

Decmil Group Limited

# Full Year Report

30 June 2023

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

# 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.

01



**01 Andrew Barclay**  
Chair

Andrew was appointed as Chair 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.

02



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.

03



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

**02 Rod Heale**  
Executive Director

Rod was appointed as a Director on 14 August 2023 and CEO on 20 June 2022. Rod brings more than 30 years' experience in the building, construction and infrastructure industry across Australia.

04



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.

05



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.

**03 Peter Thomas**  
Executive 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 is also Chair of Australian Owned Contractors.

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

**04 Vin Vassallo**  
Non-Executive Director

Vin was appointed as a Non-Executive Director in June 2021 and held the position of interim Chief Executive Officer during the period April 2022 to June 2022. Vin has over 25 years of experience in the Australian infrastructure sector, including 14 years at Transurban. Vin has previously been Executive Regional Manager for Abigroup Contractors, an Australian infrastructure contractor, and various senior executive roles at Transurban.

Vin has recently taken the role of Group Executive – Electricity Transmission at APA Group and is an Executive Director at Olla Advisor.

Vin holds a Bachelor of Engineering, specialising in civil engineering.

**05 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.

David holds a Bachelor of Engineering, specialising in electrical engineering.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

Your directors present their report on the consolidated entity consisting of Decmil Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2023.

## Directors and Company Secretary

The following persons were directors of Decmil Group Limited during the whole of the financial year and up to the date of this report:

- Andrew Barclay – Chair
- Peter Thomas – Executive Director
- David Steele – Non-executive Director
- Vin Vassallo – Non-executive Director

Rodney Heale was appointed as Executive Director on 14 August 2023 and continues in office at the date of this report.

The Company Secretary is Peter Coppini BBus, MBA, GradDipAppI CorpGov, LLB, CA, FGIA. Peter Coppini was appointed to the position of company secretary on 31 March 2023. He has more than 12 years of experience as company secretary in both listed and unlisted public companies plus more than 20 years' experience in the accounting profession. Ian Hobson was company secretary during the financial year up to 31 March 2023.

## 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, and Renewables sectors across Australia:

### Infrastructure

- Government infrastructure projects including major road and bridge civil engineering projects
- Integrated transport solutions such as railway networks and airports.
- Construction of schools, medical centres, facilities, airports and accommodation units for government and local councils
- Construction of industrial and commercial buildings.

### Resources

- Non-process infrastructure, including industrial buildings, workshop, storage facilities, control rooms, substations, workshops and accommodation facilities
- Construction of workforce accommodation and associated facilities
- Civil works including site preparation, excavation, bulk earthworks and construction of roads and bridges.

### Renewables

- Feasibility, engineering, project management and construction services for the renewable energy sector  
Focusing on wind farm civil balance of plant projects

## Operating and Financial Results

Revenue for the financial year ended 30 June 2023 was \$489 million compared to \$378 million in the prior year.

Earnings before interest, tax, depreciation, amortisation and impairments was \$9 million compared to a loss of \$44 million in the prior year.

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2023

The consolidated entity reported a statutory net loss for the year of \$1.8 million (2022: loss of \$103 million).

Operating cash flow for the financial year ended 30 June 2023 was a net outflow of \$23 million compared to a net inflow of \$6 million in the prior year.

The Company raised \$26.3m in equity via a Redeemable Convertible Preferred Share (RCPS) offering in June and July 2023. \$20m of this was underwritten prior to 30 June 2023 and the remainder was underwritten and all balances fully received in July 2023.

At 30 June 2023 the balance sheet reflected an overall net debt position of \$24 million compared to a neutral net debt position in the prior. At 30 June 2023, some \$20 million (before fees) of the \$26.3 million (before fees) capital raise is recognised in equity. The \$6.3m remainder of the \$26.3m was underwritten and received after 30 June 2023 and will be recognised in the July 2023 accounts. Net assets were \$58.7 million at 30 June 2023 compared to the prior year of \$38.3 million.

