Division 1 of Part 1.2 of Chapter 1 of the Act.

2. Executive remuneration approach and structure

2.1 Remuneration philosophy

The performance of the Company ultimately depends upon the quality of its directors and ELT. In order to maintain performance and create shareholder value, the Company must attract, motivate and retain highly skilled and experienced directors and executives.

Decmil aims to provide competitive at market remuneration and rewards in order to:

- attract the right people who are aligned to Decmil's values and behaviours
- motivate employees so they understand their contribution to Decmil
- recognise employees' effort and commitment to Decmil
- retain the highest quality employees within Decmil.

Decmil ensures:

- appropriate compensation is given to executives for the services they provide
- attraction and retention of executives with the required skills to effectively manage the operations and growth of the business
- executives are motivated to perform in the best interest of Decmil
- gender pay equality.

2.2 Executive remuneration structure

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including experience, qualifications, job level and overall performance of the Company. The service agreements between the Company and specified directors and executives are on a continuing basis which are not expected to change in the immediate future.

Remuneration Report (Cont'd)

The following table illustrates the executive remuneration elements, including how each element aligns to the Company's remuneration strategy and links remuneration outcomes to performance.

Remuneration Component	Vehicle	Purpose	Link to Performance
Fixed remuneration	Comprises base salary, superannuation contributions and other benefits such as motor vehicles and life insurance.	To provide competitive fixed remuneration for senior executives as determined by the scope of their position and the knowledge, skill and experience required to perform the role.	Company and individual performance are considered during the annual remuneration review.
STI	The STI component of the KMP remuneration is paid in cash.	The STI has been designed to support our remuneration philosophy by: ▪ rewarding KMP for exceptional business performance (financial and operational) ▪ focusing KMP on achieving Key Performance Indicators (KPIs) which contribute to shareholder value ▪ providing significant bonus differentials based on performance against KPIs.	The STI KPIs include: ▪ achievement of EBITDA target as a hurdle for payment of the STI ▪ a budgeted target in relation to Group cash flow from operations ▪ targets set for safety performance based on Total Recordable Injury Frequency Rates and Lost Time Injury Frequency Rate.
LTI	Executives are entitled to participate in the performance rights scheme approved by shareholders. Performance rights do not attract dividends or voting rights.	To better align executives to the interests of shareholders and provide a reward based on long term growth in share price and earnings.	Vesting of awards is dependent upon share price targets and continuous employment.

Remuneration Report (Cont'd)

2.3 Remuneration practices

The Company aims to reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the business and aligned with market practice.

The Company's policy is to position fixed remuneration around the 50th percentile of salary bands based on major industry surveys produced by AON Hewitt and Mercer. This ensures Decmil remains competitive with its peers.

The performance of executives is measured against criteria agreed with each executive and is based predominantly on the Company's performance and shareholder value. Incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, rights and shares. The policy is designed to attract high calibre executives and reward them for performance that results in long-term growth in shareholder wealth.

Where applicable, executive directors and executives receive a superannuation guarantee contribution required by the Government, which during the year was 9.5% (subject to the statutory cap), and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice all or part of their remuneration to increase payments towards superannuation.

Upon retirement, specified directors and executives are paid employee entitlements and incentives accrued to the date of their retirement.

All remuneration paid to directors and executives is valued at cost to the Company and expensed. Where performance rights and shares are given to directors and executives, they are valued according to the accounting standards.

2.4 Link between Company performance and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. There have been two methods applied in achieving this aim, the first being a performance based short term incentive based on key performance indicators, and the second being the issue of performance rights to executive directors and executives to encourage the alignment of personal and shareholder interests.

Additional Information

The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

	2021 $000	2020 $000	2019 $000	2018 $000	2017 $000
Revenue	303,722	478,607	663,276	349,255	305,124
EBITDA	(2,105)	(86,851)	24,100	(1,722)	(31,240)
EBIT	(7,133)	(92,713)	21,439	(4,736)	(36,867)
Profit/(loss) after income tax	(11,456)	(140,424)	14,018	(6,131)	(28,347)

The factors that are considered to affect total shareholders return (TSR) are summarised below:

	2021	2020[1]	2019[1]	2018[1]	2017[1]
Share price at financial year end ($)	0.46	0.06	0.91	0.97	0.93
Total dividends paid (cents per share)	-	2.0	1.0	-	4.0
Basic earnings per share (cents per share)	(8.90)	(48.43)	6.27	(0.10)[2]	(2.65)[3]

[1] Before 10:1 share consolidation on 5 November 2020
[2] Based on continuing operations
[3] Based on adjusted earnings

Remuneration Report (Cont'd)

2.5 Short term incentive plan

General Terms of the STI Plan	
How is it paid?	The STI is a cash bonus.
How much can executives earn?	Executives can earn up to a maximum of 75% of their base salary as an STI incentive.
How is performance measured?	Through KPI's set prior to the commencement of each financial year. Financial measures are assessed based on the Group's audited financial results.
When is it paid?	In September of the financial year after the target year.
What happens if an executive leaves or there is a change of control?	The payment of any accrued or part STI benefit in these circumstances is at the discretion of the Board.

The STI award opportunity is based on a percentage of an individual's base salary. For the CEO, a maximum award opportunity of 75% of total fixed remuneration is available. The STI is based on the previous financial year's base salary earnings to 30 June before performance based remuneration reviews.

2.6 Long term incentive plan

The LTI offered to key executives forms a key part of their remuneration and assists to align their interests with the long term interests of shareholders.

The purpose of the LTI Scheme is to reward key executives for attaining results over a long measurable period and for staying with the organisation. The LTI Scheme is a share based plan consisting of performance rights and shares which have pre-determined vesting conditions.

The LTI Scheme is designed to:

- create a strong link between the eligible participants' performance and Decmil's performance
- assist in retention of employees
- contribute to eligible participants feeling they own part of Decmil and have an influence in the direction of Decmil.

General Terms of the LTI Plan	
How is it paid?	The Company uses performance rights and restricted shares in its long term incentive plan.
How much can be earned (i.e. maximum opportunity)?	The CEO and executives can earn up to 100% of total fixed remuneration converted into performance rights at the 20-day VWAP to 30 June.
How is performance measured?	Vesting hurdles for performance rights for executives are based on share price targets (80%) and continuous employment (20%).
When is performance measured?	The achievement of vesting conditions for performance rights are assessed between July and September after three years after the financial year of which the grant of the performance rights was made.

Remuneration Report (Cont'd)

General Terms of the LTI Plan (cont'd)	
What happens if an executive leaves or there is a change of control?	If an employee resigns, or his or her employment is terminated due to misconduct or performance related reasons, all performance rights and restricted shares are immediately forfeited. If an employee retires or an employee's employment terminates for redundancy prior to performance rights or restricted shares vesting, the Board may use its discretion to vest the performance rights or restricted shares. Where a change of control event occurs in respect to the Company, the Board, in its absolute discretion, may determine the treatment of any unvested performance rights or restricted shares and the timing of such treatment. Only where the Board does not exercise its discretion to determine a particular treatment, will all unvested performance rights and restricted shares vest on change of control.
Are executives eligible for dividends?	Performance rights do not accrue dividends.

For executives, performance rights will vest (that is, shares will be issued or become transferable to the executives upon satisfaction of the performance rights vesting conditions) to the extent that the applicable performance hurdles set by the Board are satisfied. Subject to achievement of the hurdle, the performance rights may be converted (on a one-for-one basis) to fully paid ordinary shares in the Company.

Unvested performance rights will be forfeited at the end of the grant period if not vested. If an executive resigns from his or her employment, any unvested performance rights will lapse, unless the Board determines otherwise.

Performance hurdles

Each year the Board reviews and considers the appropriateness of the performance hurdles and, where necessary, makes adjustments and amendments to reflect market conditions.

Below is a summary of the vesting conditions that relate to unvested performance rights as at 30 June 2021:

a. 20% of Performance Rights are subject to continuous service of employment. This portion will vest at 100% three years after the financial year of which the grant of the Performance Rights are made
b. 20% of Performance Rights vest when and if the share price average (based on closing prices) over any consecutive 30 trading days exceeds $0.80
c. 30% of Performance Rights vest when and if the share price average (based on closing prices) over any consecutive 30 trading days exceeds $1.20
d. 30% of Performance Rights vest when and if the share price average (based on closing prices) over any consecutive 30 trading days exceeds $1.60.

The above vesting conditions will be assessed three years after the financial year of which the grant of the performance rights was made.

All performance rights related to prior year schemes have lapsed and therefore the details of these schemes have not been included in this report.

Remuneration Report (Cont'd)

Performance Rights

During the year ended 30 June 2021, the following performance rights were granted:

Grant Date	Number of Rights Granted[1]	Fair Value of Rights Granted
1 July 2020	4,881,841	$610,230

During the year ended 30 June 2021, 24,514[1] performance rights were vested.

During the year ended 30 June 2021, 31,447[1] of performance rights lapsed due to their vesting criteria not being met.

The following rights have been granted but remain unvested at 30 June 2021:

Grant Date	Number of Unvested Rights[1]	Fair Value of Unvested Rights
1 July 2020	4,746,499	$593,312

3. Employment contracts of directors and senior executives

The Company has entered into a service agreement with Mr Dickie Dique who commenced in the role of CEO on 19 May 2020.

The key terms of Mr Dickie Dique's service agreement are:

Notice Period	Three months written notice unless in relation to certain circumstances such as serious misconduct or gross neglect of duty
Term	Ongoing until terminated
Restraint Period	Three months after termination of employment
Total Fixed Remuneration	Reviewed and established annually by the Remuneration Committee
Long Term Incentive Scheme	The Decmil Group Limited LTI scheme applies
Short Term Incentive Scheme	The Decmil Group Limited STI scheme applies
Termination Benefits	No contractual termination benefits apply

Other executives in the Company have similar executive service agreements which include terms and conditions relating to confidentiality, restraint on employment and intellectual property. The executive service agreements are typically not fixed term agreements and continue on an ongoing basis until terminated.

These agreements may be terminated by notice of either party or earlier in the event of certain breaches. In the event of termination for any reason, the Company will pay accrued and untaken annual leave, and subject to legislation, any accrued and untaken long service leave owing to the executive. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Company can terminate employment at any time.

[1] Post 10:1 share consolidation on 5 November 2020

Remuneration Report (Cont'd)

The Company has entered into a service agreement with Mr Peter Thomas who was appointed as Director on 28 July 2020.

The key terms of Mr Peter Thomas' service agreement are:

Notice Period	30 Days' written notice unless in relation to certain circumstances such as serious misconduct or gross neglect of duty
Term	Ongoing until terminated
Restraint Period	Nil
Total Fee Payable	Reviewed and established annually by the Remuneration Committee
Long Term Incentive Scheme	Nil
Short Term Incentive Scheme	Nil
Termination Benefits	No contractual termination benefits apply

The Company may terminate the contract without cause by providing written notice of the required termination period or by making payment in lieu of notice based on the individual's annual salary component together with a discretionary payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Company can terminate employment at any time.

4. Director Options

During the year, options were issued to Mr Andrew Barclay and Mr Peter Thomas with an exercise price of $0.75 and an expiry date of 31 October 2024. The options align the Director's interests to that of shareholders and provides an incentive to successfully complete the Company's turnaround plan. The options are linked to performance as the vesting of the options is dependent upon the share price exceeding the exercise price.

Options issued as part of remuneration for the year ended 30 June 2021

During the year ended 30 June 2021, the following options were granted.

Grant Date	Number of Options Granted	Fair Value of Options Granted
12 January 2021	1,800,000	$198,000

Shares Under Option

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Grant Date	Expiry Date	Exercise Price	Number of Options Granted
12 January 2021	31 October 2024	$0.75	1,800,000

Shares Issued on the Exercise of Options

There were no ordinary shares of the Company issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Remuneration Report (Cont'd)

5. Non-Executive Director fee arrangements

Non-Executive Directors are appointed under appointment letters that deal with, amongst other matters, the following:

- terms of appointment and tenure
- entitlements
- duties and responsibilities
- indemnities, insurances and access.

