

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

Delivering integrated  
construction and  
engineering solutions

# ANNUAL REPORT 2022

# Corporate Directory

## Directors

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

## Company Secretary

Ian Hobson

## Registered Office

20 Parkland Road, Osborne Park, WA 6017  
Telephone: 08 9368 8877

## Postal Address

PO Box 1233  
Osborne Park WA 6916

## Australian Business Number

35 111 210 390

## ASX Code

DCG

## Auditor

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

## Share Registry

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace, Perth WA 6000  
Telephone: 08 9323 2000  
Email: [www-au.computershare.com/Investor](http://www-au.computershare.com/Investor)  
Website: [www.computershare.com](http://www.computershare.com)

## Bankers

National Australia Bank Ltd  
100 St Georges Terrace, Perth WA 6000  
Telephone: 13 10 12

## Controlled Entities

Decmil Australia Pty Ltd  
Decmil Engineering Pty Ltd  
Decmil PNG Limited  
Decmil 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



Albany Ring Road Project  
Albany, Western Australia



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## 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 2022. 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', 'the Group', 'the Company', 'the consolidated entity' 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 2021 to 30 June 2022, 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](http://www.decmil.com)

# Letter from the Chair



“

The strategy for the business going forward is centred around a much more selective approach to tendering new work, with a focus on an appropriate risk allocation to Decmil, higher profit margins than have historically been targeted, and work that is part of Decmil's core capabilities in its core regions, with financially strong clients.

**Andrew Barclay**

Chairman

Dear Shareholders,

As Chairman of Decmil Group Limited, and on behalf of my fellow Directors, I am pleased to provide the Decmil Group Annual Report for FY2022.

The significant challenges which the Company in particular and the construction industry generally faced in the last 12 months are well known to our investors. The challenges to the industry generally include escalation costs for materials and energy, labour shortages, significant COVID-19 restrictions and impacts, and in relation to the Company the effects of some legacy disputes continue.

As a result, and as the Company advised the market on 27 July 2022, it is disappointing to report a net loss after tax of \$103 million for the year on revenues of \$378 million.

Notably, despite the accounting result which was impacted by a \$48 million write-down of goodwill and deferred tax assets, Decmil reported a net operating cash inflow of \$12 million for the second half of FY2022 and \$6 million for the financial year, with no net debt at 30 June 2022.

Importantly, our reinvigorated operational base has given us cause to approach FY2023 with greater confidence. We have actively renegotiated contracts to align with current market conditions, adopted a highly selective approach to contract tendering to complement our very strong order book, addressed several key legacy issues and bolstered our executive team.

Since the last annual report, several legacy projects were resolved. We achieved Substantial Completion on the Sunraysia Solar Farm project in January 2022, and in August 2022 we finalised the ongoing dispute with Southern Cross Electrical Engineering Limited. In addition, management has undertaken a cautious and prudent review of balance sheet items which resulted in adjustments at 30 June 2022 so that the business is well positioned for FY2023.

The Board has also undertaken a renewal of the Executive Team with the appointment of Rod Heale as Chief Executive Officer on 20 June 2022. Rod brings a wealth of experience in Tier 1 contracting, with a focus on resolving disputes, risk awareness, assessment and management, negotiation of claims, client relationships and winning high-quality work. The Board, management team and employees of Decmil are excited to be working with Rod as he brings an impressive level of expertise and leadership.

## Strategy

The strategy for the business going forward is centred around a much more selective approach to tendering new work, with a focus on an appropriate risk allocation to Decmil, higher profit margins than have historically been targeted, and work that is part of Decmil's core capabilities in its core regions, with financially strong clients.

This strategy aims to create a sustainable business model by

returning Decmil to profitability, to rebuild the balance sheet and ultimately deliver improved value for shareholders.

In FY22 the Homeground accommodation village contributed its best financial result in many years, with an EBITDA of \$1.3 million. However, the sale of Homeground remains a key objective for Decmil in order to utilise the capital of the Company more effectively.

## Outlook

Decmil continues to focus on the infrastructure market with significant projects underway, such as the Albany Ring Road in Western Australia, Bruce Highway in Queensland, and Barwon Heads and Gippsland Line Upgrade (rail) in Victoria. With a successful infrastructure track record to date, Decmil has established itself as a trusted and competent partner with state government infrastructure authorities and expects to continue to win significant packages of work over the coming years as the strong infrastructure market continues.

The award of key lithium contracts in the 2022 financial year further diversifies Decmil's portfolio of clients in the Resource sector to complement our traditionally iron ore-focused capability. The Company expects to continue winning work in this sector as commodity prices remain buoyant.

We have continued our involvement in the Energy sector on the Ryan Corner and Crookwell wind farm projects. Both projects experienced delays due to permitting and approvals issues in FY22. However, all approvals and permits are now in place for the Ryan Corner project to commence. Decmil has an excellent track record delivering Balance of Plant in the renewables sector and we will continue to actively seek opportunities in that area.

The past year has seen Decmil's entry into the Construction sector with awards of the Karratha Senior High School buildings, the Pundulmurra TAFE development and (following a detailed Early Contractor Involvement Process) the Florin Parkside apartments development, all in Western Australia. This sector has become a renewed focus for the business provided that the Company can satisfy itself of the appropriate risk allocations. Decmil is focused on selectively securing projects in this sector which are both within the Company's regional expertise and offer favourable margins due to Decmil's competitive advantage to deliver these projects.

## Our people

I would like to acknowledge my appreciation to our loyal employees and management for their continued support in the last year, especially during the challenging times for the business. Your hard work and dedication will ensure Decmil's success over the long term.

The safety of our people continues to be our first priority, with Decmil reporting a pleasing result for FY22, with a lost time injury frequency rate of 0.7 and a total recordable injury frequency rate of 3.6.

During FY22, Decmil continued to work towards achieving the objectives in our Reflect Reconciliation Action Plan. Over the past year, we have focused on building cultural awareness and understanding across our business, and we have continued to develop strong relationships with the communities in which we operate. We have significantly improved the diversity of our supply chain. For example, on the Mordialloc Freeway Project (a Joint Venture with McConnell Dowell) the value of the aggregate amount spent with Aboriginal businesses exceeded \$4 million, and our workforce included in excess of 45,000 hours by aboriginal employees or contractors. Similarly, on the Albany Ring Road project, approximately 6% of total contract spend has been with Aboriginal businesses and approximately 10% of the total worked hours has been by Aboriginal persons.

## Conclusion

Whilst the Company has had a difficult year, the Board is confident about the future outlook for Decmil. The contracted order book currently stands at \$600 million, over \$70 million higher than at the end of the 2021 calendar year, with \$475 million already secured for the 2023 financial year. This is a solid foundation for growth in the coming year and beyond.

With our renewed Executive and the increased emphasis on risk mitigation, Decmil expects the contracted work in hand to be executed safely and profitably in the coming year. Along with a selective approach to tendering new work, the Company expects to return to profitability.

I would like to take this opportunity on behalf of the Board to thank our loyal shareholders for their ongoing support and our employees for their continued contribution and dedication to Decmil.

Thank you.



Andrew Barclay  
Chairman



# Our Business

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.



## Mordialloc Freeway Project

Decmil, in a Joint Venture with McConnell Dowell, and in partnership with Major Roads Projects Victoria, delivered exceptional outcomes for the Mordialloc Project, with many economic and social benefits provided for the broader community and all state requirements for the project being exceeded. This included over \$4.3million Aboriginal Business Spend and over 45,000 hours of employment for Aboriginal workers.

# Our Business

We provide design, engineering and construction services for the infrastructure, resources, and energy sectors and provide residential, industrial, and commercial construction.



## Infrastructure

We deliver transportation infrastructure projects of varying scope and complexity, including major roads, bridges, railway networks, airport and port infrastructure.

Major highway projects that we have constructed include interchange designs, bridges and bridge widenings. We have 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

With extensive capabilities and in-house design management teams, we deliver large scale complex project delivery across a range of resource industries, including mining, metals, minerals, and chemicals.

Projects that we have delivered include 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 have worked in Greenfields and Brownfields environments in some of the most remote and harsh climatic regions around Australia. We understand what is required for successful project delivery in challenging conditions and environments.



## Energy

We deliver innovative solutions for a wide range of projects across the Renewables Energy industry and the Oil & Gas industry.

We have been involved in Australia's largest solar and wind farms, delivering Balance of Plant works and providing feasibility, engineering, project management and construction services. Civil works include wind turbine foundations, earthworks, access tracks, crane pads and hardstands. Electrical works include electrical reticulation, switchroom buildings, and substations.

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 Liquefied Natural Gas (LNG) Projects.



## Construction

We construct residential, industrial and commercial buildings, and have delivered a range of projects for the private sector and for government and local councils across Australia.

We have designed and built schools, medical centres, civic centres, facilities, airports, and accommodation units.

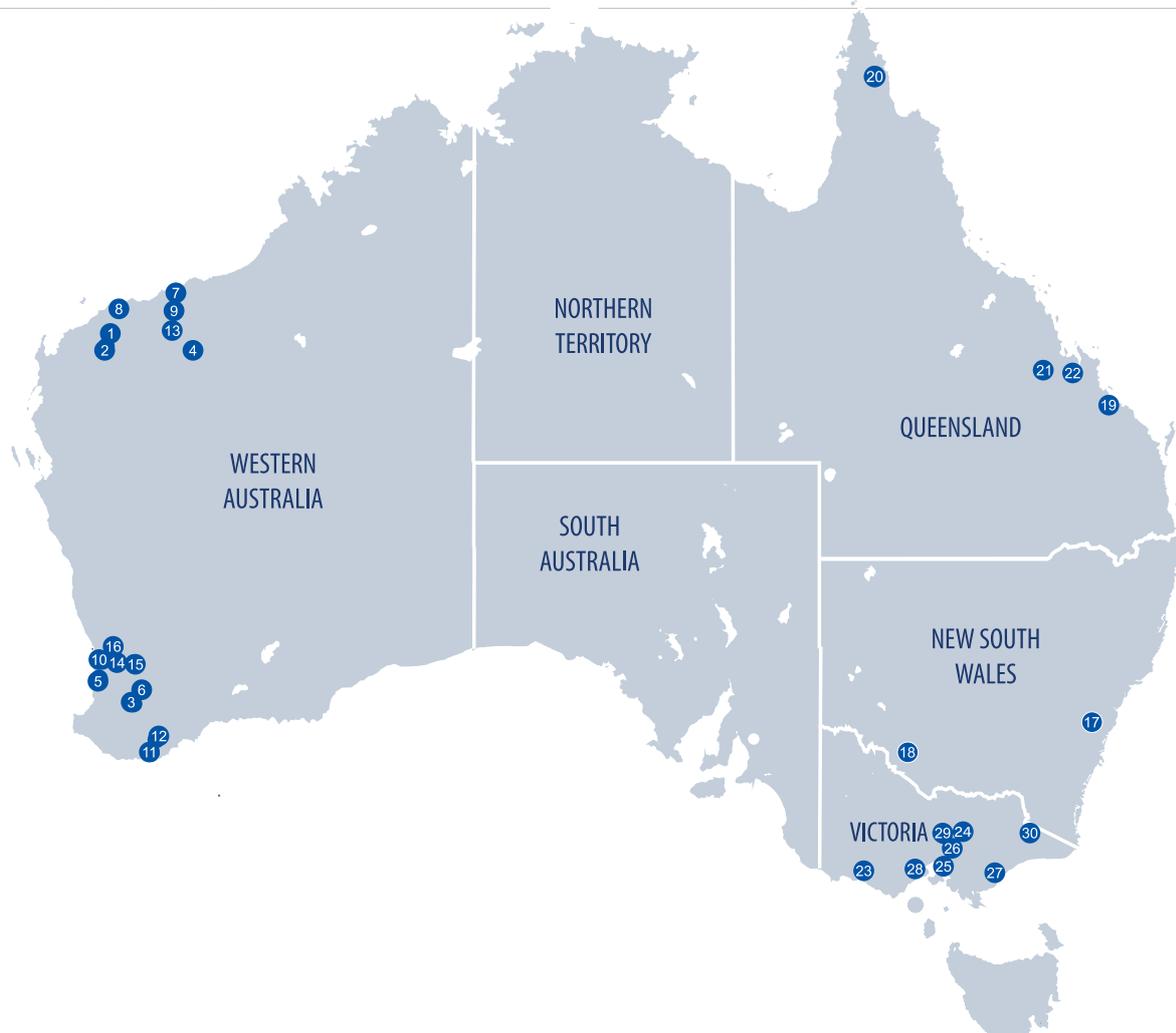
We specialise in building commercial and mixed-use developments from concept design management and construction through to commissioning. We deliver high quality commercial buildings within stringent timeframes and budget considerations.

We work with diverse groups of stakeholders and develop project specific plans to identify, engage and communicate with stakeholders throughout the project lifecycle to achieve positive project outcomes.

# Our Projects

Projects in construction or completed during FY2022 include:

- |    |  |    |  |
|----|--|----|--|
| 1  | Mesa A Laboratory (Rio Tinto)                                    | 16 | Mitchell Freeway Principal Shared Path (Main Roads WA)   |
| 2  | Mesa J HV & LV (Rio Tinto)                                       | 17 | Crookwell 3 Wind Farm Project (GPG Australia)  |
| 3  | Surface Water Management Cloud Break (FMG)                       | 18 | Sunraysia - O&M (Sunraysia Solar)  |
| 4  | Hydrogen refuelling station ancillary works (FMG)                | 19 | Bruce Highway Upgrade Gin Gin to Benaraby (Department of Transport and Main Roads, Queensland)                             |
| 5  | Covalent Kwinana NPI (Covalent Lithium)                          | 20 | Peninsula Developmental Road - Archer River Southern Approach (Department of Transport and Main Roads, Queensland)         |
| 6  | Talison MSA (Talison Lithium)                                    | 21 | Capricorn Highway Winton Creek to Agricultural College Widening Roads (Department of Transport and Main Roads, Queensland) |
| 7  | Port Hedland Community Centre (Town of Port Hedland)             | 22 | Northern Development Area Camp (QGC Shell)   |
| 8  | Karratha Senior High School (Minister for Works)                 | 23 | Ryan Corner Wind Farm (GPG Australia)  |
| 9  | Pundulmurra TAFE (Minister for Works)                            | 24 | Plenty Road (Major Road Projects Victoria)   |
| 10 | Florin Parkside (Stirling Parkside)                              | 25 | Mordialloc Freeway Project (Major Road Projects Victoria)  |
| 11 | Albany Ring Road (Main Roads WA)                                 | 26 | Crossings in the Otway, Murrindindi, Ovens & Upper Murray Districts (Department of Environment, Land, Water and Planning)  |
| 12 | Albany Ring Road - Stage 2 (Main Roads WA)                       | 27 | Gippsland Rail Upgrade Works (Rail Projects Victoria)  |
| 13 | Bridge 5413 on Roy Hill - Munjina Road over Rail (Main Roads WA) | 28 | Barwon Heads Road Upgrade (Major Road Projects Victoria)   |
| 14 | Great Eastern Highway Realignment - Wooroloo (Main Roads WA)     | 29 | Structures Rehabilitation Project, North & South East (Major Road Projects Victoria)                                       |
| 15 | Great Eastern Highway Realignment - Coates Gully (Main Roads WA) | 30 | Snowy District Crossings (Department of Environment, Land, Water and Planning)   |





# Homeground Gladstone

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

Homeground Gladstone  
Gladstone, Queensland



## 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.

# Health and Safety

Our goal is to build a workplace where our people are safe, happy and healthy.