### Dividends Paid or Recommended

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

A dividend payment of \$0.00452459 per RCPS has been determined and recommended for payment at 30 September 2023. This represents a pro rata initial dividend for the 69 days that investors held RCPS.

### 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.

Revenue from operations has risen from \$378 million in FY22 to \$489 million in FY23.

Key operational highlights for the year ended 30 June 2023 include:

#### Safety

- Strong safety performance with zero lost time injuries for the period resulting in a lost time injury frequency rate (LTIFR) of 0.0 and a total recordable injury frequency rate (TRIFR) of 2.6.

#### Infrastructure

- No projects were awarded in the period with work commencing on two Early Contractor Involvement contracts and work continuing on major projects awarded in FY22 including:
- Contract by Major Road Projects Victoria for the Barwon Heads Road Upgrade Work Package 1 (\$50-100m).
- Contract for the design and construction of phase one of the Albany Ring Road for the Western Australian Government and the contract for phase two (\$100-250m).
- Continued progress on the Gippsland Line Upgrade contract with the VicConnect Alliance, an alliance between Rail Projects Victoria, UGL and Arup (Decmil share \$100-250m).
- Contract to construct a new Port Hedland Community Centre building complex for the Town of Port Hedland (\$0-50m).
- Contract to expand and upgrade the Karratha Senior High School (\$0-50m).
- Contract to construct new training workshops at the Pundulmurra TAFE campus in South Hedland for the WA Department of Finance (\$0-50m).
- Contract to design and construct the Florin Parkside apartments project for Stirling Capital, located in Perth (\$0-50m).
- Practical completion achieved for the Peninsular Development Road project at Archer River for the Queensland Department of Transport (\$0-50m).

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2023

- Practical completion achieved for the Great Eastern Highway Coates Gully projects as part of Main Roads Western Australia Panel Works Program (\$0-50m).
- Practical completion and commercial settlement achieved for the Roy Hill-Munjina Bridge 5413 road over rail infrastructure project with Main Roads Western Australia (\$0-50m).
- Practical completion achieved for the contract by Main Roads WA for the construction of the Mitchell Freeway Principal Shared Path from Civic Place to Reid Highway (\$0-50m).

### Resources

- Award of the NDA Washbay project for QGC Pty Ltd in Queensland (\$0-50m).
- Limited notice of award for the Mount Holland Lithium Project in Western Australia for Covalent Lithium Pty Ltd.
- Awarded an Early Contractor Involvement contract by Roll Hill Infrastructure to provide Early Design Development Services for its Rolling Stock Maintenance Workshop upgrade.
- Awarded an Early Contractor Involvement contract by BHP to provide Early Design Development Services for its Port Haven project.
- Completion of the Christmas Creek Hydrogen Refuelling Station for Fortescue Metals Group (\$0-50m).
- Completion 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 (\$50-100m).
- Completion of the Talison Lithium project (\$0-50m).
- Covalent Kwinana NPI works progressing well for Covalent Lithium (\$0-50m).

### Renewables

- Work is continuing to progress well at the Ryan Corner Windfarm for GPG (\$50-100m).
- Decmil has been advised of conditional preferred status as Balance of Plant contractor for the construction of the 108 MW Waddi Wind Farm in Western Australia (\$0-50m).

### Homeground Gladstone

- Occupancy levels were modest in FY23 at Homeground Gladstone. Homeground revenue was \$9.8m for the year delivering an EBITDA of \$1.2m.
- Average occupancy for the year was 14%, which included a peak month of 47%.

## 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 2023. 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 2023, borrowings of \$8.2 million would be classified as a non-current liability (increasing net current assets by \$8.2 million).

In addition, shortly after the balance date of 30 June 2023, Decmil announced that it had completed its \$26.3 million capital raise (before fees), of which was \$20 million was underwritten at 30 June 2023 and that \$20 million (before fees) was included in the balance sheet at that date.