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board approves payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountabilities. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders during a general meeting. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity however to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Non-Executive Director (NED) fees consist of base fees and committee chair fees. The payment of committee chair fees recognises the additional time commitment required by NEDs who chair Board committees. The chair of the Board attends all committee meetings but does not receive any additional committee fees in addition to base fees.

The table below summaries the NED fee structure inclusive of superannuation:

Board fees	Annual Fees ($)
Chairman	130,000
Non-Executive Director	75,000
Committee fees	
Committee Chair	8,100
Committee Member	-

Maximum aggregate NED fee pool

The maximum aggregate amount of fees that can be paid to NEDs is subject to approval by shareholders during a general meeting and this maximum sum cannot be increased without shareholders' approval by ordinary resolution at a general meeting. The maximum aggregate amount that may be paid to NEDs for their services is up to $650,000 during any financial year.

6. Details of remuneration

Details of the remuneration of KMP of the consolidated entity are set out in the following tables:

NEDs ($)	Year	Salary and Fees	Superannuation	STI Paid in Relation to Prior Year	Fair Value of Incentive Securities Awarded	Other	Total	Total Performance Related %	Total Fixed Remuneration %
Andrew Barclay[1]	2021	110,502	10,498	-	99,000	-	**220,000**	45.0	55.0
Vin Vassallo[2]	2021	3,750	-	-	-	-	**3,750**	-	100.0
David Steele[3]	2021	3,425	325	-	-	-	**3,750**	-	100.0
David Saxelby[4]	2021	9,720	-	-	-	-	**9,720**	-	100.0
	2020	126,360	-	-	-	-	**126,360**	-	100.0
Don Argent[5]	2021	-	-	-	-	-	**-**	-	-
	2020	44,384	4,216	-	-	-	**48,600**	-	100.0
Bill Healy[6]	2021	6,103	580	-	-	-	**6,683**	-	100.0
	2020	80,692	7,666	-	-	-	**88,358**	-	100.0
Total	**2021**	**133,500**	**11,403**	**-**	**99,000**	**-**	**243,903**	**40.6**	**59.4**
	2020	**251,436**	**11,882**	**-**	**-**	**-**	**263,318**	**-**	**100.0**

Executive Directors ($)	Year	Salary and Fees	Superannuation	STI Paid in Relation to Prior Year	Fair Value of Incentive Securities Awarded	Other	Total	Total Performance Related %	Total Fixed Remuneration %
Dickie Dique	2021	529,828	21,694	-	137,500	-	**689,022**	20.0	80.0
	2020	494,699	21,003	120,000	19,364	-	**655,066**	21.3	78.7
Peter Thomas[7]	2021	498,125	-	-	99,000	-	**597,125**	16.6	83.4
Scott Criddle[8]	2021	-	-	-	-	-	**-**	-	-
	2020	681,329	21,003	330,000	216,567	-	**1,248,899**	43.8	56.2
Total	**2021**	**1,027,953**	**21,694**	**-**	**236,500**	**-**	**1,286,147**	**18.4**	**81.6**
	2020	**1,176,028**	**42,006**	**450,000**	**235,931**	**-**	**1,903,965**	**36.0**	**64.0**

Other Executives ($)	Year	Salary and Fees	Superannuation	STI Paid in relation to Prior Year	Fair Value of Incentive Securities Awarded	Other	Total	Total Performance Related %	Total Fixed Remuneration %
Alex Hall[9]	2021	72,308	6,372	-	-	-	**78,680**	-	100.0
Peter Thomas	2021	56,875	-	-	-	-	**56,875**	-	100.0
	2020	215,000	-	-	-	-	**215,000**	-	100.0
Damian Kelliher[10]	2021	482,642	21,694	12,958	125,688		**642,982**	21.6	78.4
	2020	55,686	1,890	-	-	-	**57,576**	-	100.0
Craig Amos[11]	2021	-	-	-	-	-	**-**	-	-
	2020	380,227	15,752	160,000	47,467	-	**603,446**	34.4	65.6
Total	**2021**	**611,825**	**28,066**	**12,958**	**125,688**	**-**	**778,537**	**17.8**	**82.2**
	2020	**650,913**	**17,642**	**160,000**	**47,467**	**-**	**876,022**	**23.7**	**76.3**

[1] Andrew Barclay was appointed to the board of directors on 28 July 2020
[2] Vin Vassallo was appointed to the board of directors on 14 June 2021
[3] David Steele was appointed to the board of directors on 14 June 2021
[4] David Saxelby resigned from the board of directors on 28 July 2020
[5] Don Argent resigned from the board of directors on 21 February 2020
[6] Bill Healy resigned from the board of directors on 28 July 2020
[7] Peter Thomas was appointed to the board of directors on 28 July 2020
[8] Scott Criddle resigned from the board of directors on 26 June 2020
[9] Alex Hall was appointed Chief Financial Officer on 27 April 2021
[10] Damian Kelliher was appointed Chief Commercial Officer on 19 May 2020
[11] Craig Amos resigned on 20 December 2019

Remuneration Report (Cont'd)

7. Shareholdings, Option holdings and Performance Rights holdings

Shareholdings

The number of shares in the Company held during the financial year by each director and KMP of the consolidated entity, including their personally related parties, is set out below:

30 June 2021	Balance 1.07.2020[1]	Received as Part of Remuneration	Additions	Disposals/ Other[2]	Balance 30.06.2021
Directors:					
Andrew Barclay	-	-	-	116,855	116,855
Dickie Dique	406,035	-	335,000	-	741,035
Bill Healy	130,000	-	-	(130,000)	-
David Saxelby	76,700	-	-	(76,700)	-
David Steele	-	-	-	-	-
Peter Thomas	427,474	-	172,598	-	600,072
Vin Vassallo	-	-	100,000	-	100,000
Key management personnel:					
Alex Hall	-	-	-	-	-
Damian Kelliher	451	20,000	-	-	20,451
	1,040,660	**20,000**	**607,598**	**(89,845)**	**1,578,413**

Option holdings

The number of options in the Company held during the financial year by each director and KMP of the consolidated entity, including their personally related parties, is set out below:

30 June 2021	Balance 1.07.2020	Granted as Remuneration	Vested During the Period	Expired/ Other[2]	Balance 30.06.2021
Directors:					
Andrew Barclay	-	900,000	-	-	900,000
Peter Thomas	-	900,000	-	-	900,000
	-	**1,800,000**	**-**	**-**	**1,800,000**

Performance Rights holdings

The number of performance rights in the Company held during the financial year by each director and KMP of the consolidated entity, including their personally related parties, is set out below:

30 June 2021	Balance 1.07.2020[1]	Granted as Remuneration	Vested During the Period	Expired/ Other[2]	Balance 30.06.2021
Directors:					
Dickie Dique	10,879	1,100,000	-	(10,879)	1,100,000
Key management personnel:					
Damian Kelliher	20,568	1,005,505	-	(20,568)	1,005,505
	31,447	**2,105,505**	**-**	**(31,447)**	**2,105,505**

[1] Balances adjusted for 10:1 share consolidation which took place on 5 November 2020
[2] Other includes shares already held upon appointment or excluded upon resignation

DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2021

Remuneration Report (Cont'd)

Incentive Share holdings

The number of incentive shares in the Company held during the financial year by each director and KMP of the consolidated entity, including their personally related parties, is set out below:

30 June 2021	Balance 1.07.2020[1]	Granted as Remuneration	Vested During the Period	Expired/ Other[2]	Balance 30.06.2021
Key management personnel:					
Damian Kelliher	30,000	-	(20,000)	-	10,000
	30,000	**-**	**(20,000)**	**-**	**10,000**

8. Other transactions with directors, KMP and their related parties

	2021 $000
(a) Director Related Transactions[3]	
Consulting and directors' fees for Saxelby Associates Pty Ltd, an entity in which Mr David Saxelby has a beneficial interest	26
Consulting fees for Andrew Barclay & Associates, in which Mr Andrew Barclay has a beneficial interest	345
Consulting fees for C1 Energy Pty Ltd, an entity in which Mr Peter Thomas has a beneficial interest	207
(b) Director Related Balances	
Amounts owing to Andrew Barclay & Associates, in which Mr Andrew Barclay has a beneficial interest, for consulting fees	49
Amount owing to C1 Energy Pty Ltd, an entity in which Mr Peter Thomas has a beneficial interest, for consulting fees	15

[End of Remuneration Report]

[1] Balances adjusted for 10:1 share consolidation which took place on 5 November 2020
[2] Other includes shares already held upon appointment or excluded upon resignation
[3] Transactions relating to directors' fees are included in the Directors' Report details of remuneration

DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2021

Indemnifying Officers or Auditor

The Company has indemnified the Directors and Officers of the Company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the Directors and Officers of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

Proceedings on Behalf of Company

Decmil is currently engaged in contractual disputes in relation to the Sunraysia Solar Farm project with Sunraysia Solar Project Pty Ltd and the Amrun project with Southern Cross Electrical Engineering Limited. Whilst the Company expects a favourable outcome on these disputes, in the event that it is unsuccessful in its claims, it may be required to settle liquidated damages and/or other amounts payable. Decmil may be able to recover these amounts through legal or contractual avenues.

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-Audit Services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to RSM Australia Partners for non-audit services provided during the year ended 30 June 2021:

	$
Taxation compliance services	30,500
Technical accounting assistance	13,000
	43,500

DIRECTORS’ REPORT CONT’D

FOR THE YEAR ENDED 30 JUNE 2021

Auditor’s Independence Declaration

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 can be found within this financial report.

Officers of the Company Who Are Former Partners of RSM Australia

There are no officers of the company who are former partners of RSM Australia.

Auditor

RSM Australia continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding of Amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments 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 dollar.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Decmil Group Limited support and have reported against the ASX Corporate Governance Principles and Recommendations as detailed in Decmil Corporate Governance Statement which can be found at http://www.decmil.com/news-investor/corporate-governance/

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Andrew Barclay

Chairman

18 August 2021

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Decmil Group Limited for the year ended 30 June 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 18 August 2021

TUTU PHONG
Partner

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

		Consolidated Entity	
		2021	**2020**
	Note	**$000**	**$000**
Continuing Operations			
Revenue from continuing operations	**4**	**303,722**	451,308
Cost of sales		**(279,448)**	(452,433)
Gross profit/(loss)		**24,274**	(1,125)
Administration expenses		**(26,229)**	(40,179)
Equity based payments		**(150)**	(1,006)
Earnings from continuing operations before interest, tax, depreciation, amortisation and impairments		**(2,105)**	(42,310)
Interest received	**4(a)**	**32**	58
Borrowing costs	**5**	**(4,355)**	(3,399)
Depreciation and amortisation expense	**5, 18, 19**	**(5,028)**	(5,713)
Non-current asset held for sale fair value adjustment	**16**	**-**	(35,831)
Loss before income tax expense		**(11,456)**	(87,195)
Income tax expense	**6**	**-**	(8,471)
Net loss from continuing operations		**(11,456)**	(95,666)
Discontinued Operations			
Loss after tax from discontinued operations	**7**	**-**	(44,758)
Net loss for the year		**(11,456)**	(140,424)
Other comprehensive income			
Other comprehensive income		**-**	-
Total comprehensive income for the year		**(11,456)**	(140,424)
Overall Operations			
Basic earnings per share (cents per share)	**10(a)**	**(8.90)**	(48.43)
Diluted earnings per share (cents per share)	**10(a)**	**(8.90)**	(48.43)
Continuing Operations			
Basic earnings per share (cents per share)	**10(b)**	**(8.90)**	(32.99)
Diluted earnings per share (cents per share)	**10(b)**	**(8.90)**	(32.99)
Discontinued Operations			
Basic earnings per share (cents per share)	**10(c)**	**-**	(15.44)
Diluted earnings per share (cents per share)	**10(c)**	**-**	(15.44)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2021