## Health and Safety

The safety, health and wellbeing of all of our employees and our suppliers is of paramount importance and remains a top commitment.

Safety underpins everything we do at Decmil and drives the actions of every employee at every project location. Keeping our people healthy and safe requires a constant commitment from our leaders and project teams, and we continue to focus on safety leadership and culture.

We continue to focus on effectively managing risks across the business, ensuring that together, we can get home safely, every day. We constantly focus on new safety initiatives across our business that target root causes and risk factors, ultimately delivering solutions for a safer, more productive work environment.

## Safety Performance

During the past year, we continued to implement our critical risk management program, simplify our management systems and improve the tools we use to efficiently capture and report on health, safety and environment related metrics.

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.

Across the year, our Total Recordable Injury Frequency Rate (TRIFR) and Lost Time Injury Frequency Rate (LTIFR) increased slightly and our High Potential Incident Frequency Rate (HPIFR) improved from the previous reporting period. To improve lagging performance outcomes, we introduced a range of new key leading indicator metrics early in 2022.

	2022	2021	2020	2019	2018
TRIFR	3.6	0.9	4.3	5.3	3.4
LTIFR	0.7	0.0	0.7	1.1	1.0
HPIFR	4.3	5.5	7.2	9.1	12.9

Decmil has teamed up with SkillHire as the RTO to facilitate training for several Aboriginal trainees on our Albany Ring Road Project. In addition to one of project's trainees, Barry Roberts, winning the Skill Hire Trainee of the Year award for 2021, Decmil was awarded the Safety Award Host Employer for the year.

## Management System Accreditation

We successfully regained our third party accreditation to ISO 45001, and maintained our accreditation with the Office of the Federal Safety Commissioner (OFSC). This will allow us to continue to deliver federally funded projects.

## COVID-19

Despite another challenging year due to the ongoing impacts of COVID-19 on our people and across our projects, we remained focused on ensuring the health and wellbeing of our people whilst maintaining the productivity of our operations.

During the year, we implemented various mitigation strategies to reduce the impact of government mandated restrictions. Our operational teams responded well to government mandated closures of some of our projects and office locations, with recommencement of operations occurring in a safe and efficient manner.

Our project teams continued to implement innovative solutions to meet COVID-19 contact tracing requirements, using innovative technology to dramatically reduce the risk of COVID-19 during the delivery of project works.

We remain agile and resilient to deliver performance for our clients and we continue to monitor the constantly evolving situation and adapt our response to reduce operational impacts as much as possible. Our processes continue to be applied as required and in accordance with applicable public health orders by project and by location.

## Wellbeing Initiatives

Supporting both the physical health and mental health of our employees is critical. We aim to build a workplace with positive mental health to contribute positively to performance and productivity.

During the year we conducted a Psychosocial Workplace Risk Survey to a better understand the psychosocial hazards and factors that influence the psychological health of our workers. We are committed to using the results of this survey to inform continuous improvement in workplace health and safety.

Our employee assistance program (EAP) is provided to all Decmil employees and their immediate family members to support their mental health and wellbeing. This program is provided externally and includes support and counselling for a broad range of personal and work-related concerns which may impact on their work life and job performance.

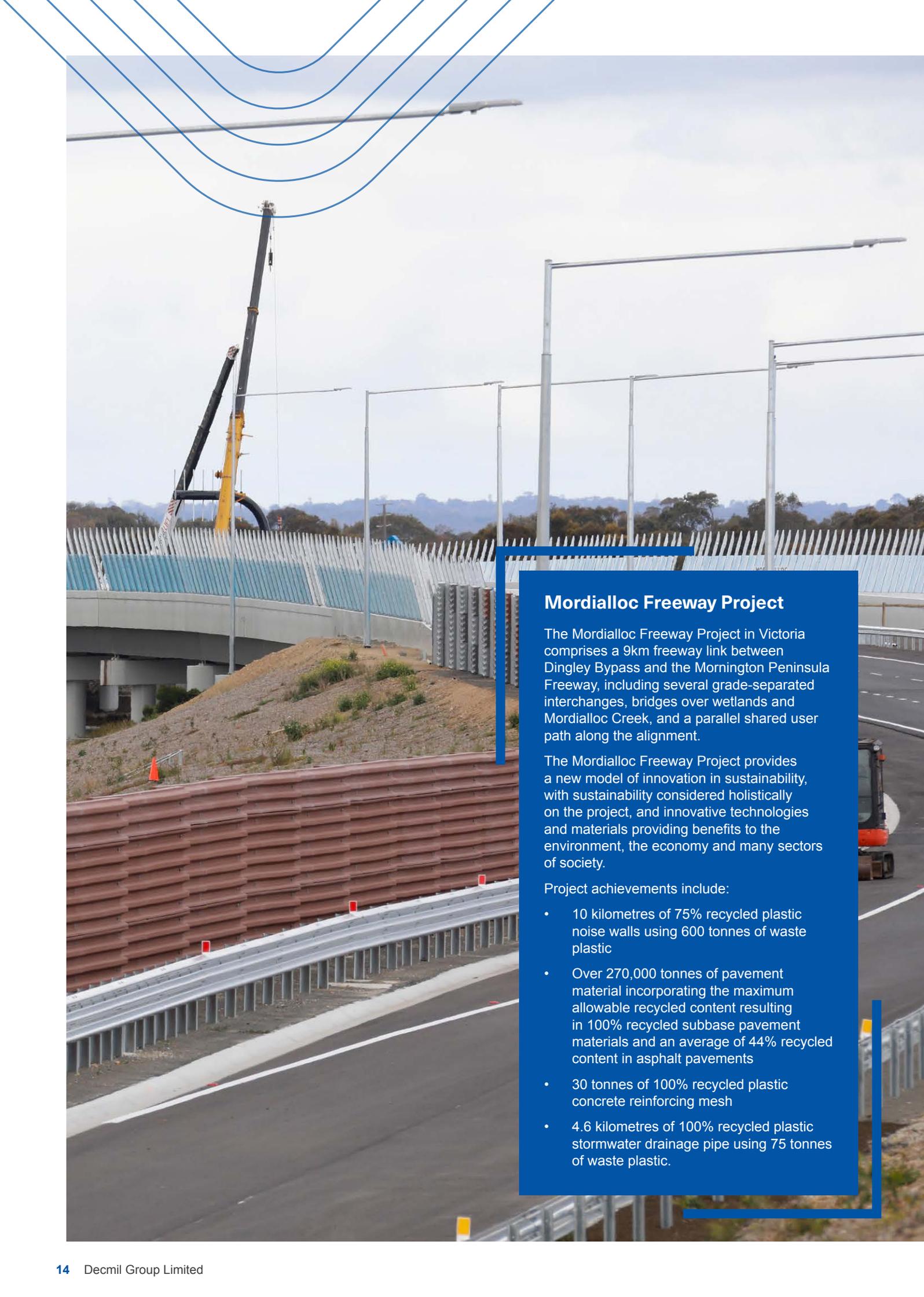
With the impact of COVID-19 restrictions and related lockdowns affecting the regions in which we operated, our EAP program provided vital support to our employees during this period.



## Non-Process Infrastructure Works

Our business was born in the Pilbara, a resources hub and the foundation of Decmil's core business. 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.

Our capabilities within the resources sector include remote camp construction, building, civil, structural mechanical and piping, hydraulic, and electrical and instrumentation.



## Mordialloc Freeway Project

The Mordialloc Freeway Project in Victoria comprises a 9km freeway link between Dingley Bypass and the Mornington Peninsula Freeway, including several grade-separated interchanges, bridges over wetlands and Mordialloc Creek, and a parallel shared user path along the alignment.

The Mordialloc Freeway Project provides a new model of innovation in sustainability, with sustainability considered holistically on the project, and innovative technologies and materials providing benefits to the environment, the economy and many sectors of society.

Project achievements include:

- 10 kilometres of 75% recycled plastic noise walls using 600 tonnes of waste plastic
- Over 270,000 tonnes of pavement material incorporating the maximum allowable recycled content resulting in 100% recycled subbase pavement materials and an average of 44% recycled content in asphalt pavements
- 30 tonnes of 100% recycled plastic concrete reinforcing mesh
- 4.6 kilometres of 100% recycled plastic stormwater drainage pipe using 75 tonnes of waste plastic.

# Sustainability

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

## 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 over the past year.

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 environment initiatives relating to carbon reduction, waste management, water recycling and conservation
- Land rehabilitation and native vegetation planting on our projects.

## Excellence in Environmental Outcomes

The Mordialloc Freeway Project was constructed between October 2019 to November 2021 for Major Road Projects Victoria by the McConnell Dowell and Decmil Joint Venture (MCDDJV).

Decmil, alongside our client Major Road Projects Victoria and our joint venture partner McConnell Dowell, won the 2022 Contractor Excellence Award, which was awarded by Infrastructure Partnerships Australia - National Infrastructure Awards.

The project was also commended for achieving excellence in environmental outcomes. The Infrastructure Sustainability Council awarded the project with Excellence in Environmental Outcomes Award for 2022.

## Our Reconciliation Vision

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.

The launch of our first Reflect RAP in 2020 laid the foundation for our future commitments and initiatives and demonstrated our long-term commitment to take action to strengthen the relationships between Aboriginal and Torres Strait Islander peoples and Decmil. Over the past year we have focused on building a work culture that fosters inclusion, respect and equality for all people. We have continued to develop strong relationships with the communities in which we operate and have significantly improved the diversity of our supply chain.

As part of our next step in our reconciliation journey, our Innovate RAP has been completed and was submitted to Reconciliation Australia in May 2022 for review and approval. We are currently in the approval process with Reconciliation Australia, with approval of our Innovate RAP expected by around September 2022.

## Aboriginal Participation and Engagement

Decmil is 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.

Decmil is now a member of Kinaway Chamber of Commerce in Victoria. Kinaway represents all Victorian Aboriginal and Torres Strait Islander business owners.

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

Although the Covid-19 pandemic continued to interrupt planned activities this year, we continued to focus on meeting our commitments and managed to implement various events and activities to raise cultural competency across our business.

Over the past year, we implemented various workshops and cultural awareness training for corporate and project site staff. Welcome to Country and Smoking Ceremonies were held across some of our project sites.

Reconciliation Day workshops and toolbox sessions were held across our business to instill a greater understanding of Reconciliation Day and an appreciation of Aboriginal and Torres Strait Islander culture. NAIDOC week activities took place across our business and project sites in celebration of Aboriginal and Torres Strait Islander culture.

# People and Culture

Our goal is exceptional project management and delivery, driven by motivated and committed employees who understand our vision and believe in Decmil's purpose and values.

## Our Cultural Framework

Decmil's values, vision and strategy support our culture. Our beliefs and behaviours are guided by these frameworks which provide a structure to set the operational expectations across our business.

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', continues to align our people and is essential for success across Decmil.

## Our Values

At the heart of what we do is our people. We believe that a diverse, inclusive and flexible workforce is the key to successfully delivering projects for our clients and the communities in which we operate.

Our 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 and how we do it.

Our five core values are key to the successful delivery of our long-term business strategy.

## Annual Overview

Over the past year, Decmil's focus has been on retaining and recruiting the most talented people in the industry.

The number of employees at 30 June 2022 was 343 – this includes 298 salaried employees and 45 wages employees. This figure does not include contractors, subcontractors or Non-Executive Directors.

Decmil has welcomed over 155 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.

## Achievements

Some of our achievements in the past twelve months include the following:

- One of our Aboriginal Trainees working on the Albany Ring Road Project in Western Australia, Barry Roberts, was awarded the Skills Hire Trainee of the Year Award. In addition, Decmil was awarded the Safety Award Host Employer of the Year Award.
- Introducing a paid parental leave including up to 14 weeks of paid maternity or adoption leave.
- Similar to many businesses that operate nationally, Decmil has emerged from the post Covid lockdown era with a renewed focus on flexible work arrangements, including options for employees to work from home where appropriate.
- Creating a pathway for a number of our Aboriginal labour hire employees in Victoria, employed by First Nations, to move from traffic controllers into Civil Construction Apprenticeships thus providing meaningful employment opportunities as skilled workers in construction.
- Working with universities such as Swinburne University in Victoria, to provide engineering opportunities for vocation students across our various projects.

## Outlook

A strong part of our culture is to attract, recruit and nurture the right people for our business. We have revisited our employment brand externally, allowing us to attract the talent we need for future growth.

Our focus will continue to be on growing our capability across our business by driving inclusive and diverse high-performing teams.

We will continue to introduce strategies that attract, develop and retain the highly skilled and experienced workforce required to deliver on our vision.

**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.



Mordialloc Freeway Project  
Melbourne, Victoria



Bridge 5413 Roy Hill Bridge Over Munjina Road  
Pilbara, WA

# 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 a former partner of the Perth office of Mallesons Stephen Jacques (now King & Wood Mallesons) with over 30 years' experience in major projects, mining, banking and finance and insolvency matters.

In private practice Andrew has been involved in significant Western Australian infrastructure and mining projects, and major Western Australian corporate insolvencies. More recently, Andrew has acted as in-house counsel at Fortescue Metals Group and Roy Hill Holdings.

Andrew holds a Bachelor of Laws (Hons) and Bachelor of Economics.



**Peter Thomas | Director**

Peter Thomas was appointed as a Director in July 2020 and currently holds the position of Chief Financial Officer. He is an experienced executive in the construction and resources industry with a proven track record in delivering large 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).

Peter holds an MBA from Harvard, Bachelor Of Economics, Bachelor of Science, AIAA and GAICD.



**Vin Vassallo | Director**

Vin was appointed as a Non-Executive Director in June 2021. Vin was appointed as Interim CEO in April 2022 and is currently involved in the transition of new CEO Rod Heale, who joined Decmil in June 2022.

Vin has over 25 years of experience in the Australian infrastructure sector, and has previously been Executive Regional Manager for Abigroup Contractors, an Australian infrastructure contractor.

Vin has recently taken the role of Group Executive of Development at Transurban and is an Executive Director at Olla Advisory.

Vin 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 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

Our Executive 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.



## 01 Rod Heale – Chief Executive Officer

Rod brings more than 30 years' experience in the building, construction and infrastructure industry across Australia.

Prior to joining Decmil Rod was Chief Operating Officer for John Holland's Australia and Asia business. Prior to this, Rod served as a Regional Executive for Thiess, John Holland and CPB Contractors.

Rod holds a Bachelor of Engineering (Civil) from Monash University and a Master of Construction Law from The University of Melbourne. Rod is also a Fellow of Engineers Australia, a Fellow of the Australian Institute of Company Directors, and a Registered Builder in Victoria and Western Australia.

## 02 Peter Thomas – Chief Financial Officer

Peter Thomas was appointed as a Director in July 2020 and currently holds the position of Chief Financial Officer.

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

Peter holds an MBA from Harvard, Bachelor Of

Economics (Macquarie), Bachelor of Science (Macquarie), AIAA and GAICD.

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).