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

FOR THE YEAR ENDED 30 JUNE 2023

## Likely Developments and Outlook

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

These sectors and their drivers are summarised below:

- **Infrastructure:** The demand for major public infrastructure works remains strong, having increased by \$15 billion since 2021, equivalent to 6.7% growth. The five-year pipeline of major public infrastructure projects is valued at \$237 billion, with 63% of this spend accounting for major transport projects. Investment is concentrated in New South Wales, Victoria and Queensland, comprising 84% of this spend.

Decmil continues to build its position in infrastructure projects, having been awarded the Albany Ring Road Stage 2 project and entering into an ITC Agreement for Ison Road in Melbourne.

- **Resources:** Australia's resources and energy major projects pipeline increased over the past year, with further growth of committed projects supporting the investment pipeline. The value of resources projects at the 'committed' stage increased over the year to October 2022 from \$54bn to \$83bn, with \$63bn of these in WA.

WA also has sizeable reserves of lithium, with strong prices driving investment in large projects. Decmil has now established a presence in the market, having competed one project and continuing to deliver another contract and early works for lithium mining companies.

- **Renewables:** Australia's strengthened climate target of 43% of emissions reductions by 2030 and achieving net zero emissions by 2050 provides greater impetus for renewable energy. Australia's renewable energy capacity is forecast to expand by more than 85% up to 2027.

Wind remains Australia's most significant renewable generation contributor overall, providing 35.6 per cent of all renewable generation and 12.8 per cent of Australia's total energy generation mix.

There are currently 50GW of wind farm projects announced or committed in the Eastern States, with an estimated Civil Balance of Plant value estimated at \$27bn by 2030. There are 21 GW of wind farm projects announced or committed for Western Australia, with an estimated Civil Balance of Plant value estimated at 8bn by 2030.

With an existing presence in the WA market, Decmil has now established a presence in the Eastern States with the delivery of the Ryan Corner Wind Farm project in VIC, and with early works at Mount Hopeful Wind Farm in QLD and feasibility studies at Specimen Hill Wind Farm in QLD.

As at 30 June 2023 the Company has approximately \$550 million of work in hand extending into FY26.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## Material Business Risks

The key challenges for the Group going into the 2024 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:

**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

FOR THE YEAR ENDED 30 JUNE 2023

- **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.
- **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.
- **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.
- **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 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 several 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.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

- **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 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.

- **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.

- **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

## Environmental Regulation

Under section 299(1)(f) of the *Corporations Act 2001* (Cth) ('**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.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

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.

Based on the assessment of historical data, the Company has assessed it does not meet the thresholds required to provide reports under the NGERs scheme. The assessment of this threshold is updated annually.

In the year ended 30 June 2023, the Company conducted 1,549,329 hours worked in which there were no material breaches of environment legislation or approval conditions.

## Directors' Meetings

During the financial year, 17 directors' meetings were held. Attendances by each director during the year for Board and committee meetings are shown below.

	Directors' Meetings		Audit & Risk Committee		Remuneration Committee	
	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 <sup>1</sup>	17	16	7	7	N/a	4
David Steele	17	17	7	7	4	4
Peter Thomas <sup>2</sup>	17	17	N/a	7	4	4
Vin Vassallo	17	16	7	7	4	4

During the financial year, the position of Company Secretary was held by Ian Hobson (1 July 2022 – 31 March 2023) and Peter Coppini (31 March 2023 – 30 June 2023).

<sup>1</sup> Andrew Barclay is not a committee member of the Remuneration Committee, however attended meetings as a guest.

<sup>2</sup> Peter Thomas is not a committee member of the Audit & Risk Committee, however attended meetings as a guest.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## Remuneration Report – Audited

This Remuneration Report for the year ended 30 June 2023 provides the nature and amount of remuneration for Directors and specified executives of Decmil Group Limited under the requirements of the *Corporations Act 2001* (Cth) ('**Corporations Act**') and its delegated legislation. This information has been audited as required by section 308(3C) of the *Corporations Act*.