		Consolidated Entity	
		2021	2020
	Note	$000	$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**12**	**9,703**	43,930
Trade and other receivables	**13**	**24,940**	36,762
Contract assets	**14**	**27,436**	18,781
Non-current asset held for sale	**16**	**56,655**	56,644
Other current assets	**17**	**3,341**	4,496
TOTAL CURRENT ASSETS		**122,075**	160,613
NON-CURRENT ASSETS			
Property, plant and equipment	**18**	**8,646**	8,884
Right-of-use assets	**19**	**13,655**	16,098
Deferred tax assets	**25**	**22,249**	22,571
Intangible assets	**20**	**75,482**	75,482
TOTAL NON-CURRENT ASSETS		**120,032**	123,035
TOTAL ASSETS		**242,107**	283,648
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**21**	**50,501**	53,995
Contract liabilities	**15**	**14,843**	18,801
Borrowings	**22**	**196**	25,232
Hire purchase lease liabilities	**23**	**2,100**	2,130
Leasing liabilities	**23**	**2,333**	1,329
Provisions	**24**	**4,824**	23,487
TOTAL CURRENT LIABILITIES		**74,797**	124,974
NON-CURRENT LIABILITIES			
Trade and other payables	**21**	**4,692**	-
Borrowings	**22**	**17,597**	-
Hire purchase lease liabilities	**23**	**2,853**	2,603
Leasing liabilities	**23**	**12,835**	15,148
Provisions	**24**	**236**	163
TOTAL NON-CURRENT LIABILITIES		**38,213**	17,914
TOTAL LIABILITIES		**113,010**	142,888
NET ASSETS		**129,097**	140,760
EQUITY			
Issued capital	**26**	**267,487**	267,694
Accumulated losses		**(138,390)**	(126,934)
TOTAL EQUITY		**129,097**	140,760

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

Consolidated Entity	Note	Issued Capital $000	Retained Earnings/ (Accumulated Losses) $000	Total $000
Balance at 1 July 2019		**216,858**	**18,272**	**235,130**
Net loss for the year		-	(140,424)	(140,424)
Total comprehensive loss for the year		**-**	**(140,424)**	**(140,424)**
Shares issued for the period		52,955	-	52,955
Transaction costs net of tax benefit		(2,635)	-	(2,635)
Equity based payments		1,006	-	1,006
Dividends paid	**11**	-	(4,782)	(4,782)
Performance rights converted to shares		(490)	-	(490)
Balance at 30 June 2020		**267,694**	**(126,934)**	**140,760**
Balance at 1 July 2020		**267,694**	**(126,934)**	**140,760**
Net loss for the year		-	(11,456)	(11,456)
Total comprehensive loss for the year		**-**	**(11,456)**	**(11,456)**
Shares issued for the period		228	-	228
Transaction costs net of tax benefit		(357)	-	(357)
Equity based payments		150	-	150
Performance rights converted to shares		(228)	-	(228)
Balance at 30 June 2021		**267,487**	**(138,390)**	**129,097**

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

		Consolidated Entity	
		2021	2020
	Note	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**302,528**	544,900
Payments to suppliers and employees		**(319,891)**	(640,869)
Interest received	**4**	**32**	108
Finance costs paid	**5**	**(4,355)**	(3,658)
Income taxes paid		**-**	(2,065)
Net cash used in operating activities	**30(a)**	**(21,686)**	(101,584)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	**16, 18**	**(1,043)**	(532)
Proceeds from sale of non-current assets	**4, 18**	**2,193**	247
Subsidiary exit from the group	**7(c)**	**-**	(3,144)
Net cash provided by/(used in) investing activities		**1,150**	(3,429)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	**22**	**17,597**	25,000
Repayment of borrowings	**22**	**(27,061)**	(145)
Repayment of lease liabilities	**23**	**(4,192)**	(3,825)
Net (payments)/proceeds from share issue		**(35)**	49,214
Dividends paid	**11**	**-**	(4,782)
Net cash (used in)/provided by in financing activities		**(13,691)**	65,462
Net decrease in cash held		**(34,227)**	(39,551)
Cash at beginning of the financial year		**43,930**	83,481
Cash at end of the financial year	**12**	**9,703**	43,930

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

The financial statements of Decmil Group Limited (‘the Company’) for the year ended 30 June 2021 comprise of the Company and its controlled entities (collectively referred to as ‘the consolidated entity’) and the consolidated entity’s interests in joint operations. The separate financial statements of the parent entity, Decmil Group Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

Decmil Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial statements were authorised for issue in accordance with a resolution of the directors dated 18 August 2021.

NOTE 1: Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (‘AASB’), and International Financial Reporting Standards as issued by the International Accounting Standards Board (‘IASB’). The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 36.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Decmil Group Limited at the end of the reporting period. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The assets, liabilities and results of all controlled entities are fully consolidated into the financial statements of the consolidated entity from the date on which control is obtained by the consolidated entity. The consolidation of a controlled entity is discontinued from the date that control ceases.

Intercompany balances and transactions between entities in the consolidated entity are eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistency with those adopted by the consolidated entity.

Non-controlling interests in the results and equity of controlled entities are shown separately within the equity section of the consolidated statement of financial position and statement of profit or loss and other comprehensive income.

The non-controlling interests in the net assets of the controlled entity comprise their interests at the date of the original business combination and their share of changes in equity since that date. Where the consolidated entity loses control over a controlled entity, it derecognises the assets including goodwill, liabilities and non-controlling interest in the controlled entity together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(b) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in controlled entities, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

Tax consolidation

Decmil Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of the entities are set off in the consolidated financial statements.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the controlled entities nor a distribution by the controlled entities to the head entity.

(c) Contract Assets and Liabilities

The contract assets are for: entity's rights to consideration for work completed but not billed at the reporting date on the contracts; costs incurred to obtain or fulfil a contract with a customer; costs to obtain contracts with customers; pre-contract costs and setup costs; and the amount of amortisation and any impairment losses recognised in the reporting year. The contract assets are transferred to the receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for which transfer of control occurs, and therefore revenue is recognised. The entity recognises revenue for each respective performance obligation when control of the product or service transfers to the customer.

(d) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The consolidated entity's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the consolidated entity makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint operations until it resells those goods/assets to a third party.

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all property, plant and equipment but excluding freehold land is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Plant and Equipment	Depreciation Rate
Owned plant and equipment	5% to 33%
Leased plant and equipment	12.5% to 20%

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

(f) Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately on the face of the statement of financial position, in current assets.

(g) 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.

(h) 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.

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

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.

(i) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed immediately to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(j) Goodwill

Goodwill acquired in a business combination is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the acquisition date fair value of any previously held equity interest over the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

It is allocated to the consolidated entity's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not being larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Impairment losses recognised for goodwill are not subsequently reversed.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

(k) Employee Benefits

Provision is made for the consolidated entity's obligation for short-term employee benefits. Short-term employee benefits are benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The consolidated entity's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The consolidated entity's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

Other long term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in statement of profit or loss and other comprehensive income in the periods in which the changes occur.

The consolidated entity's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the consolidated entity does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Equity-based payments

The consolidated entity provides equity-settled equity-based compensation benefits to employees. The equity-based compensation benefits include the award of shares, and performance rights over shares, in exchange for the rendering of services. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is measured as the share price at the date of grant and the fair value of performance rights is ascertained using various option pricing models which incorporate, where required, market vesting conditions. The number of shares and performance rights expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(l) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(m) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 6 months or less.

(o) Revenue and Other Income

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. An asset (goods or services) is transferred when or as the customer obtains control of that asset.

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

Revenue from Construction Activities:

For long-term service contracts and projects for constructing, manufacturing or developing an asset the customer value is created over time during the contract period and it is accounted for as a single performance obligation that is satisfied over time. This is because the customer simultaneously receives and consumes the benefits of the entity's performance in processing each transaction as and when each transaction is processed; the performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or the performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The revenue is recognised over time by using the input method.

For the input method the revenue is recognised on the basis of the efforts or inputs to the satisfaction of a performance obligation such as resources consumed, labour hours expended and costs incurred, relative to the total expected inputs to the satisfaction of that performance obligation.

Services:

Revenue from service orders and term projects is recognised when the entity satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided.

Accommodation:

Accommodation revenues are recognised as services are performed, which for the accommodation segment is over the term of the customer's stay.

Interest income:

Interest income is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax (GST).

(p) Financing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

(q) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Decmil Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

(r) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant revenue authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(u) Financial Instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

Financial assets classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss, that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

Financial assets that are a debt asset instrument classified as measured at fair value through other comprehensive income: There were no financial assets classified in this category at reporting year end date.

Financial assets that are an equity investment classified as measured at fair value through other comprehensive income: There were no financial assets classified in this category at reporting year end date.

Financial assets classified as measured at fair value through profit or loss: There were no financial assets classified in this category at reporting year end date.

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss in either of the following circumstances: the liabilities are managed, evaluated and reported internally on a fair value basis; or the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

(v) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

The trade receivables and contract assets are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates over a period of 36 months over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined as nil for both trade receivables and contract assets.

(w) Discontinued Operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

(x) Current and Non-current Classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

(y) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

(z) Foreign Currency Transactions and Balances

Foreign currency translation

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(aa) Fair Value of Assets and Liabilities

The consolidated entity measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the consolidated entity would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the consolidated entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

The fair value of liabilities and the consolidated entity's own equity instruments (excluding those related to equity-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

(ab) Rounding of Amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments 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 dollar.

(ac) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(ad) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date as a result of the Coronavirus (COVID-19) pandemic.

Impairment of goodwill and intangibles

The amount of goodwill is tested annually for impairment. This annual impairment test is based on assumptions that are affected by expected future market or economic conditions. As a result, judgement is required in evaluating the assumptions and methodologies used by management, in particular those relating to the forecasted revenue growth and profit margins. The disclosures about goodwill are included in note 20, which explains that small changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future. Actual outcomes could vary from these estimates.

Equity-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instrument at the date at which they are granted.

The fair value of performance rights are determined using various option pricing models. The accounting estimates and assumptions relating to equity-settled equity-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Revenue recognised over time:

The entity has revenue where the performance obligation is satisfied over time. Revenue is recognised over time by measuring the progress toward complete satisfaction of that performance obligation. A single method is applied consistently for measuring progress for each performance obligation satisfied over time. Judgment is required when selecting a method (output or input methods) for measuring progress toward complete satisfaction of a performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: Summary of Significant Accounting Policies (Cont'd)

Assessing the satisfaction of performance obligations over time requires judgment and the consideration of many criteria that should be met to qualify such as whether the customer presently is obligated to pay for an asset, whether the customer has legal title, whether the entity has transferred physical possession of the asset, whether the customer has assumed the significant risks and rewards of ownership of the asset, and whether the customer has accepted the asset. Events and circumstances frequently do not occur as expected. Even if the events anticipated under the assumptions occur, actual results are still likely to be different from the estimates since other anticipated events frequently do not occur as expected and the variation may be material. The related account balances at the end of the reporting year are disclosed in the notes 4 and 14 on revenues and contract assets and contract liabilities.

Contract modifications:

A contract with a customer is accounted for as a separate contract if (1) the scope of the contract increases because of the addition of promised goods or services that are distinct and (2) the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services. In order to faithfully depict the entity's rights and obligations arising from a modified contract, the modifications may be accounted for some prospectively and others on a cumulative catch-up basis. The accounting for the modification depends on whether the additional promised goods or services are distinct. The accounting for contract modification requires judgement. In addition, if the entity has not yet determined the price, management has to estimate the change to the transaction price arising from the contract modification using the variable consideration guidance in the financial reporting standard. Contract modifications may have a significant impact on the entity's ability to record revenue. The related account balances at the end of the reporting year are disclosed in the notes 4 and 14 on revenues and contract assets and liabilities.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured 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 or liabilities 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 or liability, either directly or indirectly; and level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

The deferred tax relating to an asset is recognised when the entity expects to recover the carrying amount of the asset through use or sale. Judgement is required for assessment of whether recovery will be through use or through sale when the asset is measured using the fair value model for investment property or when the revaluation model is required or permitted by a financial reporting standard for a non-financial asset. Management has taken the view that as there is clear evidence that the entity will consume the relevant asset economic benefits throughout its economic life. The amount is detailed in note 25.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 2: New Accounting Standards for Application in Future Periods

New, revised or amending Accounting Standards and Interpretations adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

NOTE 3: Segment Reporting

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 and Engineering**

- Decmil Australia Pty Ltd – multi-discipline design, civil engineering and construction services
- Decmil Construction NZ Limited – discontinued construction arm of Decmil located in New Zealand
- 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.