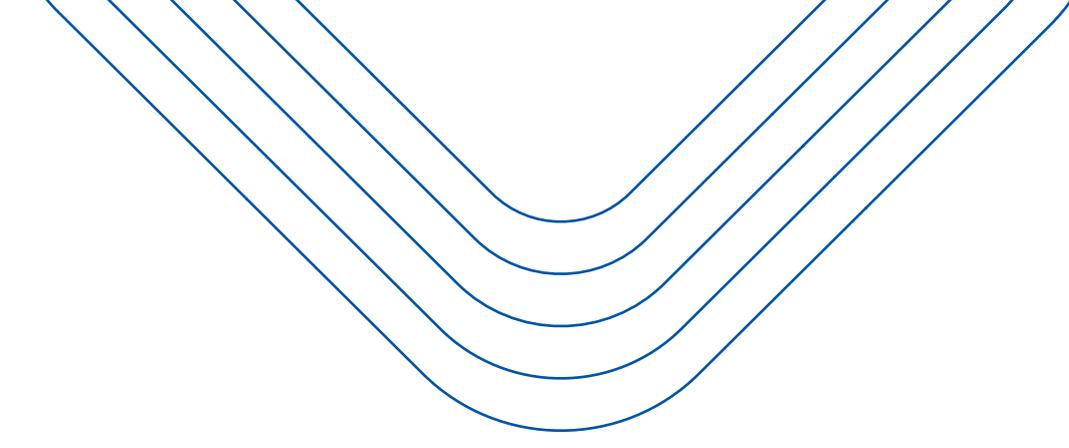
## 03 Lance van Drunick – General Manager Western Region

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.

Lance has a demonstrated track record in executive management, strategic business operations, business development, and operational project management.





#### **04 Mark Angove – General Manager Northern Region**

Mark was appointed General Manager in June 2022. Mark is a Senior Executive Leader, with over 25 years of leadership experience in engineering and construction. A qualified civil engineer, Mark has built his career and reputation on leading professionals within the civil and infrastructure construction sector.

Mark has held diverse roles including Project Manager, Construction Manager, Project Director, Operations Manager, Chief Operating Officer and Managing Director.

#### **05 Chris Ashton – Group Manager Business Systems**

Chris joined Decmil in January 2017, and previously worked for Decmil in senior operational positions from 2008 to 2012.

Chris has over 23 years' experience in Heavy Civil and Multidisciplinary Construction having worked on major Resources, Oil and Gas, Renewables and Infrastructure projects throughout Australia.

Chris holds a Bachelor of Engineering – Civil and Construction. With a strong operations background, he currently leads Decmil's

Business Systems team who are responsible for supporting operational excellence.

#### **06 Rob Currie – Group Manager People & Culture**

Rob joined Decmil in May 2022 and has 25 years of experience in Human Resources (HR) and Industrial Relations (IR) related roles.

He has experience working throughout Australia in the civil construction, building, telecommunications, and mining industries leading both corporate and project HR/IR teams for companies such as Lendlease, Leighton Contractors, Abigroup and Akron Roads.

Rob leads and manages Decmil's People and Culture function and is responsible for the continued development of Decmil's organisational culture and staff engagement strategies.

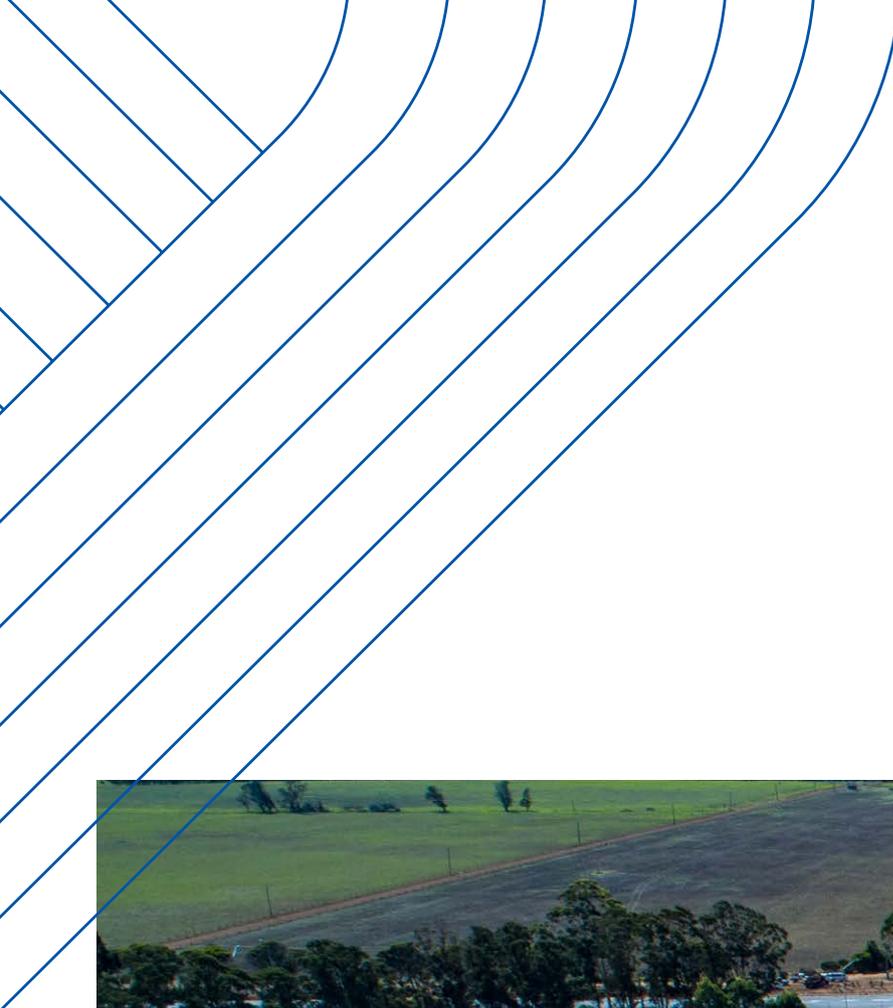
#### **07 Victoria Strong – Group General Counsel**

Tory Strong commenced her role as Group General Counsel with Decmil in June 2022. She holds a Bachelor of Art (Hons) and Bachelor of Laws.

Tory provides legal counsel to the business and supports the broader business with legal advisory and risk

mitigation.

Tory has worked as a lawyer for over 25 years moving to Perth from Melbourne 14 years ago. She has experience working in various countries in construction, major projects and mining for companies including BHP, Duro Felguera Australia, Iron Ore Holdings Ltd (now BC Minerals Ltd) and Barmenco Pty Ltd.



Albany Ring Road Project  
Albany, Western Australia

# Directors' Report



# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2022

## 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.

## Operating and Financial Results

Revenue for the financial year ended 30 June 2022 was \$378 million compared to \$304 million in the prior year.

Earnings before interest, tax, depreciation, amortisation and impairments was a loss of \$44 million compared to a loss of \$2 million in the prior year.

The consolidated entity reported a statutory net loss for the year of \$103,230,000 (2021: loss of \$11,456,000).

Operating cash flow for the financial year ended 30 June 2022 was a net inflow of \$6 million compared to a net outflow of \$22 million in the prior year.

At 30 June 2022 the balance sheet reflected an overall neutral net cash position compared to a net debt position in the prior year of \$8 million. Net assets were \$38 million at 30 June 2022 compared to the prior year of \$129 million.

## Dividends Paid or Recommended

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

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## COVID-19

Decmil has experienced some operational impacts from COVID-19. Several projects were constrained by reduced staffing levels in line with respective Government requirements. Over and above the state border travel restrictions that severely impacted resource movements, material supply has been significantly impacted, which includes strategic components and materials that were delayed from off-shore suppliers. These delays caused a resequencing of works with additional costs in some projects.

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

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

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

Pleasingly revenue from operations has risen from \$304 million in FY21 to \$378 million in FY22. Revenue growth is expected to continue in FY23 with \$475 million of work forecast for FY23 already contracted.

Key operational highlights for the year ended 30 June 2022 include:

### Safety

- Strong safety performance with one lost time injury for the period resulting in a lost time injury frequency rate (LTIFR) of 0.7 and a total recordable injury frequency rate (TRIFR) of 3.6.

### Infrastructure

- Award of a \$89 million contract by Major Road Projects Victoria for the Barwon Heads Road Upgrade Work Package 1, with work on site commenced in September 2021 and scheduled for completion in 2023. The contract was previously preferred.
- Award of a \$98 million contract for the design and construction of phase two of the Albany Ring Road for the Western Australian Government. Works for phase one valued at \$55 million successfully completed in April 2022.
- Award of the \$28 million Roy Hill-Munjina Bridge 5413 road over rail infrastructure project with Main Roads Western Australia.
- Award of a \$23 million contract by Main Roads Western Australia for the construction of the Mitchell Freeway Principal Shared Path from Civic Place to Reid Highway. The Contract was awarded through the State-wide Road Construction Panel, which Decmil was approved to join in FY21.
- Award of the \$7 million Great Eastern Highway Coates Gully project as part of Main Roads Western Australia Panel Works Program.
- Award of the \$8 million Peninsular Development Road project at Archer River for the Queensland Department of Transport.
- Award of a \$30 million contract with Major Road Projects Victoria for the Tranche 4 Structures Rehabilitation Package (North and South East). The contract was previously preferred.
- Award of a \$7 million contract for the design and construction of 10 crossings in the Snowy District with the Victorian Department of Environment, Land, Water & Planning.
- Continued positive progress of the \$300 million Gippsland Line Upgrade contract to the VicConnect Alliance, an alliance between Decmil, Rail Projects Victoria, V/Line, UGL and Arup. Decmil's share of the rail infrastructure contract is \$120 million and commenced on site in April 2021.

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## Operational Overview (Cont'd)

- Successful practical completion of the \$110 million Plenty Road Stage 2 project for Major Road Projects Victoria.
- Successful practical completion of the \$400 million Mordialloc Freeway project for Major Road Projects Victoria with JV partner McConnell Dowell. Decmil's share of the project was \$160 million.
- Successful practical completion of the \$8 million Wooroloo project for Main Roads Western Australia.

## Resources

- Award of the \$7 million Christmas Creek Hydrogen Refuelling Station for Fortescue Metals Group, marking Decmil's entry into the emerging space.
- Award of a \$4 million contract for the construction of surface water management measures on the Cloudbreak mine site for Chichester Metals Pty Ltd. The project achieved practical completion on schedule during the year.
- The \$39 million of non-process infrastructure works at the Mesa A and Mesa J iron ore mines in the Pilbara region of Western Australia for Rio Tinto are well progressed, with practical completion expected in 1H FY23.
- Award of \$34 million of non-process infrastructure works for lithium miners Covalent Lithium and Talison Lithium. These projects mark Decmil's entry into the growing lithium sector.
- Successful practical completion of the Northern Development Area Camps construction for QGC.

## Construction

- Award of a \$18 million contract from the Town of Port Hedland to construct a new Port Hedland Community Centre building complex.
- Award of a \$26 million contract from the WA Department of Finance to expand and upgrade the Karratha Senior High School. Work commenced in July 2022.
- Award of a \$38 million contract from the WA Department of Finance to construct new training workshops at the Pundulmurra TAFE campus in South Hedland. Work commenced in July 2022.
- Award of a \$37 million contract for the final design and construction of the Florin Parkside apartments project for Stirling Capital, located in Perth. Work began on site in July 2022.

## Energy

- Award of a \$21 million contract for balance of plant works at the Crookwell Windfarm for GPG in New South Wales. This is in addition to the Ryan Corner Windfarm contract, also for GPG.
- Regulatory Testing of the \$277 million Sunraysia Solar Farm successfully completed in December 2021, with Decmil achieving substantial completion on 31 January 2022.

## Homeground Gladstone

- Occupancy levels were strong in FY22 at Homeground Gladstone, with many clients of the village completing maintenance works that were previously deferred due to the COVID-19 impact of various lockdowns that previously inhibited their ability to access FIFO workers.
- Average occupancy for the year was 14% but with peaks of up to 31% in several months.
- Safety performance at Homeground Gladstone was exceptional, with LTIFR of 0 and TRIFR of 0.
- During the period several COVID-19 affected individuals were accommodated within the facility and appropriately isolated. This was successfully managed in such a manner that there were no further COVID-19 transmissions within the facility.

## Other

Decmil experienced significant impacts during the year from unseasonal La Nina rains particularly on projects in Far North Queensland.

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## 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

A letter from the Company's banker, National Australia Bank Limited was received after the balance date of 30 June 2022. In that letter, the bank waived any rights the bank may have had in respect of any potential review events under the facility agreement. If this letter had been received on or prior to 30 June 2022, all else being equal, the consolidated entity's working capital (current assets less current liabilities) as at 30 June 2022 would be \$30.7 million, after borrowings of \$19.2 million are classified as a non-current liability.

The dispute relating to the Amrun project with Southern Cross Electrical Engineering Limited was settled on 3 August 2022.

Apart from the matters outlined 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' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

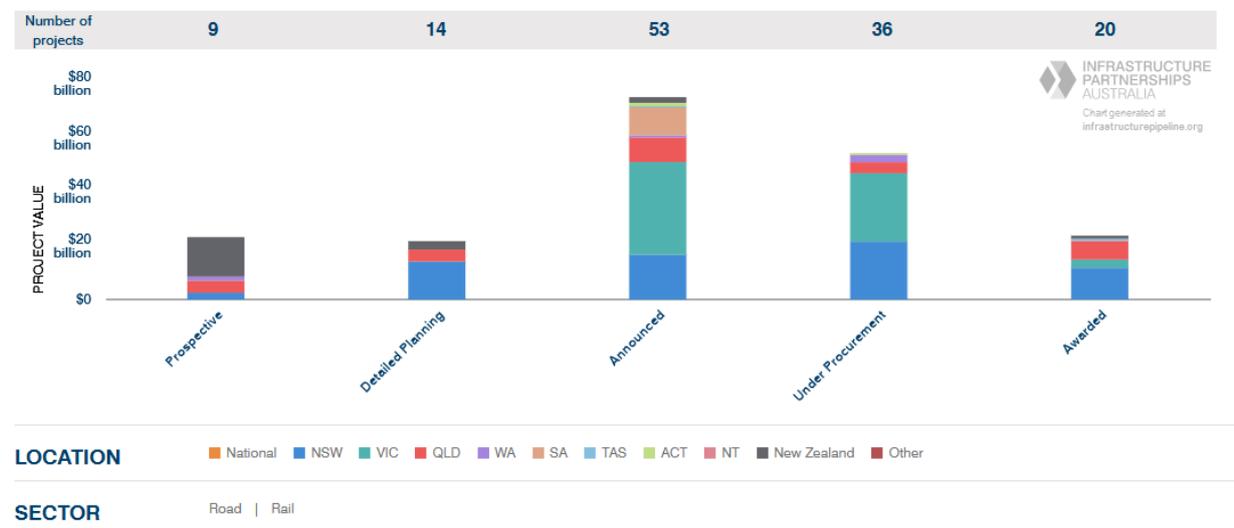
## Likely Developments and Outlook

Several of Decmil's key sectors are experiencing strong market conditions.

These sectors and their drivers are summarised below:

- **Infrastructure (WA, Vic and Qld):** 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.
- **Iron Ore (WA):** the iron ore 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):** strong prices in other mining commodities (gold, copper and lithium) are also stimulating investment in several other large projects of which Decmil has won two lithium mine related contracts in FY22.
- **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, Ryan Corner and Crookwell). Decmil is also constructing one of Australia's first hydrogen fuelling stations at Fortescue's Christmas Creek mine.

### Road/Rail investment by state (\$ billion)



As at 30 June 2022 the Company has approximately \$600 million of work in hand extending into FY26. Accordingly, the Company expects revenue to grow in FY23.

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## 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 its primary bank to provide performance security facilities that allow the Company to procure new work. As the Company grows its revenue, it may need to find new performance security facilities which may not be available to the Company on acceptable terms. If such performance security 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 profit realisation. The Arbitration proceedings against Schneider (downstream) remain on foot.
- **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 2022

## 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 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.

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## 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, fuel 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.

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## 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 activities, 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 contracts:** 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 2022

## Environmental Regulation

Under section 299(1)(f) of the Corporations Act, if the Company's operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory, the Company is required to provide details of the entity's performance in terms of compliance with environmental regulations.