The Remuneration Report is presented under the sections below.

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 Right holdings
8. Other transactions with Directors, Key Management Personnel ('**KMP**') and their related parties
9. Annual General Meeting voting

This Remuneration Report sets out remuneration information for Decmil's KMP. The meaning of KMP is defined in AASB 124 Related Party Disclosures and includes 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 KMP during or since the end of the financial year:

Role	Term
<b>Non-Executive Directors (NEDs)</b>	
Mr Andrew Barclay – Chair 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 until 20 September 2022 Appointed as CFO on 5 October 2022
Mr Vin Vassallo	Appointed as Director on 14 June 2021 Appointed Interim Chief Executive Officer on 19 April 2022 and resigned as Interim Chief Executive Officer on 20 June 2022
Mr Rod Heale	Appointed as Director on 14 August 2023
<b>Executives (Other KMP)</b>	
Mr Rod Heale	Appointed as Chief Executive Officer on 20 June 2022

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## 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's Board and Remuneration Committee is fully informed when making remuneration decisions, external remuneration advice and industry salary survey data is often used. During the financial year, the fixed remuneration of executives was considered by the Company's Remuneration Committee and the Board. In previous financial years, the Company has engaged remuneration consultants Ernst & Young, AON Hewitt, and Mercer to provide advice on the structure of the long-term incentive plans and provide a comparison of the Company's plan to market trends. Any guidance provided by the remuneration consultants was not considered a remuneration recommendation in relation to KMP, as defined by s 9B of the *Corporations 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. 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 remuneration and rewards 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; and
- retain the highest quality employees within Decmil.

Decmil aims to ensure:

- 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 interests of Decmil; and
- gender pay equality.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## 2.2 Executive remuneration structure

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

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 a cash bonus.	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

FOR THE YEAR ENDED 30 JUNE 2023

## 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, performance 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 law, which during the year was 10.5% (subject to the statutory cap), and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice all or part of their remuneration to increase payments towards their superannuation.

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

All remuneration paid to directors and executives is valued at cost to the Company and expensed. When performance rights and shares are given to directors and executives, they are valued according to the relevant Australian 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 is a performance based short term incentive scheme associated with key performance indicators. The second is a long-term performance scheme involving 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 2023 are summarised below:

	2023 \$000	2022 \$000	2021 \$000	2020 \$000	2019 \$000
Revenue	489,167	377,597	303,722	478,607	663,276
EBITDA	9,000	(43,668)	(2,105)	(86,851)	24,100
EBIT	3,409	(49,359)	(7,133)	(92,713)	21,439
(Loss)/profit after income tax	(1,844)	(103,230)	(11,456)	(140,424)	14,018

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

	2023	2022	2021	2020 <sup>1</sup>	2019 <sup>1</sup>
Share price at financial year end (\$)	0.14	0.10	0.46	0.06	0.91
Total dividends paid (cents per share)	-	-	-	2.0	1.0
Basic earnings per share (cents per share)	(1.185)	(67.75)	(8.90)	(32.99) <sup>2</sup>	6.27

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

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

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## 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. Measures may include targets for EBITDA, cash position, work won, safety, and health and wellbeing.
<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 employee'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 continuing their employment 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; and
- 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 concluding at the close of trading on 30 June.
<b>How is performance measured?</b>	Vesting hurdles for performance rights for executives includes net promoter score, continuous service, dividends to shareholders, and share price targets.
<b>When is performance measured?</b>	The achievement of vesting conditions for performance rights are assessed between July and September each year, three years after the financial year of which the grant of the performance rights was made.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## General Terms of the LTI

### 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, adjusts and amends the performance hurdles to reflect market conditions. Below is a summary of the vesting conditions that relate to unvested performance rights as at 30 June 2023.