The consolidated entity is domiciled in Australia. 100% of revenue from external customers is generated from Australia.

The consolidated entity derives 48%, 9% and 8% (2020: 33%, 28% and 10%) of its revenues from the top three external customers. All of the consolidated entity's assets are located in Australia.

Basis of accounting for purposes of reporting by operating segments

a. *Accounting policies adopted*

   Unless stated otherwise, all amounts reported to the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the consolidated entity.

b. *Intersegment transactions*

   Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the consolidated entity. Management believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

c. *Segment assets*

   Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

NOTE 3: Segment Reporting (Cont'd)

d. *Segment liabilities*

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the consolidated entity as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

e. *Unallocated items*

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- income tax expense/benefit
- deferred tax assets and liabilities
- current tax liabilities.

(a) Segment Performance 2021	Construction & Engineering $000	Accommodation $000	Total $000
External sales	299,068	4,654	303,722
Total segment revenue	**299,068**	**4,654**	**303,722**
Segment earnings before interest, tax, depreciation and amortisation & impairments	(397)	(1,406)	(1,803)
Net interest	(4,323)	-	(4,323)
Depreciation & amortisation expense	(4,941)	(87)	(5,028)
Segment result	**(9,661)**	**(1,493)**	**(11,154)**
Other unallocated expenses			(302)
Income tax expense			-
Loss for the period			**(11,456)**

Segment Performance 2020	Construction & Engineering $000	Accommodation $000	Total $000
External sales	472,882	5,725	478,607
Total segment revenue	**472,882**	**5,725**	**478,607**
Segment earnings before interest, tax, depreciation and amortisation & impairments	(85,775)	(615)	(86,390)
Net interest	(3,551)	1	(3,550)
Depreciation & amortisation expense	(5,756)	(106)	(5,862)
Non-current asset held for sale fair value adjustment	-	(35,831)	(35,831)
Segment result	**(95,082)**	**(36,551)**	**(131,633)**
Other unallocated expenses			(462)
Income tax expense			(8,329)
Loss for the period			**(140,424)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 3: Segment Reporting (Cont'd)

(b) Segment Assets 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**
Total assets includes:			
Acquisition of non-current assets	3,934	11	3,945

Segment Assets 2020	Construction & Engineering $000	Accommodation $000	Total $000
Current assets	101,343	57,045	158,388
Non-current assets	87,415	195	87,610
Other unallocated assets	-	-	37,650
Total segment assets	**188,758**	**57,240**	**283,648**
Total assets includes:			
Acquisition of non-current assets	2,598	66	2,664

(c) Segment Liabilities 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**

Segment Liabilities 2020	Construction & Engineering $000	Accommodation $000	Total $000
Current liabilities	94,780	25,556	120,336
Non-current liabilities	6,466	-	6,466
Other unallocated liabilities	-	-	16,086
Total segment liabilities	**101,246**	**25,556**	**142,888**

NOTE 4: Revenue

	Consolidated Entity	
	2021 $000	2020 $000
From continuing operations		
Construction and engineering revenue	**293,230**	443,219
Accommodation revenue	**4,622**	5,698
Other revenue		
- grant income	**5,262**	2,232
- profit/(loss) on sale of non-current assets	**404**	(38)
- rentals	**204**	197
Total revenue from continuing operations	**303,722**	451,308

(a) Interest revenue		
Interest revenue from:		
- other persons	**32**	58
Total interest revenue	**32**	58

Disaggregation of revenue

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

	Consolidated Entity	
	2021 $000	2020 $000
From continuing operations		
Sectors		
Infrastructure	**210,460**	212,563
Resources	**41,167**	20,598
Energy	**41,494**	209,837
Accommodation	**4,622**	5,698
Other	**5,979**	2,612
	303,722	451,308

Geographical regions		
Australia	**303,722**	451,308
	303,722	451,308

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 5: Expenses

	Consolidated Entity	
	2021	**2020**
	$000	**$000**
From continuing operations		
Loss before income tax includes the following specific expenses:		
Employee benefits costs	**61,284**	83,585
Finance costs:		
- plant and equipment leased	**129**	222
- buildings leased	**758**	1,049
- software leased	**149**	142
- from other parties	**3,319**	1,986
Total finance costs	**4,355**	3,399
Depreciation and amortisation of non-current assets:		
- plant and equipment owned	**1,168**	1,998
- plant and equipment leased	**1,215**	1,216
- buildings right-of-use assets	**1,857**	1,790
- software right-of-use assets	**788**	709
Total depreciation	**5,028**	5,713

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 6: Income Tax Expense

		Consolidated Entity	
		2021	**2020**
	Note	**$000**	**$000**
Income tax (expense)/benefit is attributable to:			
Profit or loss from continuing operations		**-**	(8,471)
Profit or loss from discontinued operations	**7**	**-**	142
		-	(8,329)
The components of income tax (expense)/benefit comprise:			
Current tax		**-**	115
Deferred tax	**25**	**199**	(8,405)
Under provision for tax in prior year		**(199)**	(39)
		-	(8,329)
The prima facie tax benefit on profit/loss before income tax is reconciled to the income tax benefit as follows:			
Prima facie tax benefit on profit/loss before income tax at 30% (2020: 29%)		**3,437**	38,724
Adjusted by the tax effect of:			
- equity based payments		**45**	36
- deductible transaction costs on equity issue		**10**	983
- non-deductible items		**22**	(14,258)
- under provision for tax in prior year		**(199)**	(39)
- derecognition of deferred tax assets for the year		**(3,315)**	(33,775)
Income tax expense attributable to profit/loss before income tax		**-**	(8,329)
The applicable weighted average effective tax rates are as follows:		**0%**	(6%)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 7: Discontinued Operations

As part of the Group's refocus on its core construction and engineering business in Australia, on 16 April 2020 the Group's New Zealand subsidiary, Decmil Construction NZ Limited was placed into liquidation. As a result, it is now classified as a discontinued operation.

(a) Financial performance information

	Note	2021 $000	2020 $000
Construction and engineering revenue		-	27,299
Interest received		-	49
Total revenue		-	27,348
Cost of sales		-	(67,818)
Administration expenses		-	(4,021)
Borrowing costs		-	(260)
Depreciation and amortisation expense		-	(149)
Total expenses		-	(72,248)
Loss before income tax expense		-	(44,900)
Income tax benefit	**6**	-	142
Loss after income tax expense from discontinued operations		-	(44,758)

(b) Financial position information

	2020 $000
Current Assets	
Cash and cash equivalents	**3,144**
Trade and other receivables	**914**
Contract assets	**5,850**
Current tax receivable	**507**
Other current assets	**1,438**
Total Current Assets	**11,853**
Non-Current Assets	
Property, plant and equipment	**176**
Right-of-use assets	**382**
Deferred tax assets	**165**
Total Non-Current Assets	**723**
Total Assets	**12,576**
Current Liabilities	
Trade and other payables	**19,826**
Contract liabilities	**5,837**
Lease liabilities	**84**
Total Current Liabilities	**25,747**
Non-Current Liabilities	
Lease liabilities	**312**
Loans to related parties	**23,952**
Deferred tax liabilities	**9**
Total Non-Current Liabilities	**24,273**
Total Liabilities	**50,020**
Net Liabilities	**(37,444)**

NOTE 7: Discontinued Operations (Cont'd)

(c) Cash flow information

	2021 $000	2020 $000
Net cash used in by operating activities	-	(32,299)
Net cash used in investing activities	-	(14)
Net cash provided by financing activities	-	19,410
Exit from the group	-	(3,144)
Net decrease in cash and cash equivalents from discontinued operations	-	(16,047)

(d) Details of the deconsolidation

	2020 $000
Deconsolidation of carrying amount of net liabilities excluding intercompany balances	15,715
Provision of foreseeable losses, liquidation and legal cost	(15,715)
Net gain/loss on deconsolidation	-

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

In order to disclose items that form part of the discontinued operations, certain reclassifications as disclosed above have been made to the consolidated statement of profit or loss and related notes to group these items under the separate heading of discontinued operations. These are not regarded as retrospective restatement or reclassification of items in the financial statements as envisaged by AASB 101. These reclassifications have not resulted in any change to the balances in the statement of financial position. Accordingly, a statement of financial position at the beginning of the earliest comparative period is not presented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 8: Key Management Personnel Disclosures

a. Names and positions held of directors and other members of Key Management Personnel in office at any time during the financial year are:

Parent Entity Directors

Andrew Barclay (appointed 28 July 2020)

Dickie Dique

Bill Healy (resigned 28 July 2020)

David Saxelby (resigned 28 July 2020)

David Steele (appointed 14 June 2021)

Peter Thomas (appointed 28 July 2020)

Vin Vassallo (appointed 14 June 2021)

Key Management Personnel

Alex Hall: Chief Financial Officer (appointed 27 April 2021)

Damian Kelliher: Chief Commercial Officer

b. Compensation for Key Management Personnel

The totals of remuneration paid to directors and KMP of the Company and the consolidated entity during the year are as follows:

	2021 $000	2020 $000
Short-term employee benefits	**1,847**	2,760
Equity-based payments	**461**	283
	2,308	3,043

c. Loans to Key Management Personnel

No directors or KMP had any loans during the reporting period.

d. Other transactions and balances with Key Management Personnel

There were no other transactions and balances with KMP other than that disclosed in note 32.

NOTE 9: Auditors' Remuneration

	Consolidated Entity	
	2021 $000	**2020 $000**
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report	**287**	278
- taxation services	**31**	42
- investigating accountant's report	**-**	74
- technical accounting assistance	**13**	15
	331	409

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 10: Earnings Per Share

		Consolidated Entity	
		2021	**2020**
		$000	**$000**
(a)	**Reconciliation of earnings to profit or loss from overall operations**		
	Loss after income tax	**(11,456)**	(140,424)
	Earnings used to calculate basic and dilutive EPS	**(11,456)**	(140,424)
(b)	**Reconciliation of earnings to profit or loss from continuing operations**		
	Loss after income tax	**(11,456)**	(95,666)
	Earnings used to calculate basic and dilutive EPS	**(11,456)**	(95,666)
(c)	**Reconciliation of earnings to profit or loss from discontinuing operations**		
	Loss after income tax	**-**	(44,758)
	Earnings used to calculate basic and dilutive EPS	**-**	(44,758)
		No.	**No.**
(d)	**Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS**	**128,735,583**	289,950,600
	Weighted average number of dilutive options outstanding	**-**	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**128,735,583**	289,950,600

NOTE 11: Dividends

	Consolidated Entity	
	2021	**2020**
	$000	**$000**
Distributions Paid		
Final dividend for the year ended 30 June 2020 of nil cents (2019: 2 cents) per share fully franked at the tax rate of 30%	**-**	4,782
Balance of Australian franking account at year end	**54,776**	54,776

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 12: Cash and Cash Equivalents

	Consolidated Entity	
	2021	**2020**
	$000	**$000**
Cash at bank and in hand	**4,603**	36,530
Restricted cash in term deposit	**5,100**	7,400
	9,703	43,930
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	**9,703**	43,930

Cash in term deposit is classified as restricted cash and is held by National Australia Bank Limited for cash backing of guarantees given to external parties for satisfactory contract performance for the consolidated entity.

NOTE 13: Trade and Other Receivables

	Consolidated Entity	
	2021	**2020**
	$000	**$000**
CURRENT		
Trade receivables	**24,940**	36,762
Less: Allowance for expected credit losses	**-**	-
	24,940	36,762

The following table details the consolidated entity’s trade receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as ‘past due’ when the debt has not been settled, with the terms and conditions agreed between the consolidated entity and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the consolidated entity.