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 does not meet thresholds required to provide reports under the NGERs scheme. The assessment of this threshold is updated annually.

In the year ended 30 June 2022, the Company conducted 1,379,947 hours worked in which there were no material breaches of environment legislation or approval conditions. The Company has one incident pending outcome due to an unauthorised clearing of vegetation associated with project works.

## 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	8	8	3	3	2	2
Dickie Dique	8	8	3	3	2	2
David Steele	8	8	3	3	2	2
Peter Thomas	8	8	3	3	2	2
Vin Vassallo	8	8	3	3	2	2

During the financial year, the position of Company Secretary was held by Ian Hobson.

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## Remuneration Report – Audited

This Remuneration Report for the year ended 30 June 2022 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. Director Options
4. Employment contracts of directors and senior executives
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
9. Annual General Meeting voting

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	
<b>Non-Executive Directors (NEDs)</b>	
Mr Andrew Barclay – Chairman of the Board	Appointed on 28 July 2020
Mr David Steele	Appointed on 14 June 2021
<b>Executive Directors</b>	
Mr Peter Thomas	Appointed as Director on 28 July 2020 Appointed Interim Chief Financial Officer on 7 July 2022 Appointed as Director on 14 June 2021
Mr Vin Vassallo	Appointed Interim Chief Executive Officer on 19 April 2022 and resigned as Interim Chief Executive Officer on 20 June 2022
Mr Dickie Dique	Resigned as Director on 29 April 2022 and resigned as Chief Executive Officer on 19 April 2022
<b>Executives (Other KMP)</b>	
Mr Rod Heale	Appointed as Chief Executive Officer on 20 June 2022
Mr Alex Hall	Resigned as Chief Financial Officer on 16 November 2021
Mr Alan Ings	Appointed Chief Financial Officer on 16 November 2021 and resigned as Chief Financial Officer on 7 July 2022
Mr Damian Kelliher	Resigned as Chief Commercial Officer on 24 June 2022

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## 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.

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## 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
<b>Fixed remuneration</b>	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.
<b>STI</b>	The STI component of the KMP remuneration is paid in cash.	The STI has been designed to support the remuneration philosophy by: <ul style="list-style-type: none"> <li>rewarding KMP for exceptional business performance (financial and operational)</li> <li>focusing KMP on achieving Key Performance Indicators (KPIs) which contribute to shareholder value</li> <li>providing significant bonus differentials based on performance against KPIs.</li> </ul>	The STI KPIs include: <ul style="list-style-type: none"> <li>achievement of EBITDA target as a hurdle for payment of the STI</li> <li>a budgeted target in relation to Group cash flow from operations</li> <li>targets set for safety performance based on Total Recordable Injury Frequency Rates and Lost Time Injury Frequency Rate.</li> </ul>
<b>LTI</b>	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.

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## 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 50<sup>th</sup> 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 10% (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 2022 are summarised below:

	2022 \$000	2021 \$000	2020 \$000	2019 \$000	2018 \$000
Revenue	377,597	303,722	478,607	663,276	349,255
EBITDA	(43,668)	(2,105)	(86,851)	24,100	(1,722)
EBIT	(49,359)	(7,133)	(92,713)	21,439	(4,736)
Profit/(loss) after income tax	(103,230)	(11,456)	(140,424)	14,018	(6,131)

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

	2022	2021	2020 <sup>1</sup>	2019 <sup>1</sup>	2018 <sup>1</sup>
Share price at financial year end (\$)	0.10	0.46	0.06	0.91	0.97
Total dividends paid (cents per share)	-	-	2.0	1.0	-
Basic earnings per share (cents per share)	(67.75)	(8.90)	(32.99) <sup>2</sup>	6.27	(0.10) <sup>2</sup>

<sup>1</sup> Before 10:1 share consolidation on 5 November 2020

<sup>2</sup> Based on continuing operations

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## Remuneration Report (Cont'd)

### 2.5 Short term incentive plan

General Terms of the STI Plan	
<b>How is it paid?</b>	The STI is a cash bonus.
<b>How much can executives earn?</b>	Executives can earn up to a maximum of 100% of their base salary as an STI incentive.
<b>How is performance measured?</b>	Through KPI's set prior to the commencement of each financial year. Financial measures are assessed based on the Group's audited financial results.
<b>When is it paid?</b>	In September of the financial year after the target year.
<b>What happens if an executive leaves or there is a change of control?</b>	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 100% 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	
<b>How is it paid?</b>	The Company uses performance rights and restricted shares in its long term incentive plan.
<b>How much can be earned (i.e. maximum opportunity)?</b>	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.
<b>How is performance measured?</b>	Vesting hurdles for performance rights for executives are based on share price targets (80%) and continuous employment (20%).
<b>When is performance measured?</b>	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.

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## 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 2022:

- 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.

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## Remuneration Report (Cont'd)

### Performance Rights

During the year ended 30 June 2022, there were no performance rights granted:

During the year ended 30 June 2022, no performance rights were vested.

During the year ended 30 June 2022, 392,651 of performance rights were forfeited upon termination of employment.

The following rights have been granted but remain unvested at 30 June 2022:

Grant Date	Number of Unvested Rights	Fair Value of Unvested Rights
1 July 2020	4,353,848	\$544,231

### 3. Director Options

During the year ended 30 June 2021, 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.

#### Options issued as part of remuneration for the year ended 30 June 2022

During the year ended 30 June 2022, no options were granted as remuneration.

#### Shares under option

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

Grant Date	Expiry Date	Exercise Price	Number of Options Granted	Fair Value of Options Granted
12 January 2021	31 October 2024	\$0.75	1,800,000	\$198,000

#### 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 2022 and up to the date of this report.

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## Remuneration Report (Cont'd)

### 4. Employment contracts of directors and senior executives

The Company has entered into service agreements with key senior executives. The executives detailed in the table below have remuneration reviewed and established annually by the Remuneration Committee and include no contractual termination benefits other than statutory entitlements. Notice periods detailed in the table below apply unless in relation to certain circumstances such as serious misconduct or gross neglect of duty.

KMP	Notice Period	Term	Restraint Period	Long Term Incentive Scheme	Short Term Incentive Scheme
Rod Heale	6 months	Ongoing until terminated	3 months after termination	Applies	Applies
Peter Thomas	30 days	Ongoing until terminated	Nil	Nil	Nil
Vin Vassallo	Nil	Ongoing until terminated	Nil	Nil	Nil
Dickie Dique (resigned 19 April 2022)	3 months	Ongoing until terminated	3 months after termination	Applies	Applies
Alex Hall (resigned 16 November 2021)	3 months	Ongoing until terminated	3 months after termination	Applies	Applies
Alan Ings (resigned 7 July 2022)	3 months	Ongoing until terminated	3 months after termination	Applies	Applies
Damian Kelliher (resigned 24 June 2022)	3 months	Ongoing until terminated	3 months after termination	Applies	Applies

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.

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## 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 Bonus	Total	Total Performance Related %	Total Fixed Remuneration %
Andrew Barclay <sup>1</sup>	2022	118,182	11,818	-	-	-	130,000	-	100.0
	2021	110,502	10,498	-	99,000	-	220,000	45.0	55.0
David Steele <sup>2</sup>	2022	68,182	6,818	-	-	-	75,000	-	100.0
	2021	3,425	325	-	-	-	3,750	-	100.0
Vin Vassallo <sup>3</sup>	2022	69,588	-	-	-	-	69,588	-	100.0
	2021	3,750	-	-	-	-	3,750	-	100.0
Bill Healy <sup>4</sup>	2022	-	-	-	-	-	-	-	-
	2021	6,103	580	-	-	-	6,683	-	100.0
David Saxelby <sup>5</sup>	2022	-	-	-	-	-	-	-	-
	2021	9,720	-	-	-	-	9,720	-	100.0
<b>Total</b>	<b>2022</b>	<b>255,952</b>	<b>18,636</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>274,588</b>	<b>-</b>	<b>100.0</b>
	<b>2021</b>	<b>133,500</b>	<b>11,403</b>	<b>-</b>	<b>99,000</b>	<b>-</b>	<b>243,903</b>	<b>40.6</b>	<b>59.4</b>

Executive Directors (\$)	Year	Salary and Fees	Superannuation	STI Paid in Relation to Prior Year	Fair Value of Incentive Securities Awarded	Other Bonus	Total	Total Performance Related %	Total Fixed Remuneration %
Peter Thomas <sup>6</sup>	2022	348,855	-	-	-	-	348,855	-	100.0
	2021	555,000	-	-	99,000	-	654,000	15.1	84.9
Vin Vassallo <sup>7</sup>	2022	218,850	-	-	-	-	218,850	-	100.0
Dickie Dique <sup>8</sup>	2022	730,298 <sup>13</sup>	23,568	-	-	-	753,866	-	100.0
	2021	529,828	21,694	-	137,500	-	689,022	20.0	80.0
<b>Total</b>	<b>2022</b>	<b>1,298,003</b>	<b>23,568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,321,571</b>	<b>-</b>	<b>100.0</b>
	<b>2021</b>	<b>1,084,828</b>	<b>21,694</b>	<b>-</b>	<b>236,500</b>	<b>-</b>	<b>1,343,022</b>	<b>17.6</b>	<b>82.4</b>

Other Executives (\$)	Year	Salary and Fees	Superannuation	STI Paid in relation to Prior Year	Fair Value of Incentive Securities Awarded	Other Bonus	Total	Total Performance Related %	Total Fixed Remuneration %
Rod Heale <sup>9</sup>	2022	28,548	2,997	-	-	-	31,545	-	100.0
Alex Hall <sup>10</sup>	2022	164,733 <sup>13</sup>	10,329	-	-	-	175,062	-	100.0
	2021	72,308	6,372	-	-	-	78,680	-	100.0
Alan Ings <sup>11</sup>	2022	227,308 <sup>13</sup>	15,476	-	-	-	242,784	-	100.0
Damian Kelliher <sup>12</sup>	2022	606,263 <sup>13</sup>	23,568	-	-	30,000	659,831	4.5	95.5
	2021	482,642	21,694	12,958	125,688	-	642,982	21.6	78.4
<b>Total</b>	<b>2022</b>	<b>1,026,852</b>	<b>52,370</b>	<b>-</b>	<b>-</b>	<b>30,000</b>	<b>1,109,222</b>	<b>2.7</b>	<b>97.3</b>
	<b>2021</b>	<b>554,950</b>	<b>28,066</b>	<b>12,958</b>	<b>125,688</b>	<b>-</b>	<b>721,662</b>	<b>19.2</b>	<b>80.8</b>

<sup>1</sup> Andrew Barclay was appointed to the board of directors on 28 July 2020

<sup>2</sup> David Steele was appointed to the board of directors on 14 June 2021

<sup>3</sup> Vin Vassallo was appointed to the board of directors on 14 June 2021

<sup>4</sup> Bill Healy resigned from the board of directors on 28 July 2020

<sup>5</sup> David Saxelby resigned from the board of directors on 28 July 2020

<sup>6</sup> Peter Thomas was appointed to the board of directors on 28 July 2020 and appointed as Chief Financial Officer on 7 July 2022

<sup>7</sup> Vin Vassallo was appointed as Chief Executive Officer between 19 April 2022 and 20 June 2022

<sup>8</sup> Dickie Dique resigned from the board of directors on 29 April 2022 and resigned as Chief Executive Officer on 19 April 2022

<sup>9</sup> Rod Heale was appointed as Chief Executive Officer on 20 June 2022

<sup>10</sup> Alex Hall was appointed as Chief Financial Officer between 27 April 2022 and 16 November 2021

<sup>11</sup> Alan Ings was appointed as Chief Financial Officer between 16 November 2021 and 7 July 2022

<sup>12</sup> Damian Kelliher resigned on 24 June 2022

<sup>13</sup> Includes accrued statutory leave entitlements paid on resignation

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## 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 2022	Balance 1.07.2021	Received as Part of Remuneration	Additions	Disposals/ Other <sup>1</sup>	Balance 30.06.2022
<b>Directors:</b>					
Andrew Barclay	116,855	-	125,000	-	241,855
Dickie Dique	741,035	-	1,125,000	(1,866,035)	-
David Steele	-	-	125,000	-	125,000
Peter Thomas	600,072	-	699,928	-	1,300,000
Vin Vassallo	100,000	-	-	-	100,000
<b>KMP:</b>					
Rod Heale	-	-	-	-	-
Alex Hall	-	-	-	-	-
Alan Ings	-	-	-	-	-
Damian Kelliher	20,452	10,000	150,000	(180,452)	-
	<b>1,578,414</b>	<b>10,000</b>	<b>2,224,928</b>	<b>(2,046,487)</b>	<b>1,766,855</b>

#### 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 2022	Balance 1.07.2021	Granted as Remuneration	Vested During the Period	Additions <sup>2</sup>	Expired/ Other <sup>1</sup>	Balance 30.06.2022
<b>Directors:</b>						
Andrew Barclay	900,000	-	-	62,500	-	962,500
Dickie Dique	-	-	-	562,500	(562,500)	-
David Steele	-	-	-	62,500	-	62,500
Peter Thomas	900,000	-	-	250,000	-	1,150,000
<b>KMP:</b>						
Rod Heale	-	-	-	-	-	-
Alex Hall	-	-	-	-	-	-
Alan Ings	-	-	-	-	-	-
Damian Kelliher	-	-	-	75,000	(75,000)	-
	<b>1,800,000</b>	<b>-</b>	<b>-</b>	<b>1,012,500</b>	<b>(637,500)</b>	<b>2,175,000</b>

<sup>1</sup> Other includes shares already held upon appointment or excluded upon resignation

<sup>2</sup> Participation in the 2021 equity raise which included an issue of options on a 1 for 2 basis

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## Remuneration Report (Cont'd)

### 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 2022	Balance 1.07.2021	Granted as Remuneration	Vested During the Period	Expired/ Other <sup>1</sup>	Balance 30.06.2022
<b>Directors:</b>					
Andrew Barclay	-	-	-	-	-
Dickie Dique	1,100,000	-	-	(1,100,000)	-
David Steele	-	-	-	-	-
Peter Thomas	-	-	-	-	-
<b>KMP:</b>					
Rod Heale	-	-	-	-	-
Alex Hall	-	-	-	-	-
Alan Ings	-	-	-	-	-
Damian Kelliher	1,005,505	-	-	(1,005,505)	-
	<b>2,105,505</b>	-	-	<b>(2,105,505)</b>	-

### 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 2022	Balance 1.07.2021	Granted as Remuneration	Vested During the Period	Expired/ Other <sup>1</sup>	Balance 30.06.2022
<b>Directors:</b>					
Andrew Barclay	-	-	-	-	-
Dickie Dique	-	-	-	-	-
David Steele	-	-	-	-	-
Peter Thomas	-	-	-	-	-
<b>KMP:</b>					
Rod Heale	-	-	-	-	-
Alex Hall	-	-	-	-	-
Alan Ings	-	-	-	-	-
Damian Kelliher	10,000	-	(10,000)	-	-
	<b>10,000</b>	-	<b>(10,000)</b>	-	-

<sup>1</sup> Other includes shares already held upon appointment or excluded upon resignation

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## Remuneration Report (Cont'd)

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

	2022 \$000
(a) Director Related Transactions <sup>1</sup>	
Consulting fees for Andrew Barclay & Associates, in which Mr Andrew Barclay has a beneficial interest	274
Consulting fees for C1 Energy Pty Ltd, an entity in which Mr Peter Thomas has a beneficial interest	286
Interim CEO fees for Olla Advisory Pty Ltd as trustee for the Olla Advisory Trust, an entity in which Mr Vin Vassallo has a beneficial interest	205
(b) Director Related Balances	
Amounts owing to Andrew Barclay & Associates, in which Mr Andrew Barclay has a beneficial interest, for consulting fees	43
Amounts owing to C1 Energy Pty Ltd, an entity in which Mr Peter Thomas has a beneficial interest, for consulting fees	63
Amounts owing to Olla Advisory Pty Ltd as trustee for the Olla Advisory Trust, an entity in which Mr Vin Vassallo has a beneficial interest, for interim CEO fees	80

All transactions were made on normal commercial terms and conditions and at market rates.