### Performance rights to KMP granted 30 June 2020<sup>1</sup>

- 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.

<sup>1</sup> From the Performance Rights granted on 30 June 2020, 680,986 performance rights were unvested as at 30 June 2023.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## Performance rights to KMP granted 8 December 2022<sup>1</sup>

Class of Performance Rights	Number of Performance Rights	Vesting Conditions	Expiry Date
Class A	1,372,727	The Net Promotor Score, including employees, clients, and subcontractors, increasing by 5% from 1 July 2024 to 30 June 2025 provided the 30 June 2025 score is positive.	30 September 2025
Class B	2,745,454	The holder completing three (3) years continuous service to the Company from 1 July of the financial year in which the Performance Rights are granted ('Effective Date').	31 July 2025
Class C	4,804,546	Shareholders receiving a dividend at any time during the three (3) financial years from the Effective Date.	Five (5) years from date of issue.
Class D	2,402,273	The Company achieving a share price average (based on closing prices) of at least \$0.25 according to the 20-day volume-weighted average price ('VWAP') concluding at the close of trading on 30 June 2024.	31 July 2024
Class E	2,402,273	The Company achieving a share price average (based on closing prices) of at least \$0.45 according to the 20-day VWAP concluding at the close of trading on 30 June 2025.	31 July 2025

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 been forfeited and the details of these schemes have not been included in this report.

### Performance rights

During the year ended 30 June 2023, 13,727,273 performance rights were granted to KMP out of a total of 18,597,539 performance rights granted.

During the year ended 30 June 2023, 280,734 performance rights were vested to KMP out of a total of 418,964 vested performance rights.

The following rights have been granted to KMP but remain unvested at 30 June 2023:

Grant Date	Number of Unvested Rights	Fair Value of Unvested Rights
8 December 2022	13,727,273	\$1,126,446

<sup>1</sup> From the Performance Rights granted on 8 December 2022, 13,727,273 KMP performance rights were unvested as at 30 June 2023.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## 3. Director options

### Options issued as part of remuneration for the year ended 30 June 2023

During the year ended 30 June 2023, no options were granted as remuneration to directors (2022: nil).

### Shares under option granted as remuneration

At the date of this report, the unissued ordinary shares of the Company under options 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 <sup>1</sup>	\$198,000

### Shares issued on the exercise of options granted as remuneration

There were no fully paid ordinary shares of the Company issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

## 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	Applies	Applies
Vin Vassallo	Nil	Ongoing until terminated	Nil	Nil	Nil
Alan Ings (resigned 7 July 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 are ongoing 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.

<sup>1</sup> Andrew Barclay granted 900,000 options and Peter Thomas granted 900,000 options.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## 5. Non-Executive Director fee arrangements

Non-Executive Directors ('NED') 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 NEDs at market rates for comparable companies for time, commitment, and responsibilities. The Board approves payments to NEDs and reviews their remuneration annually, based on market practice, duties, and accountabilities. Independent external advice may be used during the review process. The maximum aggregate amount of fees that can be paid to NEDs is subject to approval by shareholders. Fees for NEDs are not linked to the performance of the consolidated entity however aim to align NED interests with shareholder interests. NEDs are encouraged to hold shares in the Company.

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 summarises the NED fee structure inclusive of superannuation for the year ended 30 June 2023:

Board fees	Annual Fees (\$)
Chair <sup>1</sup>	130,000
NED	75,000
Committee fees	
Committee Chair <sup>2</sup>	8,100
Committee Member	-

### Maximum aggregate NED fee pool

The maximum aggregate amount of directors' fees that can be paid to NEDs is subject to approval by shareholders 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 is up to \$650,000 during any financial year which was approved by the Company's shareholders on 14 November 2012.