NOTE 13: Trade and Other Receivables (Cont'd)

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

			Past due but not impaired (days overdue)				
	Gross amount $000	Within initial trade terms $000	31-60 $000	61-90 $000	91-120 $000	>120 $000	Past due and impaired $000
2021							
Trade receivables	24,940	24,452	354	9	125	-	-
Total	**24,940**	**24,452**	**354**	**9**	**125**	**-**	**-**
2020							
Trade receivables	36,762	31,547	3,941	1,191	2	81	-
Total	**36,762**	**31,547**	**3,941**	**1,191**	**2**	**81**	**-**

Allowance for expected credit loss:

There is no allowance for expected credit losses recognised as at 30 June 2021.

NOTE 14: Contract Assets

		Consolidated Entity	
	Note	2021 $000	2020 $000
Contract assets		**27,436**	18,781

Summarised as follows:

Construction contracts in progress			
Contract costs incurred		**1,360,468**	1,149,467
Recognised profits		**24,689**	47,872
		1,385,157	1,197,339
Progress billings		**(1,372,564)**	(1,197,359)
		12,593	(20)
Amounts due from customers for contract work		**27,436**	18,781
Amounts due to customers for contract work	**15**	**(14,843)**	(18,801)
Net amount due from/(to) customers for contract work		**12,593**	(20)

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting year is shown above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 15: Contract Liabilities

	Consolidated Entity	
	2021 $000	**2020 $000**
Contract liabilities	**14,843**	18,801

NOTE 16: Non-Current Asset Held for Sale

	Consolidated Entity	
	2021 $000	**2020 $000**
Balance at beginning of year	**56,644**	92,475
Additions	**11**	-
Fair value adjustment	**-**	(35,831)
Balance at the end of the year	**56,655**	56,644

The non-current asset held for sale is a property comprising the Homeground Gladstone Accommodation Village located in Gladstone, Queensland. It is on the market for sale and is expected to be sold within the next ten months. The property is carried at fair value, with fair value being determined using a discounted cash flow valuation model based on assumptions made by the consolidated entity as detailed in note 34.

NOTE 17: Other Current Assets

	Consolidated Entity	
	2021 $000	**2020 $000**
CURRENT		
Prepayments	**1,064**	1,174
Others	**2,277**	3,322
	3,341	4,496

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 18: Property, Plant and Equipment

	Consolidated Entity	
	2021 $000	2020 $000
LAND AND BUILDINGS		
Freehold land, at cost	-	406
	-	406
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	**36,768**	40,819
Accumulated depreciation	**(33,879)**	(37,220)
	2,889	3,599
Leased plant and equipment (secured)	**8,480**	6,629
Accumulated depreciation	**(2,723)**	(1,750)
	5,757	4,879
Total property, plant and equipment	**8,646**	8,884

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and Building $000	Owned Plant and Equipment $000	Leased Plant and Equipment $000	Total $000
Balance at 1 July 2020	406	3,599	4,879	8,884
Additions	-	1,032	2,902	3,934
Disposals	(406)	(574)	(809)	(1,789)
Depreciation expense	-	(1,168)	(1,215)	(2,383)
Balance at 30 June 2021	**-**	**2,889**	**5,757**	**8,646**

	Land and Building $000	Owned Plant and Equipment $000	Leased Plant and Equipment $000	Total $000
Balance at 1 July 2019	554	5,455	3,985	9,994
Additions	-	504	2,133	2,637
Transfer between categories	-	23	(23)	-
Disposals	(148)	(135)	-	(283)
Disposals through exit of subsidiary	-	(176)	-	(176)
Depreciation expense	-	(2,072)	(1,216)	(3,288)
Balance at 30 June 2020	**406**	**3,599**	**4,879**	**8,884**

NOTE 19: Right-of-use Assets

	Consolidated Entity	
	2021 $000	**2020 $000**
LAND AND BUILDINGS		
Right-of-use	**14,912**	15,429
Accumulated depreciation	**(3,024)**	(1,790)
	11,888	13,639
SOFTWARE		
Right-of-use	**3,264**	3,168
Accumulated depreciation	**(1,497)**	(709)
	1,767	2,459
Total right-of-use assets	**13,655**	16,098

The consolidated entity leases land and buildings for its offices under agreements of between five to seven years with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also leases software as a service under agreements of between two to five years.

The consolidated entity leases plant and equipment under agreements of less than twelve months and office equipment under agreements of three years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Movements in Carrying Amounts

Movement in the carrying amounts for each class of right-of-use assets between the beginning and the end of the current financial year:

	Land and Buildings $000	Software $000	Total $000
Balance at 1 July 2020	13,639	2,459	16,098
Additions	1,780	96	1,876
Disposals	(1,674)	-	(1,674)
Depreciation expense	(1,857)	(788)	(2,645)
Balance at 30 June 2021	**11,888**	**1,767**	**13,655**

	Land and Buildings $000	Software $000	Total $000
Balance at 1 July 2019	-	-	-
Additions	15,889	3,168	19,057
Disposals through exit of subsidiary	(385)	-	(385)
Depreciation expense	(1,865)	(709)	(2,574)
Balance at 30 June 2020	**13,639**	**2,459**	**16,098**

NOTE 20: Intangible Assets

	Consolidated Entity	
	2021 $000	**2020 $000**
Goodwill at cost	**75,482**	75,482
Total intangible assets	**75,482**	75,482
Movements in carrying amounts		
Goodwill		
Balance at the beginning and end of the year	**75,482**	75,482
Allocation of goodwill to CGU's		
Construction & engineering	**75,482**	75,482
Balance at the end of the year	**75,482**	75,482

The recoverable amount of the consolidated entity's goodwill has been determined by value-in-use calculations using discounted cash flow models, based on a 1-year budget approved by the Board and extrapolated for a further 4 years based on the assumptions below, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating unit (CGU) is most sensitive.

The following key assumptions were used in the discounted cash flow model for each CGU:

a. 12.9% (2020: 12.9%) pre-tax discount rate
b. 5% (2020: 5%) per annum projected revenue growth rate from FY2023 onwards
c. 2.5% (2020: 2.5%) per annum increase in operating costs and overheads from FY2023 onwards
d. 2.5% (2020: 2.5%) per annum increase in terminal value.

The discount rate of 12.9% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected 5% revenue growth rate and 2.5% increase in operating costs and overheads is justified based on past experience and current market outlook. Management also believes that a 2.5% increase in the terminal value of each CGU is prudent and appropriate based on current market conditions.

At the date of this report there has been no reason to adjust these assumptions.

Sensitivity

As disclosed above, the directors have made judgements and estimates in respect of impairment testing of goodwill. To test the sensitivity of the assumptions, the Company undertook simulations related to:

a. Per annum revenue growth rate reduced to 0% from FY2023 onwards
b. Per annum operating cost and overhead growth rate increased to 10% from FY2023 onwards
c. Per annum terminal value growth rate reduced to 0%.

The simulations resulted in the recoverable amount exceeding the carrying amount of the CGU when each was considered in isolation of the others.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of each CGU's goodwill is based would not cause the carrying amount to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 21: Trade and Other Payables

	Consolidated Entity	
	2021 $000	**2020 $000**
CURRENT		
Unsecured liabilities		
Trade payables	**12,009**	15,517
Sundry payables and accrued expenses	**38,492**	38,478
Total current trade and other payables	**50,501**	53,995
NON-CURRENT		
Sundry payables and accrued expenses	**4,692**	-
Total non-current trade and other payables	**4,692**	-
Total trade and other payables	**55,193**	53,995

NOTE 22: Borrowings

	Consolidated Entity	
	2021 $000	**2020 $000**
CURRENT		
Secured liabilities		
Bank loan	**-**	25,000
Insurance premium funding	**196**	232
Total current borrowings	**196**	25,232
NON-CURRENT		
Bank overdraft	**17,597**	-
Total non-current borrowings	**17,597**	-
Total borrowings	**17,793**	25,232

As at the date of this report, the Company is in compliance with its obligations under its facilities.

Movements in Carrying Amounts

Movement in the carrying amounts for each class of borrowings between the beginning and the end of the current financial year:

	Bank Loan $000	Bank Overdraft $000	Insurance Premium Funding $000	Total $000
Balance at 1 July 2020	25,000	-	232	25,232
Additions	-	17,597	2,025	19,622
Payments	(25,000)	-	(2,061)	(27,061)
Balance at 30 June 2021	**-**	**17,597**	**196**	**17,793**

NOTE 22: Borrowings (Cont'd)

	Bank Loan $000	Bank Overdraft $000	Insurance Premium Funding $000	Total $000
Balance at 1 July 2019	-	-	-	-
Additions	25,000	-	2,316	27,316
Payments	-	-	(2,084)	(2,084)
Balance at 30 June 2020	**25,000**	**-**	**232**	**25,232**

NOTE 23: Lease Liabilities

	Consolidated Entity 2021 $000	Consolidated Entity 2020 $000
CURRENT		
Hire purchase liability	**2,100**	2,130
Leasing liabilities	**2,333**	1,329
Total current lease liabilities	**4,433**	3,459
NON-CURRENT		
Hire purchase liability	**2,853**	2,603
Leasing liabilities	**12,835**	15,148
Total non-current lease liabilities	**15,688**	17,751
Total lease liabilities	**20,121**	21,210

See note 19 for details on leasing liabilities.

Hire purchase agreements have a typical term of 3 to 5 years. The average interest rate implicit in the hire purchase is 3.60% (2020: 4.19%). The hire purchase liability is secured by a charge over the underlying hire purchase assets.

The following are the amounts recognised in profit or loss:

	Note	Consolidated Entity 2021 $000	Consolidated Entity 2020 $000
Depreciation expense of right-of-use assets	**19**	**2,645**	2,574
Interest expense on lease liabilities		**907**	1,215
Total amount recognised in profit or loss		**3,552**	3,789

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 23: Lease Liabilities (Cont'd)

Movements in Carrying Amounts

Movement in the carrying amounts for each class of lease liabilities between the beginning and the end of the current financial year:

	Hire Purchase Liability $000	Leasing Liabilities $000	Total $000
Balance at 1 July 2020	4,733	16,477	21,210
Additions and lease modifications	3,015	1,124	4,139
Payments	(2,666)	(1,526)	(4,192)
Borrowing costs	(129)	(907)	(1,036)
Balance at 30 June 2021	**4,953**	**15,168**	**20,121**

	Hire Purchase Liability $000	Leasing Liabilities $000	Total $000
Balance at 1 July 2019	3,884	-	3,884
Additions	2,133	20,851	22,984
Payments	(1,062)	(2,763)	(3,825)
Disposals through exit of subsidiary	-	(396)	(396)
Borrowing costs	(222)	(1,215)	(1,437)
Balance at 30 June 2020	**4,733**	**16,477**	**21,210**

NOTE 24: Provisions

		Consolidated Entity	
	Note	2021 $000	2020 $000
CURRENT			
Employee entitlements	**24(a)**	**4,824**	6,457
Provision of litigation costs		**-**	1,315
Provision of foreseeable losses		**-**	15,715
Total current provisions		**4,824**	23,487
NON-CURRENT			
Employee entitlements	**24(a)**	**236**	163
Total non-current provisions		**236**	163
Total provisions		**5,060**	23,650

(a) Provision for Employee Entitlements

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the consolidated entity does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the consolidated entity does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	Consolidated Entity	
	2021 $000	2020 $000
Movement in provision		
Balance at beginning of year	**6,620**	6,530
Additional provision	**4,392**	7,276
Amounts used	**(5,952)**	(7,186)
Balance at the end of the year	**5,060**	6,620