### 9. Annual General Meeting voting

Voting and comments made at the Company's 2021 Annual General Meeting ('AGM'):

At the 2021 AGM, 98% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

*[End of Remuneration Report]*

<sup>1</sup> Transactions relating to directors' fees are included in the Directors' Report details of remuneration

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## 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 Schneider Electric (Australia) Pty Limited ('Schneider') and Sunraysia Solar Project Pty Ltd ('Sunraysia'). Sunraysia has withheld the maximum level of liquidated damages in its administration of the contract with the Company. The Company is disputing this retention of liquidated damages by Sunraysia and seeking damages from Schneider for delays caused by Schneider equipment. Whilst the Company expects a favourable outcome on these disputes, in the event that it is unsuccessful in its claims, it may not recover the full value of withheld liquidated damages.

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 Pty Ltd for non-audit services provided during the year ended 30 June 2022:

	\$
Taxation compliance services	22,000
ATO Combined Assurance Review assistance	48,548
Taxation assistance	50,570
	<b>121,118</b>

# DIRECTORS' REPORT CONT'D

FOR THE YEAR ENDED 30 JUNE 2022

## 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

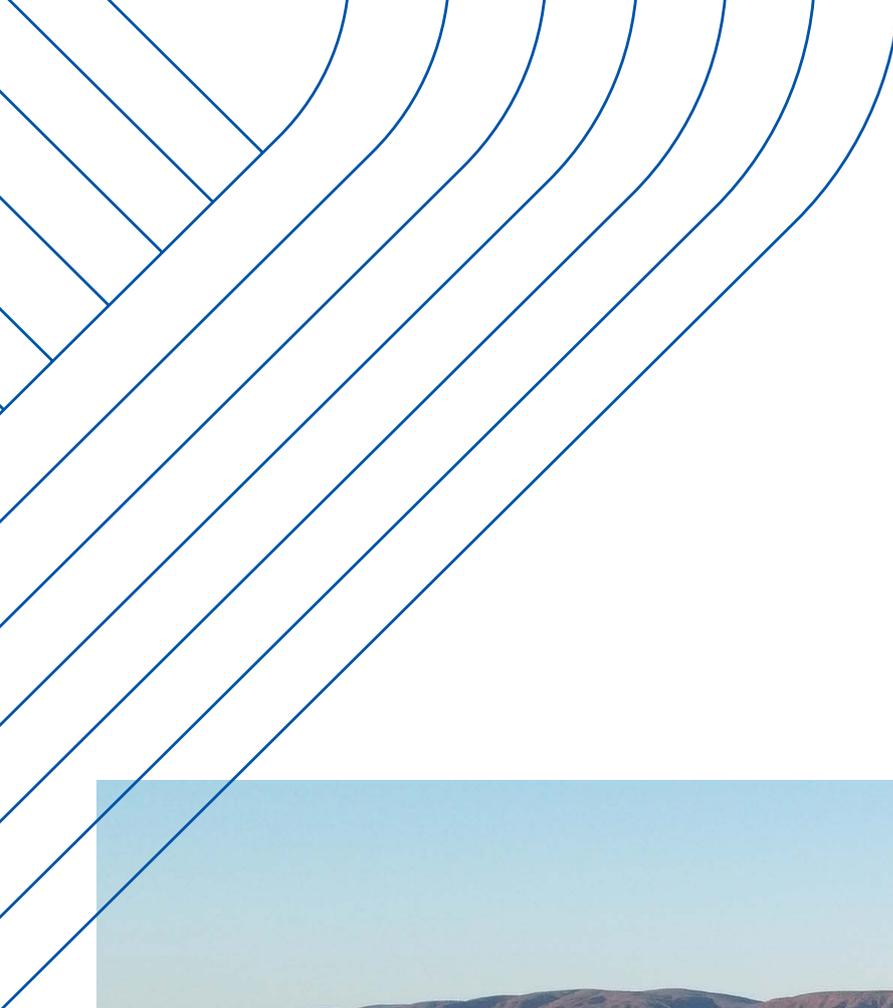


**Andrew Barclay**

Chairman

29 August 2022

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Bridge 5413 Roy Hill Bridge Over Munjina Road  
Pilbara, WA

# Financial Report





**RSM Australia Partners**

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

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Decmil Group Limited for the year ended 30 June 2022, 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 AUSTRALIA PARTNERS

TUTU PHONG  
Partner

Perth, WA  
Dated: 29 August 2022

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

## Consolidated Entity

	Note	2022 \$000	2021 \$000
Revenue	4	377,597	303,722
Cost of sales		(393,358)	(279,448)
Gross (loss)/profit		(15,761)	24,274
Administration expenses		(27,476)	(26,229)
Equity based payments		(431)	(150)
Earnings before interest, tax, depreciation, amortisation and impairments		(43,668)	(2,105)
Interest received	4(a)	17	32
Borrowing costs	5	(5,882)	(4,355)
Depreciation and amortisation expense	5, 17, 18	(5,691)	(5,028)
Impairment of intangible assets	19	(25,482)	-
<b>Loss before income tax expense</b>		<b>(80,706)</b>	<b>(11,456)</b>
Income tax expense	6	(22,524)	-
<b>Net loss after tax</b>		<b>(103,230)</b>	<b>(11,456)</b>
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(103,230)</b>	<b>(11,456)</b>
<b>Loss for the year attributable to:</b>			
Owners of Decmil Group Limited		(103,230)	(11,456)
<b>Loss for the year</b>		<b>(103,230)</b>	<b>(11,456)</b>
<b>Total comprehensive loss for the year, net of tax</b>		<b>(103,230)</b>	<b>(11,456)</b>
<b>Earnings per share attributable to the owners of Decmil Group Limited</b>			
Basic earnings per share (cents per share)	9(b)	(67.75)	(8.90)
Diluted earnings per share (cents per share)	9(b)	(67.75)	(8.90)

The accompanying notes form part of these financial statements

# STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2022

Consolidated Entity

	Note	2022 \$'000	2021 \$'000
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	11	39,263	9,703
Trade and other receivables	12	37,175	24,940
Contract assets	13	16,258	27,436
Non-current asset held for sale	15	56,865	56,655
Other current assets	16	5,808	3,341
<b>TOTAL CURRENT ASSETS</b>		<b>155,369</b>	<b>122,075</b>
NON-CURRENT ASSETS			
Plant and equipment	17	7,975	8,646
Right-of-use assets	18	11,030	13,655
Deferred tax assets	24	-	22,249
Intangible assets	19	50,000	75,482
<b>TOTAL NON-CURRENT ASSETS</b>		<b>69,005</b>	<b>120,032</b>
<b>TOTAL ASSETS</b>		<b>224,374</b>	<b>242,107</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	20	73,261	50,501
Contract liabilities	14	41,959	14,843
Borrowings	21	19,454	196
Hire purchase lease liabilities	22	1,561	2,100
Leasing liabilities	22	2,619	2,333
Provisions	23	4,986	4,824
<b>TOTAL CURRENT LIABILITIES</b>		<b>143,840</b>	<b>74,797</b>
NON-CURRENT LIABILITIES			
Trade and other payables	20	10,866	4,692
Borrowings	21	17,873	17,597
Hire purchase lease liabilities	22	2,919	2,853
Leasing liabilities	22	10,216	12,835
Provisions	23	319	236
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>42,193</b>	<b>38,213</b>
<b>TOTAL LIABILITIES</b>		<b>186,033</b>	<b>113,010</b>
<b>NET ASSETS</b>		<b>38,341</b>	<b>129,097</b>
<b>EQUITY</b>			
Issued capital	25	279,961	267,487
Accumulated losses		(241,620)	(138,390)
<b>TOTAL EQUITY</b>		<b>38,341</b>	<b>129,097</b>

The accompanying notes form part of these financial statements

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

Consolidated Entity	Note	Issued Capital	Accumulated Losses	Total
		\$000	\$000	\$000
<b>Balance at 1 July 2020</b>		<b>267,694</b>	<b>(126,934)</b>	<b>140,760</b>
Net loss for the year		-	(11,456)	(11,456)
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>(11,456)</b>	<b>(11,456)</b>
Shares issued for the period		228	-	228
Transaction costs net of tax benefit		(357)	-	(357)
Equity based payments	<b>30</b>	150	-	150
Performance rights converted to shares		(228)	-	(228)
<b>Balance at 30 June 2021</b>		<b>267,487</b>	<b>(138,390)</b>	<b>129,097</b>
<b>Balance at 1 July 2021</b>		<b>267,487</b>	<b>(138,390)</b>	<b>129,097</b>
Net loss for the year		-	(103,230)	(103,230)
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>(103,230)</b>	<b>(103,230)</b>
Shares issued for the period		10,558	-	10,558
Transaction costs net of tax benefit		(642)	-	(642)
Equity based payments	<b>30</b>	431	-	431
Warrants issued for the period	<b>30(d)</b>	2,127	-	2,127
<b>Balance at 30 June 2022</b>		<b>279,961</b>	<b>(241,620)</b>	<b>38,341</b>

The accompanying notes form part of these financial statements

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

## Consolidated Entity

	Note	2022 \$000	2021 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		444,038	302,528
Payments to suppliers and employees (inclusive of GST)		(432,422)	(319,891)
Interest received	4	17	32
Finance costs paid	5	(5,882)	(4,355)
Net cash provided by/(used in) operating activities	29(a)	5,751	(21,686)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment	17	(870)	(1,032)
Non-current asset held for sale additions	15	(210)	(11)
Proceeds from sale of non-current assets	4, 17	220	2,193
Net cash (used in)/provided by investing activities		(860)	1,150
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	21	21,655	17,597
Repayment of borrowings	21	(2,062)	(27,061)
Repayment of lease liabilities	22	(4,565)	(4,192)
Net proceeds/(payments) from share issue		9,641	(35)
Net cash provided by/(used in) in financing activities		24,669	(13,691)
Net increase/(decrease) in cash held		29,560	(34,227)
Cash at beginning of the financial year		9,703	43,930
Cash at end of the financial year	11	39,263	9,703

The accompanying notes form part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

The financial statements of Decmil Group Limited ('the Company') for the year ended 30 June 2022 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 29 August 2022.

### 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 1 (ad).

##### *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 35.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

### Going concern

For the year ended 30 June 2022, the consolidated entity incurred a loss after tax of \$103.2 million after recognising an impairment of goodwill of \$25.5 million and derecognition of deferred tax assets of \$22.5 million.

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

The ability of the consolidated entity to continue as a going concern is dependent on the directors and management continuing to manage its cash flows in line with its existing cash reserves and banking facilities to successfully execute its contracted projects in hand and win new work to operate within the Company's cash flow forecast from 1 July 2022 to 30 June 2023.

### (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.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

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.

### *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**

#### *Contract assets*

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

#### *Contract liabilities*

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services 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) Operating Segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

### (f) Plant and Equipment

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

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

#### *Depreciation*

The depreciable amount of all plant and equipment 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%

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.

### (g) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

### (h) 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.

### (i) Lease Liabilities

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

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

### (j) Impairment of Assets

#### *Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

### *Impairment of non-financial assets*

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### **(k) 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

### (I) 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.

#### *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*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### (m) 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.

### (n) 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.

### (o) 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 3 months or less.

### (p) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## 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 or multiple performance obligations that are 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.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

### *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).

## **(q) 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.

## **(r) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

### *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.

### **(s) 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.

### **(t) 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.

### **(u) 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.

### **(v) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

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.

*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.

### (w) 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.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## 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 2022

## 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 19, 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.

#### *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.

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 13 on revenues and contract assets and contract liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

### *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 13 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.

## 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 2022. 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## 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 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 28%, 25% and 10% (2021: 48%, 9% and 8%) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## 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	Construction & Engineering \$000	Accommodation \$000	Total \$000
<b>2022</b>			
External sales	368,317	9,280	377,597
<b>Total segment revenue</b>	<b>368,317</b>	<b>9,280</b>	<b>377,597</b>
Segment earnings before interest, tax, depreciation and amortisation & impairments	(44,480)	1,310	(43,170)
Net interest	(5,865)	-	(5,865)
Depreciation & amortisation expense	(5,632)	(59)	(5,691)
Impairment of intangible assets	(25,482)	-	(25,482)
<b>Segment result</b>	<b>(81,459)</b>	<b>1,251</b>	<b>(80,208)</b>
Other unallocated expenses			(498)
Income tax expense			(22,524)
<b>Loss for the period</b>			<b>(103,230)</b>

Segment Performance	Construction & Engineering \$000	Accommodation \$000	Total \$000
<b>2021</b>			
External sales	299,068	4,654	303,722
<b>Total segment revenue</b>	<b>299,068</b>	<b>4,654</b>	<b>303,722</b>
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)
<b>Segment result</b>	<b>(9,661)</b>	<b>(1,493)</b>	<b>(11,154)</b>
Other unallocated expenses			(302)
Income tax expense			-
<b>Loss for the period</b>			<b>(11,456)</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 3: Segment Reporting (Cont'd)

(b) Segment Assets	Construction & Engineering \$000	Accommodation \$000	Total \$000
<b>2022</b>			
Current assets	93,774	58,640	152,414
Non-current assets	59,321	125	59,446
Other unallocated assets			12,514
<b>Total segment assets</b>	<b>153,095</b>	<b>58,765</b>	<b>224,374</b>
Total assets includes:			
Acquisition of non-current assets	2,552	286	2,838

Segment Assets	Construction & Engineering \$000	Accommodation \$000	Total \$000
<b>2021</b>			
Current assets	63,382	57,477	120,859
Non-current assets	86,470	108	86,578
Other unallocated assets			34,670
<b>Total segment assets</b>	<b>149,852</b>	<b>57,585</b>	<b>242,107</b>
Total assets includes:			
Acquisition of non-current assets	3,934	11	3,945

(c) Segment Liabilities	Construction & Engineering \$000	Accommodation \$000	Total \$000
<b>2022</b>			
Current liabilities	117,984	1,481	119,465
Non-current liabilities	15,828	-	15,828
Other unallocated liabilities			50,740
<b>Total segment liabilities</b>	<b>133,812</b>	<b>1,481</b>	<b>186,033</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 4: Revenue

	Consolidated Entity	
	2022	2021
	\$000	\$000
Construction and engineering revenue	368,107	293,230
Accommodation revenue	9,280	4,622
Other revenue		
- grant income	-	5,262
- profit/(loss) on sale of non-current assets	(14)	404
- rentals	224	204
Total revenue from continuing operations	377,597	303,722

<b>(a) Interest revenue</b>		
Interest revenue from:		
- other persons	17	32
Total interest revenue	17	32

### Disaggregation of revenue

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

	Consolidated Entity	
	2022	2021
	\$000	\$000
<b>Sectors</b>		
Infrastructure	270,350	210,460
Resources	67,253	41,167
Energy	25,896	41,494
Construction	4,382	-
Accommodation	9,280	4,622
Other	436	5,979
	377,597	303,722

<b>Geographical regions</b>		
Australia	377,597	303,722
	377,597	303,722

<b>Timing of revenue recognition</b>		
Services transferred over time	367,881	293,121
Services transferred at a point in time	9,716	10,601
	377,597	303,722

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 5: Expenses

	Consolidated Entity	
	2022	2021
	\$000	\$000
Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	5,243	4,126
Finance costs:		
- plant and equipment leased	176	129
- buildings leased	882	758
- software leased	108	149
- from other parties	4,716	3,319
Total finance costs	5,882	4,355
Depreciation and amortisation of non-current assets:		
- plant and equipment owned	1,431	1,168
- plant and equipment leased	1,635	1,215
- buildings right-of-use assets	2,041	1,857
- software right-of-use assets	584	788
Total depreciation	5,691	5,028

## NOTE 6: Income Tax Expense

		Consolidated Entity	
	Note	2022	2021
		\$000	\$000
<b>The components of income tax (expense)/benefit comprise:</b>			
Current tax		-	-
Deferred tax	24	(22,478)	199
Under provision for tax in prior year	24	(46)	(199)
		(22,524)	-
<b>The prima facie tax benefit on loss before income tax is reconciled to the income tax (expense)/benefit as follows:</b>			
Prima facie tax benefit on loss before income tax at 30% (2021: 30%)		24,212	3,437
Adjusted by the tax effect of:			
- equity based payments		129	45
- deductible transaction costs on equity issue		(386)	10
- non-deductible items		184	22
- under provision for tax in prior year		(46)	(199)
- derecognition of deferred tax assets for the year		(46,617)	(3,315)
<b>Income tax expense attributable to loss before income tax</b>		<b>(22,524)</b>	<b>-</b>
The applicable weighted average effective tax rates are as follows:		28%	0%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 7: 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**

**David Steele**

**Peter Thomas**

**Vin Vassallo**

**Dickie Dique** (resigned 29 April 2022)

### Key Management Personnel

**Rod Heale: Chief Executive Officer** (appointed 20 June 2022)

**Alex Hall: Chief Financial Officer** (resigned 16 November 2021)

**Alan Ings: Chief Financial Officer** (appointed 16 November 2021)

**Damian Kelliher: Chief Commercial Officer** (resigned 24 June 2022)

- 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:

	2022 \$000	2021 \$000
Short-term employee benefits	2,705	1,847
Equity-based payments	-	461
	<b>2,705</b>	<b>2,308</b>

- 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 31.