## 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	2023	117,688	12,357	-	-	-	130,045	-	-
	2022	118,182	11,818	-	-	-	130,000	-	100.0
David Steele	2023	79,715	8,370	-	-	-	88,085	-	100.0
	2022	68,182	6,818	-	-	-	75,000	-	100.0
Vin Vassallo	2023	83,100	-	-	-	-	83,100	-	100.0
	2022	69,588	-	-	-	-	69,588	-	100.0
<b>Total</b>	<b>2023</b>	<b>280,503</b>	<b>20,727</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>301,230</b>	<b>-</b>	<b>100.0</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>

<sup>1</sup> Chair fees are paid to Andrew Barclay.

<sup>2</sup> Committee chair fees are paid to David Steele (Remuneration Committee) and Vin Vassallo (Audit & Risk Committee).

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

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>1</sup>	2023	726,875	-	-	78,555	-	805,430	9.8	90.2
	2022	348,855	-	-	-	-	348,855	-	100.0
Vin Vassallo <sup>2</sup>	2023	138,744	-	-	-	-	138,744	-	100.0
	2022	218,850	-	-	-	-	218,850	-	100.0
Dickie Dique <sup>3</sup>	2023	-	-	-	-	-	-	-	-
	2022	730,298	23,568	-	-	-	753,866	-	100.0
<b>Total</b>	<b>2023</b>	<b>865,619</b>	<b>-</b>	<b>-</b>	<b>78,555</b>	<b>-</b>	<b>944,174</b>	<b>8.3</b>	<b>91.7</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>

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>4</sup>	2023	824,708	25,293	-	101,169	-	951,170	10.6	89.4
	2022	28,548	2,997	-	-	-	31,545	-	100.0
Alex Hall <sup>5</sup>	2023	-	-	-	-	-	-	-	-
	2022	164,733	10,329	-	-	-	175,062	-	100.0
Alan Ings <sup>6</sup>	2023	21,538	6,323	-	-	-	27,861	-	100.0
	2022	227,308	15,476	-	-	-	242,784	-	100.0
Damian Kelliher <sup>7</sup>	2023	-	-	-	-	-	-	-	-
	2022	606,263	23,568	-	-	30,000	659,831	4.5	95.5
<b>Total</b>	<b>2023</b>	<b>846,246</b>	<b>31,616</b>	<b>-</b>	<b>101,169</b>	<b>-</b>	<b>979,031</b>	<b>10.3</b>	<b>89.7</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>4.5</b>	<b>95.5</b>

## 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 shown below.

30 June 2023	Balance 1 July 2022	Received as Part of Remuneration	Additions	Disposals/ Other	Balance 30 June 2023
<b>Directors:</b>					
Andrew Barclay	241,855	-	-	-	241,855
David Steele	125,000	-	-	-	125,000
Peter Thomas	1,300,000	-	-	-	1,300,000
Vin Vassallo	100,000	-	-	-	100,000
<b>KMP:</b>					
Rod Heale	-	-	-	-	-
Alan Ings	-	-	-	-	-
	<b>1,766,855</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,766,855</b>

<sup>1</sup> Peter Thomas was appointed to the board of directors on 28 July 2020 and appointed Chief Financial Officer on 7 July 2022.

<sup>2</sup> Vin Vassallo was appointed Chief Executive Officer between 19 April 2022 and 20 June 2022.

<sup>3</sup> Dickie Dique resigned from the board of directors on 29 April 2022 and resigned as Chief Executive Officer on 19 April 2022.

<sup>4</sup> Rod Heale was appointed as Chief Executive Officer on 20 June 2022.

<sup>5</sup> Alex Hall was appointed as Chief Financial Officer between 27 April 2021 and 16 November 2021.

<sup>6</sup> Alan Ings was appointed as Chief Financial Officer between 16 November 2021 and 7 July 2022.

<sup>7</sup> Damian Kelliher resigned on 24 June 2022.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## 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 shown below.