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 25: Other Deferred Tax

Consolidated Entity 2021	1 July 2020 Opening Balance $000	Under-provision in Prior Year $000	Disposed on Disposal of Subsidiary $000	Charged to Income $000	Charged Directly to Equity $000	30 June 2021 Closing Balance $000
Deferred tax assets on:						
Transaction costs on equity issue	1,184	-	-	-	(322)	862
Provisions – employee benefits	2,644	-	-	(1,015)	-	1,629
Investment due diligence costs	41	-	-	(14)	-	27
Other provisions and accruals	1,225	-	-	(109)	-	1,116
Tax losses and carry forward tax credits	12,557	-	-	1,718	-	14,275
Property, plant and equipment	3,922	13	-	(598)	-	3,337
Research and development tax offset (non-refundable)	1,017	-	-	-	-	1,017
Total deferred tax assets	**22,590**	**13**	**-**	**(18)**	**(322)**	**22,263**
Deferred tax liabilities on:						
Prepayments	19	-	-	(5)	-	14
Accrued income	-	212	-	(212)	-	-
Total deferred tax liabilities	**19**	**212**	**-**	**(217)**	**-**	**14**
Net deferred tax asset	**22,571**	**(199)**	**-**	**199**	**(322)**	**22,249**

Consolidated Entity 2020	1 July 2019 Opening Balance $000	Under-provision in Prior Year $000	Disposed on Disposal of Subsidiary $000	Charged to Income $000	Charged Directly to Equity $000	30 June 2020 Closing Balance $000
Deferred tax assets on:						
Transaction costs on equity issue	532	-	-	-	652	1,184
Provisions – employee benefits	2,640	-	(71)	75	-	2,644
Investment due diligence costs	21	-	-	20	-	41
Other provisions and accruals	686	-	(113)	652	-	1,225
Tax losses and carry forward tax credits	17,106	-	-	(4,549)	-	12,557
Property, plant and equipment	8,769	(39)	(6)	(4,802)	-	3,922
Research and development tax offset (non-refundable)	1,017	-	-	-	-	1,017
Total deferred tax assets	**30,771**	**(39)**	**(190)**	**(8,604)**	**652**	**22,590**
Deferred tax liabilities on:						
Foreign currency translation	9	-	(9)	-	-	-
Prepayments	21	-	-	(2)	-	19
Equity based payments	77	-	-	(113)	36	-
Accrued income	84	-	-	(84)	-	-
Total deferred tax liabilities	**191**	**-**	**(9)**	**(199)**	**36**	**19**
Net deferred tax asset	**30,580**	**(39)**	**(181)**	**(8,405)**	**616**	**22,571**

Unused tax losses of which no deferred tax asset has been recognised amount to $29 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 26: Issued Capital

	Consolidated Entity	
	2021 $000	2020 $000
128,737,597 (2020: 1,287,118,809) fully paid ordinary shares	**267,487**	267,694

(a) Ordinary Shares

	2021		2020	
	No.	$000	No.	$000
At the beginning of reporting period	**1,287,118,809**	**267,694**	238,310,204	216,858
Shares issued during the year	**-**	**-**	155,874	72
Performance rights converted to shares	**245,135**	**-**	798,020	-
Issue of shares for capital raising	**-**	**-**	1,047,854,711	52,393
Share consolidation 10:1	**(1,158,626,347)**	**-**	-	-
Equity based payments	**-**	**150**	-	1,006
Transaction costs of issue	**-**	**(357)**	-	(2,635)
At the end of the reporting date	**128,737,597**	**267,487**	1,287,118,809	267,694

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

During the year ended 30 June 2017, the Decmil Group Limited Employee Share Plan Trust was established. Shares allocated to employees stay in the trust and vest to employees after two years of continuous employment from the date of grant. There was no allocation made to employees during the year ended 30 June 2021.

During the year ended 30 June 2021, 245,135 shares were issued to executives upon vesting of performance rights.

On 5 November 2020 a share consolidation took place, reducing every 10 securities on issue to 1 security, applying to shares, performance rights and options on issue at that date.

Subsequent to 30 June 2021, the Company issued new shares for capital raising. Details of the capital raising are in note 37.

(b) Capital Management

Management controls the capital of the consolidated entity in order to maintain an optimal debt to equity ratio, provide shareholders with adequate returns and ensure that the consolidated entity can fund its operations and continue as a going concern. The consolidated entity’s debt and capital includes ordinary share capital and financial liabilities (including bank guarantee and surety bonding facilities), supported by financial assets.

Management manages the consolidated entity’s capital by assessing the consolidated entity’s financial risks and adjusting its capital structure in response to changes in these risks and in the market. This includes the management of debt levels, distributions to shareholders and the requirement for further equity funding in the consolidated entity. The deployment of capital to the consolidated entity’s assets and business units is also reviewed regularly and managed to ensure rates of return continue to be at an acceptable level. Where necessary, management may consider redeploying capital within the consolidated entity or alternatively returning capital to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 27: Controlled Entities

(a) Controlled Entities

	Country of Incorporation	Percentage Owned (%) 2021	2020
Parent Entity:			
Decmil Group Limited	Australia		
Controlled entities of Decmil Group Limited:			
Decmil Australia Pty Ltd	Australia	100%	100%
Eastcoast Development Engineering Pty Ltd	Australia	100%	100%
Homeground Villages Pty Ltd	Australia	100%	100%
Decmil Maintenance Pty Ltd (formerly known as Decmil Infrastructure Pty Ltd)	Australia	100%	100%
Decmil Group Limited Employee Share Plan Trust	Australia	100%	100%
Controlled entities of Homeground Villages Pty Ltd:			
Homeground Gladstone Pty Ltd ATF Homeground Gladstone Unit Trust	Australia	100%	100%
Homeground Gladstone Unit Trust	Australia	100%	100%
Controlled entities of Decmil Australia Pty Ltd:			
Decmil PNG Limited	Papua New Guinea	100%	100%
Decmil Engineering Pty Ltd	Australia	100%	100%
Decmil Southern Pty Ltd	Australia	100%	100%

(b) A deed of cross guarantee between Decmil Group Limited and the following wholly-owned controlled entities existed during the financial year and relief was obtained from preparing a financial report for Decmil Group Limited's wholly-owned controlled entities under ASIC Class Order 98/1418: Decmil Australia Pty Ltd, Eastcoast Development Engineering Pty Ltd and Homeground Villages Pty Ltd.

Under the deed, Decmil Group Limited and the above named wholly-owned controlled entities guarantee to support each other's liabilities and obligations. Decmil Group Limited and its above named wholly-owned controlled entities are the only parties to the deed of cross guarantee and are members of the Closed Group.

The following are the aggregate totals, for each category, relieved under the deed.

		2021 $000	2020 $000
Financial information in relation to:			
(i)	**Statement of profit or loss and other comprehensive income:**		
	Loss before income tax	**(35,047)**	(79,459)
	Income tax expense	**(7)**	(8,478)
	Loss after income tax	**(35,054)**	(87,937)
(ii)	**Accumulated losses:**		
	Accumulated losses at the beginning of the year	**(127,857)**	(35,138)
	Loss after income tax	**(35,054)**	(87,937)
	Dividends recognised for the period	**-**	(4,782)
	Accumulated losses at the end of the year	**(162,911)**	(127,857)

NOTE 27: Controlled Entities (Cont'd)

	2021 $000	2020 $000
(iii) Statement of Financial Position:		
CURRENT ASSETS		
Cash and cash equivalents	**319**	15,852
Trade and other receivables	**8,472**	25,500
Contract assets	**22,395**	13,538
Non-current asset held for sale	**56,655**	56,644
Other current assets	**1,915**	2,520
TOTAL CURRENT ASSETS	**89,756**	114,054
NON-CURRENT ASSETS		
Property, plant and equipment	**5,643**	4,384
Right-of-use assets	**11,122**	13,987
Deferred tax assets	**21,102**	21,249
Intangible assets	**71,061**	71,061
TOTAL NON-CURRENT ASSETS	**108,928**	110,681
TOTAL ASSETS	**198,684**	224,735
CURRENT LIABILITIES		
Trade and other payables	**43,725**	8,408
Contract liabilities	**8,943**	13,167
Borrowings	**196**	25,232
Lease liabilities	**2,922**	2,411
Provisions	**2,759**	20,969
TOTAL CURRENT LIABILITIES	**58,545**	70,187
NON-CURRENT LIABILITIES		
Trade and other payables	**4,692**	-
Borrowings	**17,597**	-
Lease liabilities	**13,140**	14,567
Provisions	**133**	144
TOTAL NON-CURRENT LIABILITIES	**35,562**	14,711
TOTAL LIABILITIES	**94,107**	84,898
NET ASSETS	**104,577**	139,837
EQUITY		
Issued capital	**267,488**	267,694
Accumulated losses	**(162,911)**	(127,857)
TOTAL EQUITY	**104,577**	139,837

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 28: Joint Arrangements

Interest in Joint Operations

	Country of Incorporation	2021	2020
Mordialloc JV	Australia	40%	40%
Decmil BESIX JV	Australia	50%	50%
Decmil Balance JV	Australia	25%	25%
Decmil Balance JV	Australia	67%	67%

The following material Joint Operations are disclosed as follows:

Mordialloc JV

In March 2019, Major Roads Projects Victoria, a Victorian state government department, awarded Decmil Southern Pty Ltd, in joint venture with McConnell Dowell Constructors (Aust) Pty Ltd (Mordialloc JV), a $25m contract for an early works package for the Mordialloc Freeway project and in October 2019 a main works contract valued at $417 million. The project will link the Mornington Peninsular Freeway to the Dingley Bypass and create one continuous freeway from Frankston to Clayton.

Under the joint venture agreement Decmil Southern Pty Ltd has a 40% participation interest in all the assets used, revenues generated and the expenses incurred by the joint arrangement. Decmil Southern Pty Ltd is also liable for 40% of any liabilities incurred by the joint arrangement. In addition, Decmil Southern Pty Ltd has voting rights in the joint arrangement, which generally require unanimity on most decisions save for certain urgent matters which may initially be determined by the Project Manager (and can be subsequently disputed by either party).

Mordialloc JV is an unincorporated entity and is classified as a joint operation. Accordingly, Decmil Southern Pty Ltd's interests in the assets, liabilities, revenues and expenses attributable to the joint arrangement have been included in the appropriate line items in the consolidated financial statements.

The consolidated entity's share of assets employed, liabilities owing and net results of the Mordialloc JV that are included in the consolidated financial statements are as follows:

	2021 $000	2020 $000
CURRENT ASSETS		
Cash and cash equivalents	**3,991**	5,584
Trade and other receivables	**11,082**	5,000
Contract assets	**3,206**	-
Other assets	**775**	481
TOTAL CURRENT ASSETS	**19,054**	11,065
TOTAL ASSETS	**19,054**	11,065
CURRENT LIABILITIES		
Trade and other payables	**11,657**	7,841
Contract liabilities	**-**	1,272
TOTAL CURRENT LIABILITIES	**11,657**	9,113
TOTAL LIABILITES	**11,657**	9,113
Revenue	**87,910**	50,512
Expenses	**(80,465)**	(46,807)
Profit for the year	**7,445**	3,705

NOTE 28: Joint Arrangements (Cont'd)

Contingent Liabilities in Respect of Joint Arrangements

The consolidated entity is liable for the following contingent liabilities owing from its participation interests in the joint arrangements if and when they arise:

	2021 $000	2020 $000
Guarantees given for satisfactory contract performance	**9,420**	10,175

NOTE 29: Commitments

	Consolidated Entity	
	2021 $000	2020 $000
(a) Hire Purchase Commitments[1]		
Payable – minimum HP payments		
Not later than 1 year	**2,235**	2,288
Between 1 and 5 years	**2,998**	2,688
Minimum HP payments	**5,233**	4,976
Less future finance charges	**(280)**	(242)
Present value of minimum HP payments	**4,953**	4,734
(b) Insurance Premium Funding Commitments		
Payable – minimum payments		
Not later than 1 year	**199**	235
Minimum payments	**199**	235
Less future finance charges	**(3)**	(4)
Present value of minimum payments	**196**	231
(c) Leasing Liabilities Payable		
Non-cancellable leasing liabilities contracted for but not recognised as liabilities		
Payable – minimum lease payments		
Not later than 1 year	**416**	961
Between 1 and 5 years	**412**	164
	828	1,125
(d) Operating Leases Receivable		
Future minimum rentals receivable for operating leases at the end of the reporting period but not recognised as assets		
Receivable – minimum lease receipts		
Not later than 1 year	**79**	-
Between 1 and 5 years	**482**	-
	561	-