All transactions were made on normal commercial terms and conditions and at market rates.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 8: Auditors' Remuneration

	Consolidated Entity	
	2022	2021
	\$000	\$000
<b>Remuneration of the auditor of the parent entity for:</b>		
- auditing or reviewing the financial report	304	296
- taxation compliance services	22	16
- ATO Combined Assurance Review assistance	48	-
- taxation assistance	51	14
- accounting assistance	-	5
	<b>425</b>	<b>331</b>

## NOTE 9: Earnings Per Share

	Consolidated Entity	
	2022	2021
	\$000	\$000
<b>(a) Reconciliation of earnings to profit or loss</b>		
Loss after income tax	(103,230)	(11,456)
Earnings used to calculate basic and dilutive EPS	<b>(103,230)</b>	<b>(11,456)</b>

	No.	No.
<b>(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS</b>	<b>152,376,278</b>	<b>128,735,583</b>
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<b>152,376,278</b>	<b>128,735,583</b>

## NOTE 10: Dividends

	Consolidated Entity	
	2022	2021
	\$000	\$000
<b>Distributions Paid</b>		
Nil dividends paid	-	-
<b>Balance of Australian franking account at year end</b>	<b>54,776</b>	<b>54,776</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 11: Cash and Cash Equivalents

	Consolidated Entity	
	2022	2021
	\$000	\$000
Cash at bank and in hand	39,263	4,603
Restricted cash in term deposit	-	5,100
	<b>39,263</b>	<b>9,703</b>
<i>Reconciliation of cash</i>		
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	<b>39,263</b>	<b>9,703</b>

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 12: Trade and Other Receivables

	Consolidated Entity	
	2022	2021
	\$000	\$000
CURRENT		
Trade receivables	37,175	24,940
Less: Allowance for expected credit losses	-	-
	<b>37,175</b>	<b>24,940</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 12: 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.

	Gross amount \$000	Within initial trade terms \$000	Past due but not impaired (days overdue)				Past due and impaired \$000
			31-60 \$000	61-90 \$000	91-120 \$000	>120 \$000	
<b>2022</b>							
Trade receivables	37,175	36,319	286	437	8	125	-
<b>Total</b>	<b>37,175</b>	<b>36,319</b>	<b>286</b>	<b>437</b>	<b>8</b>	<b>125</b>	<b>-</b>
<b>2021</b>							
Trade receivables	24,940	24,452	354	9	125	-	-
<b>Total</b>	<b>24,940</b>	<b>24,452</b>	<b>354</b>	<b>9</b>	<b>125</b>	<b>-</b>	<b>-</b>

*Allowance for expected credit loss:*

There is no allowance for expected credit losses recognised as at 30 June 2022.

## NOTE 13: Contract Assets

	Note	Consolidated Entity	
		2022 \$000	2021 \$000
Contract assets		16,258	27,436
Summarised as follows:			
<b>Construction contracts in progress</b>			
Contract costs incurred		1,267,433	1,360,468
Recognised profits		19,302	24,689
		1,286,735	1,385,157
Progress billings		(1,312,436)	(1,372,564)
		(25,701)	12,593
Amounts due from customers for contract work		16,258	27,436
Amounts due to customers for contract work	14	(41,959)	(14,843)
Net amount due (to)/from customers for contract work		(25,701)	12,593

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 2022

## NOTE 13: Contract Assets (Cont'd)

	Consolidated Entity	
	2022	2021
	\$000	\$000
<b>Reconciliation</b>		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	27,436	18,781
Additions	7,751	17,853
Transfer to trade receivables	(18,929)	(9,198)
Closing balance	16,258	27,436

## NOTE 14: Contract Liabilities

	Consolidated Entity	
	2022	2021
	\$000	\$000
Contract liabilities	41,959	14,843

<b>Reconciliation</b>		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	14,843	18,801
Payments received in advance	31,378	14,865
Transfer to revenue	(4,262)	(18,823)
Closing balance	41,959	14,843

## NOTE 15: Non-Current Asset Held for Sale

	Consolidated Entity	
	2022	2021
	\$000	\$000
Balance at beginning of the year	56,655	56,644
Additions	210	11
<b>Balance at the end of the year</b>	<b>56,865</b>	<b>56,655</b>

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 33. Charges over the property are detailed in note 29(d).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 16: Other Current Assets

	Consolidated Entity	
	2022	2021
	\$000	\$000
Prepayments	2,899	1,064
Others	2,909	2,277
	<b>5,808</b>	<b>3,341</b>

## NOTE 17: Plant and Equipment

	Consolidated Entity	
	2022	2021
	\$000	\$000
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	40,027	36,768
Accumulated depreciation	(36,685)	(33,879)
	<b>3,342</b>	<b>2,889</b>
Leased plant and equipment (secured)	7,090	8,480
Accumulated depreciation	(2,457)	(2,723)
	<b>4,633</b>	<b>5,757</b>
<b>Total plant and equipment</b>	<b>7,975</b>	<b>8,646</b>

Secured items of plant and equipment at a carrying value of \$4,633,000 (2021: \$5,757,000) are mortgaged or pledged as security for the banking facilities detailed in note 29(d).

### Movements in Carrying Amounts

Movement in the carrying amounts for each class of 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
<b>Balance at 1 July 2021</b>	-	2,889	5,757	8,646
Additions	-	870	1,758	2,628
Transfer between categories	-	1,247	(1,247)	-
Disposals	-	(233)	-	(233)
Depreciation expense	-	(1,431)	(1,635)	(3,066)
<b>Balance at 30 June 2022</b>	-	<b>3,342</b>	<b>4,633</b>	<b>7,975</b>

	Land and Building \$000	Owned Plant and Equipment \$000	Leased Plant and Equipment \$000	Total \$000
<b>Balance at 1 July 2020</b>	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)
<b>Balance at 30 June 2021</b>	-	<b>2,889</b>	<b>5,757</b>	<b>8,646</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 18: Right-of-use Assets

	Consolidated Entity	
	2022 \$000	2021 \$000
<b>LAND AND BUILDINGS</b>		
Right-of-use	14,912	14,912
Accumulated depreciation	(5,065)	(3,024)
	<b>9,847</b>	<b>11,888</b>
<b>SOFTWARE</b>		
Right-of-use	3,264	3,264
Accumulated depreciation	(2,081)	(1,497)
	<b>1,183</b>	<b>1,767</b>
<b>Total right-of-use assets</b>	<b>11,030</b>	<b>13,655</b>

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
<b>Balance at 1 July 2021</b>	11,888	1,767	13,655
Additions	-	-	-
Disposals	-	-	-
Depreciation expense	(2,041)	(584)	(2,625)
<b>Balance at 30 June 2022</b>	<b>9,847</b>	<b>1,183</b>	<b>11,030</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 19: Intangible Assets

	Consolidated Entity	
	2022	2021
	\$000	\$000
Goodwill at cost	50,000	75,482
Total intangible assets	50,000	75,482
<b>Movements in carrying amounts</b>		
<i>Goodwill</i>		
Balance at the beginning of the year	75,482	75,482
Impairment charge	(25,482)	-
Balance at the end of the year	50,000	75,482
<b>Allocation of goodwill to CGU's</b>		
Construction & engineering	50,000	75,482
<b>Balance at the end of the year</b>	<b>50,000</b>	<b>75,482</b>

Goodwill acquired through business combination are allocated to the Construction and Engineering cash-generating unit (CGU). Goodwill is tested for impairment on each reporting period.

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 CGU is most sensitive.

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

- 12.9% (2021: 12.9%) pre-tax discount rate
- 2.0% (2021: 5.0%) per annum projected revenue growth rate from FY2023 onwards
- 5.0% (2021: 2.5%) per annum increase in operating costs and overheads from FY2023 onwards

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 2.0% revenue growth rate and 5.0% increase in operating costs and overheads is justified based on past experience and current market outlook.

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

As a result of this analysis, management has recognised an impairment charge of \$25,482,000 in the current year against goodwill.

### *Sensitivity*

As disclosed above, the directors have made judgements and estimates in respect of impairment testing of goodwill. If the assumptions would change (all changes taken in isolation), by the following rates as below:

- Pre-tax discount rate: there would be a movement of \$1,874,000 if the pre-tax discount rate changes by 0.5%.
- Revenue growth rate: there would be a movement of \$5,285,000 if the per annum projected revenue growth rate changes by 0.5%.
- Operating costs and overheads: there would be a movement of \$4,526,000 if the per annum percentage change in operating costs and overheads changes by 0.5%.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 20: Trade and Other Payables

	Consolidated Entity	
	2022	2021
	\$000	\$000
CURRENT		
Unsecured liabilities		
Trade payables	31,087	12,009
Sundry payables and accrued expenses	42,174	38,492
Total current trade and other payables	73,261	50,501
NON-CURRENT		
Sundry payables and accrued expenses	10,866	4,692
Total non-current trade and other payables	10,866	4,692
<b>Total trade and other payables</b>	<b>84,127</b>	<b>55,193</b>

## NOTE 21: Borrowings

	Consolidated Entity	
	2022	2021
	\$000	\$000
CURRENT		
Unsecured liabilities		
Insurance premium funding	202	196
Bank overdraft	19,252	-
Total current borrowings	19,454	196
NON-CURRENT		
Secured liabilities		
Term loan	17,873	-
Bank overdraft	-	17,597
Total non-current borrowings	17,873	17,597
<b>Total borrowings</b>	<b>37,327</b>	<b>17,793</b>

The term loan is a syndicated credit facility provided by Pure Asset Management Pty Ltd and Horley Pty Ltd. Interest is paid quarterly in arrears at the rate of 10.00% per annum based on the face value. The term loan repayment date is 31 July 2025.

The bank overdraft is with National Australia Bank Limited. Although the bank overdraft repayment date is 31 July 2023, it has been classified as "current" because the consolidated entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. The lender has not made a demand for accelerated repayment. A letter from the bank was received after the balance date of 30 June 2022. In that letter, the bank waived any rights the bank may have had in respect of any potential review events under the facility agreement. As such the bank overdraft is classified as "current" and the amount so classified is \$19,252,000 at the end of the reporting period.

The term loan and bank overdraft are secured by first ranking security over the consolidated entity's property as detailed in note 29(d).

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 21: Borrowings (Cont'd)

### Warrants

On 28 July 2021, the Company entered into a financing arrangement with Pure Asset Management Pty Ltd and Horley Pty Ltd. The Company issued 30,769,231<sup>1</sup> warrants and 20,000,000 warrants on two separate occasions as part of the loan arrangement.

The fair value of the warrants are disclosed in note 30(d). The fair value of the warrants is offset against the carrying amount of the loan. Interest expense equal to the fair value of the warrants is recognised over the life of the loan and amortised to the carrying amount of the loan.

No warrants were exercised or expired during the year ended 30 June 2022.

### 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:

	Term Loan \$000	Bank Overdraft \$000	Insurance Premium Funding \$000	Total \$000
<b>Balance at 1 July 2021</b>	-	17,597	196	17,793
Additions	20,000	1,655	2,068	23,723
Payments	-	-	(2,062)	(2,062)
Issue of warrants	(2,127) <sup>2</sup>	-	-	(2,127)
<b>Balance at 30 June 2022</b>	<b>17,873</b>	<b>19,252</b>	<b>202</b>	<b>37,327</b>

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

<sup>1</sup> Number of Warrants shown as converted to ordinary shares upon vesting

<sup>2</sup> Fair value of warrants issued to Pure Asset Management Pty Ltd and Horley Pty Ltd. Details of the fair value are disclosed in note 30(d).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 22: Lease Liabilities

	Consolidated Entity	
	2022	2021
	\$000	\$000
<b>CURRENT</b>		
Hire purchase liability	1,561	2,100
Leasing liabilities	2,619	2,333
<b>Total current lease liabilities</b>	<b>4,180</b>	<b>4,433</b>
<b>NON-CURRENT</b>		
Hire purchase liability	2,919	2,853
Leasing liabilities	10,216	12,835
<b>Total non-current lease liabilities</b>	<b>13,135</b>	<b>15,688</b>
<b>Total lease liabilities</b>	<b>17,315</b>	<b>20,121</b>

See note 18 for details on right-of-use assets.

Hire purchase agreements have a typical term of 3 to 5 years. The average interest rate implicit in the hire purchase is 3.60% (2021: 3.60%). The hire purchase liability is secured by a charge over the underlying hire purchase assets.

The total value of plant and equipment assets under hire purchase is \$7,090,000 (2021: \$8,480,000) as detailed in note 17.