30 June 2023	Balance 1 July 2022	Granted as Remuneration	Vested During the Period	Additions	Expired/ Other <sup>1</sup>	Balance 30 June 2023
<b>Directors:</b>						
Andrew Barclay	962,500 <sup>1</sup>	-	-	-	-	962,500
David Steele	62,500 <sup>2</sup>	-	-	-	-	62,500
Peter Thomas	1,150,000 <sup>3</sup>	-	-	-	-	1,150,000
<b>KMP:</b>						
Rod Heale	-	-	-	-	-	-
Alan Ings	-	-	-	-	-	-
	<b>2,175,000</b>	-	-	-	-	<b>2,175,000</b>

## 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 shown below.

30 June 2023	Balance 1 July 2022	Granted as Remuneration	Vested During the Period	Expired/ Other	Balance 30 June 2023
<b>Directors:</b>					
Andrew Barclay	-	-	-	-	-
David Steele	-	-	-	-	-
Peter Thomas	-	6,000,000	-	-	6,000,000
<b>KMP:</b>					
Rod Heale	-	7,727,274	-	-	7,727,274
Alan Ings	-	-	-	-	-
	-	<b>13,727,274</b>	-	-	<b>13,727,274</b>

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

	2023 \$000
<b>(a) Director Related Transactions<sup>4</sup></b>	
Consulting fees for Andrew Barclay & Associates, in which Mr Andrew Barclay has a beneficial interest	348
<b>(b) Director Related Balances</b>	
Amounts owing to Andrew Barclay & Associates, in which Mr Andrew Barclay has a beneficial interest, for consulting fees	59

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

<sup>1</sup> 900,000 Remuneration Options granted on 12 January 2021, exercise price \$0.75, expiring 31 October 2024; and 62,500 Placement Options granted on 6 September 2021, exercise price \$0.48, expiring 6 September 2023.

<sup>2</sup> 62,500 Placement Options granted on 6 September 2021, exercise price \$0.48, expiring 6 September 2023.

<sup>3</sup> 900,000 Remuneration Options granted on 12 January 2021, exercise price \$0.75, expiring 31 October 2024; and 250,000 Placement Options granted on 6 September 2021, exercise price \$0.48, expiring 6 September 2023.

<sup>4</sup> Transactions relating to directors' fees are included in the Directors' Report details of remuneration.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## 9. Annual General Meeting voting

Voting and comments made at the Company's 2022 Annual General Meeting ('**AGM**') held on 10 November 2022:

At the 2022 AGM, 92% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

**End of audited Remuneration Report.**

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## 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*. 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.

## 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; and
- 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 2023:

	\$
Taxation compliance services	14,000
Taxation assistance	11,450
	<b>25,450</b>

There were no non-audit services provided by RSM Australia Partners for the year ended 30 June 2023.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## Auditor's Independence Declaration

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

## Officers of the Company Who Are Former Partners of RSM Australia Partners

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

## Auditor

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

## 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*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'A Barclay', with a long horizontal stroke underneath.

**Andrew Barclay**

Chair

23 August 2023

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Decmil Group Limited for the year ended 30 June 2023, 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: 23 August 2023

**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

Liability limited by a scheme approved under Professional Standards Legislation

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

		Consolidated Entity	
		2023	2022
		\$000	\$000
	Note		
Revenue	4	489,167	377,597
Cost of sales		(452,171)	(393,358)
<b>Gross profit / (loss)</b>		<b>36,996</b>	<b>(15,761)</b>
Administration expenses		(27,139)	(27,476)
Equity based payments		(857)	(431)
<b>Earnings / (loss) before interest, tax, depreciation, amortisation, and impairments</b>		<b>9,000</b>	<b>(43,668)</b>
Interest received	4(a)	2	17
Borrowing costs	5	(5,255)	(5,882)
Depreciation and amortisation expense	5, 17, 18	(5,591)	(5,691)
Impairment of intangible assets	19	-	(25,482)
<b>Loss before income tax expense</b>		<b>(1,844)</b>	<b>(80,706)</b>
Income tax expense	6	-	(22,524)
<b>Net loss after tax</b>		<b>(1,844)</b>	<b>(103,230)</b>
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(1,844)</b>	<b>(103,230)</b>
<b>Loss for the year attributable to:</b>			
Owners of Decmil Group Limited		(1,844)	(103,230)
<b>Loss for the year</b>		<b>(1,844)</b>	<b>(103,230)</b>
<b>Total comprehensive loss for the year, net of tax</b>		<b>(1,844)</b>	<b>(103,230)</b>
<b>Earnings per share attributable to the owners of Decmil Group Limited</b>			
Basic earnings per share (cents per share)	9(b)	(1.185)	(67.75)
Diluted earnings per share (cents per share)	9(b)	(1.185)	(67.75)