[1] Hire purchase commitments include contracted amounts for various plant and equipment with a written down value of $5,757,000 (2020: $4,879,000) secured under hire purchase contracts expiring within one to five years. Under the terms of the hire purchase contracts, the consolidated entity has the option to acquire the assets under finance for predetermined residual values on the expiry of the contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 30: Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax

	Consolidated Entity	
	2021 $000	**2020 $000**
Continuing operations		
Loss after income tax	**(11,456)**	(95,666)
Adjustments for:		
Depreciation and amortisation	**5,028**	3,288
Equity based payments	**150**	1,006
(Profit)/loss on sale of non-current assets	**(404)**	38
Loss from discontinued operations	**-**	(44,758)
Cash used in operations before working capital changes	**(6,682)**	(136,092)
Changes in assets and liabilities		
Trade and other receivables	**11,822**	38,005
Other assets	**3,180**	2,152
Contract assets	**(8,655)**	45,850
Trade and other payables	**876**	(58,245)
Contract liabilities	**(3,958)**	(16,685)
Current tax liabilities	**-**	(1,698)
Deferred tax assets	**322**	8,009
Provisions	**(18,591)**	17,120
Change in working capital balances	**(15,004)**	34,508
Net cash used in operating activities	**(21,686)**	(101,584)

(b) Non-cash Financing and Investing Activities

	Consolidated Entity	
	2021 $000	**2020 $000**
Finance leases to acquire plant and equipment	**3,015**	2,133
Share based payments	**150**	1,006

(c) Changes in Liabilities Arising from Financing Activities

Consolidated Entity	1 July 2020 Opening Balance $000	Cash Flows $000	Non-Cash Changes $000	30 June 2021 Closing Balance $000
Borrowings	25,232	(9,464)	2,025	17,793
Lease liabilities	21,210	(4,192)	3,103	20,121

Consolidated Entity	1 July 2019 Opening Balance $000	Cash Flows $000	Non-Cash Changes $000	30 June 2020 Closing Balance $000
Borrowings	212	24,855	165	25,232
Lease liabilities	4,244	(3,825)	20,791	21,210

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 30: Cash Flow Information (Cont'd)

(d) Credit Standby Facilities with Financial Institutions

	Consolidated Entity	
	2021 $000	**2020 $000**
Credit facilities	**71,551**	68,000
Amount utilised		
Bank overdraft	**(17,597)**	-
Limited recourse receivables funding	**-**	(4,563)
Bank guarantee facility	**(10,907)**	(1,462)
Loan facility	**-**	(25,000)
Equipment finance	**(4,953)**	(4,734)
Surety bond facilities	**(9,111)**	-
Credit facilities available	**28,983**	32,241
The credit facilities are summarised as follows:		
Bank overdraft and/or limited recourse receivables funding facility and/or bank guarantee facility	**40,000**	35,000
Loan facility	**-**	25,000
Equipment finance	**15,000**	8,000
Surety bond facilities	**16,551**	-
Total credit facilities	**71,551**	68,000

The majority of credit facilities are provided by National Australia Bank Limited and comprise a $40 million multi-option facility and a $0.5 million corporate credit card facility. The $40 million multi-option facility encompasses a bank guarantee facility, letter of credit facility, overdraft facility and a limited recourse receivables funding facility.

Security for the National Australia Bank facilities comprises the following:

- General Security granted by Decmil Group Limited and its controlled entities (other than Decmil PNG Ltd)
- Negative pledge in relation to Homeground Gladstone Pty Ltd
- First registered mortgage over property situated at 101 Calliope River Road, West Stowe, Queensland (Homeground).

In addition to the National Australia Bank facilities, the consolidated entity also has the following facilities:

- Equipment finance of $8 million with Toyota Finance
- Equipment finance of $7 million with Caterpillar Finance
- Surety bond facilities of $16.6 million with AssetInsure.

NOTE 31: Equity Based Payments

Performance Rights Plan

The Board believes that the long term incentive offered to key executives forms a key part of their remuneration and assists to align their interests with the long term interests of Shareholders. For details of the Long Term Incentive Plan, refer to the Directors' Report.

A summary of the movements of all performance rights issued is as follows:

	Number
Performance rights outstanding as at 30 June 2019[1]	**617,564**
Granted[1]	207,475
Forfeited[1]	(162,468)
Vested[1]	(79,802)
Lapsed[1]	(107,254)
Performance rights outstanding as at 30 June 2020[1]	**475,515**
Granted	4,881,841
Forfeited	(554,896)
Vested	(24,514)
Lapsed	(31,447)
Performance rights outstanding as at 30 June 2021	**4,746,499**

The fair value of the performance rights granted during the financial year was $610,230. Performance rights are valued using various valuation methodologies, including Binomial and Barrier option pricing models. Expected life is based on management's best estimate at the time of valuation of vesting criteria being achieved. The fair value has been discounted to reflect the probability of not meeting the vesting conditions. The discount factors were determined through an analysis of relative share price to the date of grant and the likelihood of rights being forfeited prior to vesting.

The weighted average fair value of performance rights granted during the year was $0.125 (2020: $0.178). These values were calculated using a Binomial and Barrier option pricing model applying the following inputs:

Expected vesting period for the performance rights to vest:	3 years
Market price of shares:	$0.57
Expected share price volatility:	35%
Risk-free interest rate:	0.2%
Dividend yield:	0.0%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements. Expenses arising from equity-based payment transactions recognised during the year were as follows:

	Consolidated Entity	
	2021 $000	2020 $000
Performance Rights		
Expenses	**402**	890
Written back due to forfeiting	**(441)**	(121)
Written back due to lapsing	**(19)**	(140)
	(56)	629

[1] Balances adjusted for 10:1 share consolidation which took place on 5 November 2020

NOTE 31: Equity Based Payments (Cont'd)

Incentive Shares Plan

During the year to 30 June 2020, the Board approved an Incentive Shares Plan whereby ordinary shares are issued into the Decmil Group Limited Employee Share Plan Trust on an allocated basis for employees. These ordinary shares will vest to employees after two years of continuous employment from the date of grant. In the event an employee resigns or Decmil terminates their employment due to misconduct or performance related reasons prior to vesting, the shares are forfeited.

A summary of the movements of all incentive shares issued is as follows:

	Number
Unvested incentive shares as at 30 June 2019[1]	**152,500**
Granted[1]	42,000
Vested[1]	(97,751)
Forfeited[1]	(33,749)
Unvested incentive shares as at 30 June 2020[1]	**63,000**
Granted	-
Vested	(30,000)
Forfeited	(3,000)
Unvested incentive shares as at 30 June 2021	**30,000**

No incentive shares were granted during the financial year. Incentive shares are valued using the share price at the date of grant. The fair value has been discounted by 5% to reflect the probability of not meeting the continuous employment vesting condition.

Expenses arising from the incentive shares plan transactions recognised during the year were as follows:

	Consolidated Entity	
	2021 $000	2020 $000
Incentive Shares		
Expenses	**186**	489
Written back due to forfeiting	**(13)**	(112)
	173	377

Options

During the year Shareholders approved a Related Party Options Plan at the 2020 Annual General Meeting. The options were issued to directors on 12 January 2021 and have an expiry date of 31 October 2024 with an exercise price of $0.75.

[1] Balances adjusted for 10:1 share consolidation which took place on 5 November 2020

NOTE 31: Equity Based Payments (Cont'd)

A summary of the movements of all related party options issued is as follows:

	Number
Unvested related party options as at 30 June 2019	**-**
Granted	-
Vested	-
Forfeited	-
Unvested related party options as at 30 June 2020	**-**
Granted	1,800,000
Vested	-
Forfeited	-
Unvested related party options as at 30 June 2021	**1,800,000**

The fair value of the options granted during the financial year was $198,000. Related party options are valued using a Binomial option pricing model applying the following inputs:

Expiry date of related party options:	31 October 2024
Market price of shares:	$0.57
Exercise price:	$0.75
Expected share price volatility:	35%
Risk-free interest rate:	0.35%
Dividend yield:	0.0%

Expenses arising from the related party option transactions recognised during the year were as follows:

	Consolidated Entity	
	2021 $000	2020 $000
Options		
Expenses	**33**	-

NOTE 32: Related Party Transactions and Balances

Parent entity

Decmil Group Limited is the parent entity.

Controlled entities

Interests in controlled entities are set out in note 27.

Key management personnel

Disclosures relating to KMP are set out in note 8 and the Remuneration Report in the Directors' Report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated Entity	
	2021 $000	2020 $000
(a) Director Related Transactions[1]		
Consulting fees for Saxelby Associates Pty Ltd, an entity in which Mr David Saxelby has a beneficial interest	**17**	200
Consulting fees for Andrew Barclay & Associates, in which Mr Andrew Barclay has a beneficial interest	**345**	-
Consulting fees for C1 Energy Pty Ltd, an entity in which Mr Peter Thomas has a beneficial interest	**207**	316
(b) Director Related Balances		
Amounts owing to Saxelby Associates Pty Ltd, an entity in which Mr David Saxelby has a beneficial interest, for directors' fees and consulting fees	**-**	26
Amounts owing to Andrew Barclay & Associates, in which Mr Andrew Barclay has a beneficial interest, for consulting fees	**49**	-
Amounts owing to C1 Energy Pty Ltd, an entity in which Mr Peter Thomas has a beneficial interest, for consulting fees	**15**	-

[1] Transactions relating to directors' fees are included in the Directors' Report details of remuneration

NOTE 33: Financial Instruments

The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable and payable and borrowings.

The consolidated entity does not use derivatives nor speculates in the trading of derivative instruments.

(i) Financial Risk Management Policies

The Chief Financial Officer and other senior finance executives regularly analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to assist the consolidated entity in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Treasury functions are performed in accordance with policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis.

(ii) Specific Financial Risk Exposures and Management

The main risks the consolidated entity is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

Interest rate risk

Exposure to interest rate risk arises on financial assets and liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows.

Liquidity risk

The consolidated entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Unused facilities are disclosed in note 30(d).

Credit risk

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner are subject to credit risk. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 12 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments.

There are no material amounts of collateral held as security at 30 June 2021.

In respect of the parent entity, credit risk also incorporates the exposure of Decmil Group Limited to the liabilities of all the parties to the deed of cross guarantee. Credit risk is managed on a consolidated basis and reviewed regularly by finance executives and the Board. It arises from exposures to customers as well as through deposits with financial institutions.

NOTE 33: Financial Instruments (Cont'd)

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated entity.

Price risk

The consolidated entity is exposed to price risks associated with labour costs and to a lesser extent, fuel and steel prices. Wherever possible, the consolidated entity contracts out such exposures or allows for the rise and fall for changes in prices or provides sufficient contingencies to cover for such price risks.

(iii) Financial instrument composition and maturity analysis:

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

	Weighted Average Effective Interest Rate %	Non-Interest Bearing $000	Within 1 year $000	1 to 5 Years $000	Carrying Amount $000
2021					
Financial Assets					
Cash and cash equivalents	-	-	9,703	-	9,703
Receivables	-	24,940	-	-	24,940
Contract assets	-	27,436	-	-	27,436
		52,376	**9,703**	**-**	**62,079**
Financial Liabilities					
Payables	-	(55,193)	-	-	(55,193)
Contract liabilities	-	(14,843)	-	-	(14,843)
Borrowings	8.3	-	(196)	(17,597)	(17,793)
Lease liabilities	6.4	-	(4,433)	(15,688)	(20,121)
		(70,036)	**(4,629)**	**(33,285)**	**(107,950)**
2020					
Financial Assets					
Cash and cash equivalents	0.6	-	43,930	-	43,930
Receivables	-	36,762	-	-	36,762
Contract assets	-	18,781	-	-	18,781
		55,543	**43,930**	**-**	**99,473**
Financial Liabilities					
Payables	-	(53,995)	-	-	(53,995)
Contract liabilities	-	(18,801)	-	-	(18,801)
Borrowings	2.1	-	(25,232)	-	(25,232)
Lease liabilities	6.5	-	(3,459)	(17,751)	(21,210)
		(72,796)	**(28,691)**	**(17,751)**	**(119,238)**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 33: Financial Instruments (Cont'd)

(iv) Net Fair Values of financial instruments

Unless otherwise stated, the carrying amount of financial instruments reflect their fair value.