The following are the amounts recognised in profit or loss:

		Consolidated Entity	
	Note	2022	2021
		\$000	\$000
Depreciation expense of right-of-use assets	18	2,625	2,645
Interest expense on lease liabilities		990	907
<b>Total amount recognised in profit or loss</b>		<b>3,615</b>	<b>3,552</b>

### 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	Leasing Liabilities	Total
	\$000	\$000	\$000
<b>Balance at 1 July 2021</b>	4,953	15,168	20,121
Additions and lease modifications	1,759	-	1,759
Payments	(2,232)	(2,333)	(4,565)
<b>Balance at 30 June 2022</b>	<b>4,480</b>	<b>12,835</b>	<b>17,315</b>

	Hire Purchase Liability	Leasing Liabilities	Total
	\$000	\$000	\$000
<b>Balance at 1 July 2020</b>	4,733	16,477	21,210
Additions and lease modifications	2,886	217	3,103
Payments	(2,666)	(1,526)	(4,192)
<b>Balance at 30 June 2021</b>	<b>4,953</b>	<b>15,168</b>	<b>20,121</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 23: Provisions

	Consolidated Entity	
	2022	2021
	\$000	\$000
<b>CURRENT</b>		
Employee entitlements	4,986	4,824
<b>Total current provisions</b>	<b>4,986</b>	<b>4,824</b>
<b>NON-CURRENT</b>		
Employee entitlements	319	236
<b>Total non-current provisions</b>	<b>319</b>	<b>236</b>
<b>Total provisions</b>	<b>5,305</b>	<b>5,060</b>

### (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	
	2022	2021
	\$000	\$000
<b>Movement in provision</b>		
Balance at beginning of year	5,060	6,620
Additional provision	5,711	4,392
Amounts used	(5,466)	(5,952)
<b>Balance at the end of the year</b>	<b>5,305</b>	<b>5,060</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 24: Other Deferred Tax

Consolidated Entity 2022	1 July 2021 Opening Balance \$000	Under- provision in Prior Year \$000	Charged to Income \$000	Charged Directly to Equity \$000	De- recognised (charged to Income) \$000	30 June 2022 Closing Balance \$000
<b>Deferred tax assets on:</b>						
Transaction costs on equity issue	862	-	-	275	(1,137)	-
Provisions – employee benefits	1,629	-	-	-	(1,629)	-
Investment due diligence costs	27	-	-	-	(27)	-
Other provisions and accruals	1,116	9	-	-	(1,125)	-
Tax losses and carry forward tax credits	14,275	(33)	-	-	(14,242)	-
Property, plant and equipment	3,337	(22)	-	-	(3,315)	-
Research and development tax offset (non-refundable)	1,017	-	-	-	(1,017)	-
<b>Total deferred tax assets</b>	<b>22,263</b>	<b>(46)</b>	<b>-</b>	<b>275</b>	<b>(22,492)</b>	<b>-</b>
<b>Deferred tax liabilities on:</b>						
Prepayments	14	-	-	-	(14)	-
Accrued income	-	-	-	-	-	-
<b>Total deferred tax liabilities</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14)</b>	<b>-</b>
<b>Net deferred tax asset</b>	<b>22,249</b>	<b>(46)</b>	<b>-</b>	<b>275</b>	<b>(22,478)</b>	<b>-</b>

Consolidated Entity 2021	1 July 2020 Opening Balance \$000	Under- provision in Prior Year \$000	Charged to Income \$000	Charged Directly to Equity \$000	De- recognised (charged to Income) \$000	30 June 2021 Closing Balance \$000
<b>Deferred tax assets on:</b>						
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
<b>Total deferred tax assets</b>	<b>22,590</b>	<b>13</b>	<b>(18)</b>	<b>(322)</b>	<b>-</b>	<b>22,263</b>
<b>Deferred tax liabilities on:</b>						
Prepayments	19	-	(5)	-	-	14
Accrued income	-	212	(212)	-	-	-
<b>Total deferred tax liabilities</b>	<b>19</b>	<b>212</b>	<b>(217)</b>	<b>-</b>	<b>-</b>	<b>14</b>
<b>Net deferred tax asset</b>	<b>22,571</b>	<b>(199)</b>	<b>199</b>	<b>(322)</b>	<b>-</b>	<b>22,249</b>

Unused tax losses of which no deferred tax asset has been recognised amount to \$187 million.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 25: Issued Capital

	Consolidated Entity	
	2022 \$000	2021 \$000
155,133,252 (2021: 128,737,597) fully paid ordinary shares	279,961	267,487

### (a) Ordinary Shares

	2022		2021	
	No.	\$000	No.	\$000
<b>At the beginning of reporting period</b>	<b>128,737,597</b>	<b>267,487</b>	1,287,118,809	267,694
Performance rights converted to shares	-	-	245,135	-
Issue of shares for capital raising	<b>26,395,655</b>	<b>10,558</b>	-	-
Share consolidation 10:1	-	-	(1,158,626,347)	-
Equity based payments	-	<b>431</b>	-	150
Transaction costs of issue	-	<b>(642)</b>	-	(357)
Issue of warrants for term loan	-	<b>2,127</b>	-	-
<b>At the end of the reporting date</b>	<b>155,133,252</b>	<b>279,961</b>	128,737,597	267,487

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 2022.

During the year ended 30 June 2022, no 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.

### (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 2022

## NOTE 26: Controlled Entities

### (a) Controlled Entities

	Country of Incorporation	Percentage Owned (%)	
		2022	2021
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	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.

		2022	2021
		\$000	\$000
<b>Financial information in relation to:</b>			
<b>(i)</b>	<b>Statement of profit or loss and other comprehensive income:</b>		
	Loss before income tax	(73,724)	(35,047)
	Income tax expense	(22,524)	(7)
	Loss after income tax	(96,248)	(35,054)
<b>(ii)</b>	<b>Accumulated losses:</b>		
	Accumulated losses at the beginning of the year	(162,911)	(127,857)
	Loss after income tax	(96,248)	(35,054)
	Accumulated losses at the end of the year	(259,159)	(162,911)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 26: Controlled Entities (Cont'd)

	2022	2021
	\$000	\$000
<b>(iii) Statement of Financial Position:</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	27,645	319
Trade and other receivables	12,190	8,472
Contract assets	11,651	22,395
Non-current asset held for sale	56,865	56,655
Other current assets	3,613	1,915
<b>TOTAL CURRENT ASSETS</b>	<b>111,964</b>	<b>89,756</b>
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	5,339	5,643
Right-of-use assets	9,310	11,122
Deferred tax assets	-	21,102
Intangible assets	50,000	71,061
<b>TOTAL NON-CURRENT ASSETS</b>	<b>64,649</b>	<b>108,928</b>
<b>TOTAL ASSETS</b>	<b>176,613</b>	<b>198,684</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	71,017	43,725
Contract liabilities	19,232	8,943
Borrowings	19,454	196
Lease liabilities	2,791	2,922
Provisions	3,137	2,759
<b>TOTAL CURRENT LIABILITIES</b>	<b>115,631</b>	<b>58,545</b>
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables	10,866	4,692
Borrowings	17,873	17,597
Lease liabilities	11,242	13,140
Provisions	199	133
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>40,180</b>	<b>35,562</b>
<b>TOTAL LIABILITIES</b>	<b>155,811</b>	<b>94,107</b>
<b>NET ASSETS</b>	<b>20,802</b>	<b>104,577</b>
<b>EQUITY</b>		
Issued capital	279,961	267,488
Accumulated losses	(259,159)	(162,911)
<b>TOTAL EQUITY</b>	<b>20,802</b>	<b>104,577</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 27: Joint Arrangements

### Interest in Joint Operations

	Country of Incorporation	2022	2021
VicConnect Alliance	Australia	40%	-
Mordialloc JV	Australia	40%	40%
Decmil BESIX JV	Australia	-	50%
Decmil Balance JV	Australia	-	25%
Decmil Balance JV	Australia	-	67%

The following material Joint Operations are disclosed as follows:

#### VicConnect Alliance

In March 2021, Rail Projects Victoria, a Victorian state government department, awarded the VicConnect Alliance a \$300 million contract for the Gippsland Line Upgrade project, part of the Victorian Government's Regional Rail Revival Program. Decmil Southern Pty Ltd has a 40% participation interest as a non-owner participant in the VicConnect Alliance along with UGL Engineering Pty Limited, Arup Australia Projects Pty Ltd, the rail operator V/Line Corporation and the owner/client, Rail Projects Victoria.

Under the alliance 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).

VicConnect Alliance 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 VicConnect Alliance that are included in the consolidated financial statements are as follows:

	2022	2021
	\$000	\$000
TOTAL ASSETS	-	-
TOTAL LIABILITES	-	-
Revenue	38,765	-
Expenses	(36,399)	-
Profit for the year	2,366	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 27: Joint Arrangements (Cont'd)

### 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:

	2022 \$000	2021 \$000
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,511	3,991
Trade and other receivables	350	11,082
Contract assets	-	3,206
Other assets	32	775
<b>TOTAL CURRENT ASSETS</b>	<b>2,893</b>	19,054
<b>TOTAL ASSETS</b>	<b>2,893</b>	19,054
<b>CURRENT LIABILITIES</b>		
Trade and other payables	478	11,657
Contract liabilities	84	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>562</b>	11,657
<b>TOTAL LIABILITIES</b>	<b>562</b>	11,657
Revenue	34,116	87,910
Expenses	(31,182)	(80,465)
<b>Profit for the year</b>	<b>2,934</b>	7,445

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 27: 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:

	2022	2021
	\$000	\$000
Guarantees given for satisfactory contract performance	9,339	9,420

## NOTE 28: Commitments

	Consolidated Entity	
	2022	2021
	\$000	\$000
<b>(a) Hire Purchase Commitments<sup>1</sup></b>		
Payable – minimum HP payments		
Not later than 1 year	1,691	2,235
Between 1 and 5 years	3,069	2,998
Minimum HP payments	4,760	5,233
Less future finance charges	(280)	(280)
Present value of minimum HP payments	4,480	4,953
<b>(b) Insurance Premium Funding Commitments</b>		
Payable – minimum payments		
Not later than 1 year	206	199
Minimum payments	206	199
Less future finance charges	(4)	(3)
Present value of minimum payments	202	196
<b>(c) Leasing Liabilities Payable</b>		
Non-cancellable leasing liabilities contracted for but not recognised as liabilities		
Payable – minimum lease payments		
Not later than 1 year	451	416
Between 1 and 5 years	128	412
	579	828
<b>(d) Operating Leases Receivable</b>		
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	199	79
Between 1 and 5 years	170	482
	369	561

<sup>1</sup> Hire purchase commitments include contracted amounts for various plant and equipment with a written down value of \$4,633,000 (2021: \$5,757,000) 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 2022

## NOTE 29: Cash Flow Information

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

	Consolidated Entity	
	2022 \$000	2021 \$000
Loss after income tax	(103,230)	(11,456)
Adjustments for:		
Depreciation and amortisation	5,691	5,028
Equity based payments	431	150
Loss/(profit) on sale of non-current assets	14	(404)
Cash used in operations before working capital changes	(97,094)	(6,682)
Changes in assets and liabilities		
Trade and other receivables	(12,235)	11,822
Other assets	(400)	3,180
Contract assets	11,178	(8,655)
Intangible assets	25,482	-
Trade and other payables	29,210	876
Contract liabilities	27,116	(3,958)
Deferred tax assets	22,249	322
Provisions	245	(18,591)
Change in working capital balances	102,845	(15,004)
Net cash provided by/(used in) operating activities	5,751	(21,686)

### (b) Non-cash Financing and Investing Activities

	Consolidated Entity	
	2022 \$000	2021 \$000
Finance leases to acquire plant and equipment	1,803	3,015
Share based payments	431	150

### (c) Changes in Liabilities Arising from Financing Activities

Consolidated Entity	1 July 2021 Opening Balance \$000	Cash Flows \$000	Non-Cash Changes \$000	30 June 2022 Closing Balance \$000
Borrowings	17,793	19,593	(59)	37,327
Lease liabilities	20,121	(4,565)	1,759	17,315

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 29: Cash Flow Information (Cont'd)

### (d) Credit Standby Facilities with Financial Institutions

	Consolidated Entity	
	2022	2021
	\$000	\$000
Credit facilities	75,000	71,551
<i>Amount utilised</i>		
Bank overdraft	(19,252)	(17,597)
Limited recourse receivables funding	-	-
Bank guarantee facility	(20,540)	(10,907)
Term loan facility	(20,000)	-
Equipment finance	(4,480)	(4,953)
Surety bond facilities	-	(9,111)
<b>Credit facilities available</b>	<b>10,728</b>	<b>28,983</b>
<i>The credit facilities are summarised as follows:</i>		
Bank overdraft and/or limited recourse receivables funding facility and/or bank guarantee facility	40,000	40,000
Term loan facility	20,000	-
Equipment finance	15,000	15,000
Surety bond facilities	-	16,551
<b>Total credit facilities</b>	<b>75,000</b>	<b>71,551</b>

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:

- First Ranking General Security Deeds granted by Decmil Group Limited and its controlled entities (other than Decmil PNG Ltd)
- First Ranking registered real property mortgage over property situated at 101 Calliope River Road, West Stowe, Queensland (Homeground).

A syndicated credit facility provided by Pure Asset Management Pty Ltd and Horley Pty Ltd comprising a \$20 million term loan facility. Security for the syndicated facility comprises the following:

- Second Ranking General Security Deeds granted by Decmil Group Limited and its controlled entities (other than Decmil PNG Ltd)
- Second Ranking registered real property 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 30: Equity Based Payments

Expenses arising from equity based payment transactions recognised during the year were as follows:

	Consolidated Entity	
	2022	2021
	\$000	\$000
Performance rights	(53)	(56)
Incentive shares	43	173
Related party options	50	33
Warrants	391	-
	431	150

### (a) 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
<b>Performance rights outstanding as at 30 June 2020<sup>1</sup></b>	<b>475,515</b>
Granted <sup>1</sup>	4,881,841
Forfeited <sup>1</sup>	(554,896)
Vested <sup>1</sup>	(24,514)
Lapsed <sup>1</sup>	(31,447)
<b>Performance rights outstanding as at 30 June 2021</b>	<b>4,746,499</b>
Granted	-
Forfeited	(392,651)
Vested	-
Lapsed	-
<b>Performance rights outstanding as at 30 June 2022</b>	<b>4,353,848</b>

No performance rights were granted during the financial year.

The fair value of the performance rights granted during the financial year ended 30 June 2021 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 ended 30 June 2021 was \$0.125. 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%

<sup>1</sup> Balances adjusted for 10:1 share consolidation which took place on 5 November 2020

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 30: Equity Based Payments (Cont'd)

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 performance rights transactions recognised during the year were as follows:

	Consolidated Entity	
	2022	2021
	\$000	\$000
<b>Performance Rights</b>		
Expenses	133	403
Written back due to forfeiting	(19)	(441)
Written back due to lapsing	-	(18)
Written back on reassessment of probabilities	(167)	-
	<b>(53)</b>	<b>(56)</b>

### (b) Incentive Shares Plan

During the year ended 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
<b>Unvested incentive shares as at 30 June 2020<sup>1</sup></b>	<b>63,000</b>
Granted <sup>1</sup>	-
Vested <sup>1</sup>	(30,000)
Forfeited <sup>1</sup>	(3,000)
<b>Unvested incentive shares as at 30 June 2021</b>	<b>30,000</b>
Granted	-
Vested	(30,000)
Forfeited	-
<b>Unvested incentive shares as at 30 June 2022</b>	<b>-</b>

No incentive shares were granted during the financial year.

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

	Consolidated Entity	
	2022	2021
	\$000	\$000
<b>Incentive Shares</b>		
Expenses	43	186
Written back due to forfeiting	-	(13)
	<b>43</b>	<b>173</b>

<sup>1</sup> Balances adjusted for 10:1 share consolidation which took place on 5 November 2020

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 30: Equity Based Payments (Cont'd)

### (c) Options

During the year ended 30 June 2021 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.

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

	Number
<b>Unvested related party options as at 30 June 2020</b>	-
Granted	1,800,000
Vested	-
Forfeited	-
<b>Unvested related party options as at 30 June 2021</b>	<b>1,800,000</b>
Granted	-
Vested	-
Forfeited	-
<b>Unvested related party options as at 30 June 2022</b>	<b>1,800,000</b>

No related party options were granted during the financial year.

The fair value of the options granted during the financial year ended 30 June 2021 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 options transactions recognised during the year were as follows:

	Consolidated Entity	
	2022	2021
	\$000	\$000
<b>Related Party Options</b>		
Expenses	50	33

### (d) Warrants

During the year Shareholders approved the issue of warrants to Pure Asset Management Pty Ltd (Pure) and Horley Pty Ltd (Horley) at a General Meeting held on 30 August 2021. The warrants were issued in relation to the term loan, the details of which are in note 21. The warrants were issued to Pure and Horley on 6 September 2021 and have an exercise price of \$0.65, with an expiry date of 30 August 2026.

During the year additional warrants were issued to Pure and Horley as part of the Company's placement capacity as per ASX Listing Rule 7.1. The warrants were issued in relation to the term loan, the details of which are in note 21. The warrants were issued to Pure and Horley on 30 June 2022 and have an exercise price of \$0.23, with an expiry date of 30 August 2026.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 30: Equity Based Payments (Cont'd)

### (d) Warrants (Cont'd)

A summary of the movements of all warrants issued is as follows:

	Number
<b>Unvested warrants as at 30 June 2020</b>	-
Granted	-
Vested	-
Forfeited	-
<b>Unvested warrants as at 30 June 2021</b>	-
Granted <sup>1</sup>	50,769,231
Vested <sup>1</sup>	-
Forfeited <sup>1</sup>	-
<b>Unvested warrants as at 30 June 2022<sup>1</sup></b>	<b>50,769,231</b>

The fair value of the 30,769,231<sup>1</sup> warrants granted on 6 September 2021 was \$2,049,231. Warrants are valued using a Black-Scholes option pricing model. The weighted average fair value of warrants granted during the year was \$0.067 per converted share. These values were calculated using a Black-Scholes option pricing model applying the following inputs:

Expiry date of related party options:	30 August 2026
Market price of shares:	\$0.365
Exercise price:	\$0.65
Expected share price volatility:	40%
Risk-free interest rate:	0.6%
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.

The fair value of the 20,000,000 warrants granted on 30 June 2022 was \$77,978. Warrants are valued using a Black-Scholes option pricing model. The weighted average fair value of warrants granted during the year was \$0.004 per converted share. These values were calculated using a Black-Scholes option pricing model applying the following inputs:

Expiry date of related party options:	30 August 2026
Market price of shares:	\$0.093
Exercise price:	\$0.23
Expected share price volatility:	30%
Risk-free interest rate:	3.0%
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.

<sup>1</sup> Number of Warrants shown as converted to ordinary shares upon vesting

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 30: Equity Based Payments (Cont'd)

### (d) Warrants (Cont'd)

Expenses arising from the warrant transactions recognised during the year were as follows:

	Consolidated Entity	
	2022	2021
	\$000	\$000
<b>Warrants</b>		
Expenses	391	-

## NOTE 31: 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 26.

### Key management personnel

Disclosures relating to KMP are set out in note 7 and the Remuneration Report in the Directors' Report.

### Transactions with related parties

The following transactions occurred with related parties:

	Consolidated Entity	
	2022	2021
	\$000	\$000
<b>(a) Director Related Transactions<sup>1</sup></b>		
Consulting fees for Saxelby Associates Pty Ltd, an entity in which Mr David Saxelby has a beneficial interest	-	17
Consulting fees for Andrew Barclay & Associates, in which Mr Andrew Barclay has a beneficial interest	274	345
Consulting fees for C1 Energy Pty Ltd, an entity in which Mr Peter Thomas has a beneficial interest	286	207
Interim CEO fees for Olla Advisory Pty Ltd as trustee for the Olla Advisory Trust, an entity in which Mr Vin Vassallo has a beneficial interest	205	-
<b>(b) Director Related Balances</b>		
Amounts owing to Andrew Barclay & Associates, in which Mr Andrew Barclay has a beneficial interest	43	49
Amounts owing to C1 Energy Pty Ltd, an entity in which Mr Peter Thomas has a beneficial interest	63	15
Amounts owing to Olla Advisory Pty Ltd as trustee for the Olla Advisory Trust, an entity in which Mr Vin Vassallo has a beneficial interest	80	-

All transactions were made on normal commercial terms and conditions and at market rates.

<sup>1</sup> Transactions relating to directors' fees are included in the Directors' Report details of remuneration

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 32: 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 29(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 11 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 2022.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 32: 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	> 5 Years \$000	Carrying Amount \$000
<b>2022</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	0.9	-	39,263	-	-	39,263
Receivables	-	37,175	-	-	-	37,175
Contract assets	-	16,258	-	-	-	16,258
		<b>53,433</b>	<b>39,263</b>	-	-	<b>92,696</b>
<b>Financial Liabilities</b>						
Payables	-	(84,127)	-	-	-	(84,127)
Contract liabilities	-	(41,959)	-	-	-	(41,959)
Borrowings	10.1	-	(19,458)	(23,384)	-	(42,842)
Lease liabilities	6.3	-	(5,123)	(13,948)	(1,638)	(20,709)
		<b>(126,086)</b>	<b>(24,581)</b>	<b>(37,332)</b>	<b>(1,638)</b>	<b>(189,637)</b>
<b>2021</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	-	-	9,703	-	-	9,703
Receivables	-	24,940	-	-	-	24,940
Contract assets	-	27,436	-	-	-	27,436
		<b>52,376</b>	<b>9,703</b>	-	-	<b>62,079</b>
<b>Financial Liabilities</b>						
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)
		<b>(70,036)</b>	<b>(4,629)</b>	<b>(33,285)</b>	-	<b>(107,950)</b>

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 2022

## NOTE 32: 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 2022, 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 2022, 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	
	2022	2021
	\$000	\$000
<b>Change in profit</b>		
Increase in labour costs by 5% (CPI assumption)	<b>(3,591)</b>	(3,064)
<b>Change in equity</b>		
Increase in labour costs by 5% (CPI assumption)	<b>(3,591)</b>	(3,064)

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 33: 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
<b>Consolidated 2022</b>				
<b>Assets</b>				
Non-current asset held for sale	-	-	56,865	56,865
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>56,865</b>	<b>56,865</b>
<b>Consolidated 2021</b>				
<b>Assets</b>				
Non-current asset held for sale	-	-	56,655	56,655
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>56,655</b>	<b>56,655</b>

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 June 2022, 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 2.5% from FY24
- A nominal post-tax discount rate range of 9.0% to 11.0%.

The independent valuation resulted in values within the range of \$58,900,000 to \$124,400,000.

The Homeground Gladstone property is currently on the market and classified as a non-current asset held for sale and is valued at \$56,865,000, as the directors believe the sale will be completed before 30 June 2023.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 33: 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 34: Contingent Liabilities

	Consolidated Entity	
	2022	2021
	\$000	\$000
Guarantees given to external parties for satisfactory contract performance for the consolidated entity	77,630	69,917

Decmil is currently engaged in a contractual dispute in relation to the Sunraysia Solar Farm project with Sunraysia Solar Project Pty Ltd ('Sunraysia'). Whilst the Company expects a favourable outcome on this dispute, in the event that it is unsuccessful in its claim, it may not recover liquidated damages which have been withheld by Sunraysia.

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 2022

## NOTE 35: Parent Entity Information

	Parent Entity	
	2022	2021
	\$000	\$000
<b>Statement of profit or loss and other comprehensive income</b>		
Loss for the year	(46,790)	(37,307)
Total comprehensive income for the year	(46,790)	(37,307)
<b>Statement of financial position</b>		
ASSETS		
Current assets	18,587	71,489
Non-current assets	72,259	90,915
TOTAL ASSETS	90,846	162,404
LIABILITIES		
Current liabilities	85,624	139,082
Non-current liabilities	26,366	10,106
TOTAL LIABILITIES	111,990	149,188
EQUITY		
Issued capital	279,973	267,543
Accumulated losses	(301,117)	(254,327)
TOTAL EQUITY	(21,144)	13,216

### a) Guarantees

Cross guarantees have been provided by Decmil Group Limited and its controlled entities as listed in note 26(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 34.

### 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 36: Subsequent Events

A letter from the Company's banker, National Australia Bank Limited was received after the balance date of 30 June 2022. In that letter, the bank waived any rights the bank may have had in respect of any potential review events under the facility agreement. If this letter had been received on or prior to 30 June 2022, all else being equal, the consolidated entity's working capital (current assets less current liabilities) as at 30 June 2022 would be \$30.7 million, after borrowings of \$19.2 million are classified as a non-current liability.

The dispute relating to the Amrun project with Southern Cross Electrical Engineering Limited was settled on 3 August 2022.

Apart from the matters outlined 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 2022

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 2022 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 26(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

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

**Andrew Barclay**

Chairman

29 August 2022



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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 2022, 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 2022 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.

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## 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.

Key Audit Matter	How our audit addressed this matter
<p><b>Recognition of Revenue</b> Refer to Note 4 in the financial statements</p>	
<p>The Group's largest source of revenue is from construction and engineering.</p> <p>Construction and engineering revenue is recognised by management after assessing all factors relevant to each contract, including specifically assessing the following as applicable:</p> <ul style="list-style-type: none"> <li>• Determination of the stage of completion and measurement of progress towards performance obligations;</li> <li>• Estimation of total contract revenue and costs including the estimation of cost contingencies;</li> <li>• Determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims; and</li> <li>• Estimation of project completion date.</li> </ul> <p>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.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Assessing contractual terms with customers and substantiating project revenues and costs incurred against underlying supporting documents;</li> <li>• Assessing management's assumptions in determining the stage of completion, total contract revenue and total estimated costs;</li> <li>• Checking the mathematical accuracy of revenue recognised during the year based on the stage of completion;</li> <li>• Reading customers and subcontractor correspondence and discussing the progress of projects with project managers for any potential disputes, variation order claims, known technical issues or significant events that could impact the estimated contract costs;</li> <li>• Discussing the rationale for revisions made to estimated costs with project personnel and management and checking explanations to supporting documentation;</li> <li>• Challenging management's assessment and testing the reasonableness of the provision for foreseeable losses; and</li> <li>• Challenging the judgements made by management in estimating the expected credit loss relating to contract assets.</li> </ul>

<p><b>Non-Current Asset Held-for-sale</b> <b>Refer to Note 15 in the financial statements</b></p>	
<p>The Group owns a property in the Homeground Accommodation Village in Gladstone, Queensland.</p> <p>During the year ended 30 June 2022, the fair value of the property was independently assessed by an external valuer. With reference to the valuation report, management valued the property at \$56,865,000.</p> <p>The primary valuation method used by the external valuer was a discounted cash flow (DCF) model.</p> <p>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.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Assessing management's determination of whether there are any impairment indicators;</li> <li>Assessing the valuation methodology used by the external valuer;</li> <li>Assessing the competency of the external valuer;</li> <li>Reviewing the valuation and assessing the assumptions and inputs used for reasonableness to ensure that they were valid at 30 June 2022; and</li> <li>Reviewing whether management met the criteria to recognise the property as a non-current asset held-for-sale.</li> </ul>
<p><b>Impairment of Intangible Assets</b> <b>Refer to Note 19 in the financial statements</b></p>	
<p>As at 30 June 2022, the Group impaired Goodwill by \$25,482,000. Following this impairment, the carrying amount of goodwill is \$50,000,000.</p> <p>Management performs an annual impairment test on the recoverability of the goodwill as required by Australian Accounting Standards.</p> <p>We determined this area to be a key audit matter due to the size of the goodwill balance and because the directors' assessment of the value-in-use of the cash generating unit (CGU) involves significant management judgement about the identification of CGU, the future underlying cash flows of the business and the discount rate applied.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Assessing management's determination that the goodwill should be allocated to one CGU;</li> <li>Assessing the valuation methodology used to determine the recoverable amount of goodwill;</li> <li>Challenging the reasonableness of key assumptions, including the cash flow projections, expected revenue growth rates, the discount rates and sensitivities used;</li> <li>Reviewing management's sensitivity analysis over the key assumptions used in the model;</li> <li>Checking the mathematical accuracy of the value-in-use model and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; and</li> <li>Reviewing the appropriateness of disclosures in the financial statements.</li> </ul>
<p><b>Going Concern</b> <b>Refer to Note 1 in the financial statements</b></p>	
<p>For the year ended 30 June 2022, the Group incurred a loss of \$103,230,000.</p> <p>The directors' have prepared the financial report on a going concern basis based on a cash flow forecast which considers the factors disclosed in Note 1.</p> <p>We determined this assessment of going concern to be a key audit matter due to the significant judgements involved in preparing the cash flow forecast.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Assessing the appropriateness and mathematical accuracy of the cash flow forecast prepared by management;</li> <li>Challenging the reasonableness of the key assumptions used in the cash flow forecast;</li> <li>Critically assessing the directors' reasons of why they believe it is appropriate to prepare the financial report on a going concern basis; and</li> <li>Assessing the adequacy of the going concern disclosures in the financial report.</li> </ul>

## 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 2022 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](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 2022.

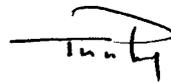
In our opinion, the Remuneration Report of Decmil Group Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

### *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.

A handwritten signature of 'RSM' in black ink.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to be 'Tutu Phong'.

TUTU PHONG  
Partner

Perth, WA  
Dated: 29 August 2022

# ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

FOR THE YEAR ENDED 30 JUNE 2022

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 2022 are:

	Shares	%
Thorney Investment Group	31,010,771	19.99
Franco Family Holdings	11,920,800	7.68

The following information is made up as at 31 July 2022:

## 2. Distribution of shareholdings

	No. of shareholders	No. of ordinary shares	%
1 – 1,000	2,962	835,800	0.54
1,001 – 5,000	1,269	3,193,311	2.06
5,001 – 10,000	497	3,808,836	2.45
10,001 – 100,000	969	31,800,816	20.50
100,001 and over	200	115,494,489	74.45
<b>Total</b>	<b>5,897</b>	<b>155,133,252</b>	<b>100.00</b>

There are 3,964 shareholders with an unmarketable parcel totalling 2,849,661 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 2022

## 4. Twenty largest shareholders

The names of the twenty largest registered shareholders of fully paid ordinary shares in the Company as at 31 July 2022 are:

	No. of Ordinary Fully Paid Shares Held	%
UBS Nominees Pty Ltd	31,010,771	19.99
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	11,920,800	7.68
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	6,837,742	4.41
Mrs Jenny Mary Baguley + Mr John Richard Baguley <Baguley Family S/F A/C>	2,699,949	1.74
Citicorp Nominees Pty Limited	2,538,735	1.64
Healey Nominees Pty Ltd	2,100,000	1.35
Block Capital Group Limited	2,000,000	1.29
Mr Simon Hannes + Mrs Mignon Catherine Booth <SGH Super Fund A/C>	1,620,000	1.04
Anjet Projects Pty Ltd <The Lyndi Super Fund A/C>	1,518,500	0.98
Spinite Pty Ltd <Mazal A/C>	1,510,000	0.97
Goliath Housing Pty Ltd	1,487,225	0.96
Block Capital Group Limited	1,300,000	0.84
Mr Peter James Thomas	1,300,000	0.84
Berkopy Holdings Pty Ltd	1,250,000	0.81
Pinnacle Crescent Pty Ltd	1,100,068	0.71
Dr Olga Assef	1,075,198	0.69
Brindle Holdings Pty Ltd <O'Connor S/F A/C>	1,067,377	0.69
Mr Barnaby Colman Caddick	907,000	0.58
Dr Salvador Gala	905,306	0.58
Neweconomy Com Au Nominees Pty Limited <900 Account>	865,992	0.56
<b>Total</b>	<b>75,014,663</b>	<b>48.35</b>



**Decmil Group Limited**

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