(v) Sensitivity Analysis

Interest Rate Risk and Price Risk

The consolidated entity has performed sensitivity analysis relating to its exposure to interest rate risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

The consolidated entity's cash and cash equivalents and borrowings are subject to interest rate sensitivities. At 30 June 2021, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant is immaterial.

Price Risk Sensitivity Analysis

At 30 June 2021, the effect on profit and equity as a result of changes in the price risk, with all other variables remaining constant would be as follows:

	Consolidated Entity	
	2021 $000	2020 $000
Change in profit		
Increase in labour costs by 5% (CPI assumption)	**(3,064)**	(4,179)
Change in equity		
Increase in labour costs by 5% (CPI assumption)	**(3,064)**	(4,179)

In the opinion of the consolidated entity's management, the majority of the above increase in labour cost, had it been incurred, would have been negated by an increase in the price of services offered by the consolidated entity.

The above sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

NOTE 34: 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

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Consolidated 2021				
Assets				
Non-current asset held for sale	-	-	56,655	56,655
Total assets	**-**	**-**	**56,655**	**56,655**
Consolidated 2020				
Assets				
Non-current asset held for sale	-	-	56,644	56,644
Total assets	**-**	**-**	**56,644**	**56,644**

There were no transfers between levels during the financial year.

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

The non-current asset held for sale has been valued using a discounted cash flow model.

In October 2019, the Group's 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
- A nominal post-tax discount rate range of 9.5% to 11.0%.

The Homeground Gladstone property is currently on the market and classified as a non-current asset held for sale and is valued at $56,655,000 net of selling costs.

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

NOTE 34: Fair Value Measurement (Cont'd)

The fair value is sensitive to long term changes to 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 35: Contingent Liabilities

	Consolidated Entity	
	2021 $000	2020 $000
Guarantees given to external parties for satisfactory contract performance for the consolidated entity	**69,917**	96,842

Decmil is currently engaged in contractual disputes in relation to the Sunraysia Solar Farm project with Sunraysia Solar Project Pty Ltd and the Amrun project with Southern Cross Electrical Engineering Limited. Whilst the Company expects a favourable outcome on these disputes, in the event that it is unsuccessful in its claims, it may be required to pay liquidated damages and/or other amounts to the customer.

Apart from the above there are no further contingent liabilities relating to the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 36: Parent Entity Information

	Parent Entity	
	2021 $000	**2020 $000**
Statement of profit or loss and other comprehensive income		
Loss for the year	**(37,307)**	(32,100)
Total comprehensive income for the year	**(37,307)**	(32,100)
Statement of financial position		
ASSETS		
Current assets	**71,489**	79,146
Non-current assets	**90,915**	91,293
TOTAL ASSETS	**162,404**	170,439
LIABILITIES		
Current liabilities	**139,082**	108,214
Non-current liabilities	**10,106**	11,467
TOTAL LIABILITIES	**149,188**	119,681
EQUITY		
Issued capital	**267,543**	267,778
Accumulated losses	**(254,327)**	(217,020)
TOTAL EQUITY	**13,216**	50,758

a) Guarantees

Cross guarantees have been provided by Decmil Group Limited and its controlled entities as listed in note 27(b).

b) Other Commitments and Contingencies

Decmil Group Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities apart from that disclosed in note 35.

c) Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

NOTE 37: Subsequent Events

On 27 July 2021, Decmil signed a syndicated facility agreement with Pure Asset Management Pty Ltd (PureAM) and Horley Pty Ltd (Franco) which comprises a $20 million term loan facility ($15 million PureAM and $5 million Franco). The loan is a 3.5 year term (with the option of voluntary prepayment subject to early repayment premiums) at an interest rate of 11% per annum, reducing to 10% if the net leverage ratio falls below 2.0x and increasing to 15% if a review event or event of default is triggered. The facility agreement includes warrants of 30.8 million underlying shares (23.1 million PureAM and 7.7 million Franco) with an exercise price of $0.65 (subject to adjustment), expiring 5 years after issue, subject to shareholder approval at a general meeting of the Company no later than 31 August 2021. The loan is secured by second-ranking security over all present and future-acquired property and a second-ranking registered security over the property located in West Stowe, Queensland (Homeground).

The loan facility was drawn to $20 million at the date of this report.

On 26 July 2021, Decmil initiated a $10 million, $0.40 per share two tranche capital raise (Placement) with a $2 million share purchase plan (SPP). The Placement includes one option for every two new shares issued, exercisable at $0.48, with an expiry date of 2 years from issue.

Tranche one of the Placement ($7.7 million) was settled on 30 July 2021. Tranche two of the Placement and the SPP are subject to shareholder approval at a general meeting of the Company to be held on 30 August 2021. Settlement of the SPP (up to $2 million) is expected on 30 August 2021 and settlement of tranche two of the Placement ($2.3 million) is expected on 3 September 2021.

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

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 27(b) will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Andrew Barclay

Chairman

18 August 2021

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

Opinion

We have audited the financial report of Decmil Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Recognition of Revenue
Refer to Note 4 and 7 in the financial statements</td></tr>
<tr><td>The Group’s largest source of revenue is construction and engineering.

Construction and engineering revenue is recognised by management after assessing all factors relevant to each contract, including specifically assessing the following as applicable

• Determination of the stage of completion and measurement of progress towards performance obligations;
• Estimation of total contract revenue and costs including the estimation of cost contingencies;
• Determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims; and
• Estimation of project completion date.

This area is a key audit matter due to the number and type of estimation events over the course of the contract life, the unique nature of individual contract conditions, leading to complex and judgmental revenue recognition from contracts.</td><td>Our audit procedures included:

• Reviewing contractual terms with customers and substantiated project revenues and costs incurred against underlying supporting documents;
• Assessing management’s assumptions in determining the stage of completion, total contract revenue and total estimated costs;
• Checking mathematical accuracy of revenue recognised during the year based on the stage of completion;
• Reviewing customers and subcontractor correspondences and discussed the progress of the projects with project managers for any potential disputes, variation order claims, known technical issues or significant events that could impact the estimated contract costs;
• Discussing with project personnel and management on the rationale for revisions made to estimated costs and checked supporting documentation; and
• Reviewing management’s assessment and assessed the reasonableness of the provision for foreseeable losses provided by management.</td></tr>
</table>

Non-Current Asset Held-for-sale **Refer to Note 16 in the financial statements**	
The Group owns a property in the Homeground Accommodation Village in Gladstone, Queensland. During the year ended 30 June 2020, the fair value of the property was independently re-valued by an external valuer. With reference to the valuation report, management impaired the property to fair value less cost to sell of $56,655,000. The primary valuation method used by the external valuer was a discounted cash flow (DCF) model. We determined this area to be a key audit matter as there are judgements involved in the preparation of the DCF model such as the useful life of the asset, estimated occupancy rates over the useful life, estimated growth rates and an appropriate post-tax discount rate.	Our audit procedures included: • Assessing management's determination of whether there are any impairment indicators; • Assessing the valuation methodology used by the external valuer; • Assessing the competency of the external valuer; • Reviewing the independent valuation and assessing the assumptions and inputs used for reasonableness to ensure that they were still valid at 30 June 2021; and • Reviewing whether management met the criteria to recognise the property as a non-current asset held-for-sale.
Impairment of Intangible Assets **Refer to Note 20 in the financial statements**	
The carrying amount of goodwill as at 30 June 2021 is $75,482,000. Management performs an annual impairment test on the recoverability of the goodwill as required by Australian Accounting Standards. We determined this area to be a key audit matter as management's assessment of the value-in-use of the cash generating unit (CGU) involves judgement about the future cash flow projections, expected revenue growth rates and the discount rate.	Our audit procedures included: • Assessing management's determination that the goodwill should be allocated to one CGU; • Conducting a review of the appropriateness of the value-in-use model used; • Challenging the reasonableness of key assumptions used in the value-in-use model, including the future cash flow projections, expected revenue growth rates and the discount rate; • Sensitivity analysis over the key assumptions used in the model; and • Reviewing the adequacy and accuracy of the relevant disclosures in the financial statements.
Recognition of Deferred Tax Assets **Refer to Note 25 in the financial statements**	
The Group has recognised net deferred tax assets of $22,249,000 on the statement of financial position as at 30 June 2021. We determined this area to be a key audit matter as management's assessment as to whether the deferred tax assets satisfy the probability criteria that future taxable income will be available to utilise this asset involves judgement about the future profitability of the Group.	Our audit procedures included: • Reviewing the tax effect calculations; and • Reviewing management's forecast of future taxable income and assessing the assumptions and inputs used in the forecast for reasonableness.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Decmil Group Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 18 August 2021

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

FOR THE YEAR ENDED 30 JUNE 2021

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows.

1. Substantial shareholders

The names of substantial beneficial shareholders listed on the Company's register as at 30 June 2021 are:

	Shares	%
Thorney Investment Group	23,508,670	18.26
Franco Family Holdings	9,502,200	7.38
IFM Investors	8,000,000	6.22

The following information is made up as at 31 July 2021:

2. Distribution of shareholdings

	No. of shareholders	No. of ordinary shares	%
1 – 1,000	3,235	987,504	0.77
1,001 – 5,000	1,525	3,828,629	2.97
5,001 – 10,000	579	4,436,744	3.45
10,001 – 100,000	892	26,869,356	20.87
100,001 and over	124	92,615,364	71.94
Total	**6,355**	**128,737,597**	**100.00**

There are 3,494 shareholders with an unmarketable parcel totalling 1,287,857 shares.

3. Voting rights

All ordinary shares issued by Decmil Group Limited carry one vote per share without restriction.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

FOR THE YEAR ENDED 30 JUNE 2021

4. Twenty largest shareholders

The names of the twenty largest registered shareholders of fully paid ordinary shares in the Company as at 31 July 2021 are:

	No. of Ordinary Fully Paid Shares Held	%
UBS Nominees Pty Ltd	24,559,519	19.08
Citicorp Nominees Pty Limited	12,686,121	9.85
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	9,897,751	7.69
Bond Street Custodians Limited <Salter - D79836 A/C>	2,500,000	1.94
CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	2,289,321	1.78
Healey Nominees Pty Ltd	2,100,000	1.63
Block Capital Group Limited	2,000,000	1.55
HSBC Custody Nominees (Australia) Limited	1,997,130	1.55
Mrs Jenny Mary Baguley + Mr John Richard Baguley <Baguley Family S/F A/C>	1,700,000	1.32
Bond Street Custodians Limited <Rsalte - D44396 A/C>	1,330,000	1.03
Goliath Housing Pty Ltd	1,289,429	1.00
Berkopy Holdings Pty Ltd	1,250,000	0.97
Brindle Holdings Pty Ltd <O'connor S/F A/C>	1,067,377	0.83
Bond Street Custodians Limited <Rsalte - V57322 A/C>	920,000	0.71
ANF Pty Ltd <Priolo Super Fund A/C>	850,000	0.66
Broadway Pty Ltd <Decmil Australia A/C>	782,467	0.61
Iral Pty Ltd <Iral A/C>	775,193	0.60
Neweconomy Com Au Nominees Pty Limited <900 Account>	744,176	0.58
Dr Olga Assef	722,198	0.56
Bond Street Custodians Limited <Rsalte - V39117 A/C>	690,000	0.54
Total	**70,150,682**	**54.48**

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