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2023

Consolidated Entity

	Note	2023 \$000	2022 \$000
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	11	3,686	39,263
Trade and other receivables	12	40,838	37,175
Contract assets	13	33,771	16,258
Non-current asset held for sale	15	56,991	56,865
Other current assets	16	6,374	5,808
<b>TOTAL CURRENT ASSETS</b>		<b>141,660</b>	<b>155,369</b>
NON-CURRENT ASSETS			
Plant and equipment	17	8,687	7,975
Right-of-use assets	18	8,441	11,030
Deferred tax assets	24	-	-
Intangible assets	19	50,000	50,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>67,128</b>	<b>69,005</b>
<b>TOTAL ASSETS</b>		<b>208,788</b>	<b>224,374</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	20	84,403	73,261
Contract liabilities	14	14,668	41,959
Borrowings	21	8,505	19,454
Hire purchase lease liabilities	22	1,108	1,561
Leasing liabilities	22	2,342	2,619
Provisions	23	3,498	4,986
<b>TOTAL CURRENT LIABILITIES</b>		<b>114,524</b>	<b>143,840</b>
NON-CURRENT LIABILITIES			
Trade and other payables	20	6,908	10,866
Borrowings	21	18,716	17,873
Hire purchase lease liabilities	22	1,664	2,919
Leasing liabilities	22	7,875	10,216
Provisions	23	375	319
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>35,538</b>	<b>42,193</b>
<b>TOTAL LIABILITIES</b>		<b>150,062</b>	<b>186,033</b>
<b>NET ASSETS</b>		<b>58,726</b>	<b>38,341</b>
<b>EQUITY</b>			
Issued capital	25	284,273	279,961
Redeemable convertible preference shares		14,052	-
Reserves	25	3,865	-
Accumulated losses		(243,464)	(241,620)
<b>TOTAL EQUITY</b>		<b>58,726</b>	<b>38,341</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

Consolidated Entity	Note	Issued Capital	Redeemable Convertible Preference Shares	Reserves	Accumulated Losses	Total
		\$000	\$000	\$000	\$000	\$000
<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>(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>30d</b>	2,127	-	-	-	2,127
<b>Balance at 30 June 2022</b>		<b>279,961</b>	-	-	<b>(241,620)</b>	<b>38,341</b>
<b>Balance at 1 July 2022</b>		<b>279,961</b>	-	-	<b>(241,620)</b>	<b>38,341</b>
Net loss for the year		-	-	-	(1,844)	(1,844)
<b>Total comprehensive loss for the year</b>		-	-	-	<b>(1,844)</b>	<b>(1,844)</b>
Shares issued for the period		4,667	-	-	-	4,667
Transaction costs net of tax benefit		(369)	-	-	-	(369)
RCPS Capital Raise to be issued		-	14,052	-	-	14,052
Asset Revaluation		-	-	3,865	-	3,865
Equity based payments	<b>30</b>	<b>857</b>	-	-	-	857
Movement of warrants		<b>(843)</b>	-	-	-	<b>(843)</b>
<b>Balance at 30 June 2023</b>		<b>284,273</b>	<b>14,052</b>	<b>3,865</b>	<b>(243,464)</b>	<b>58,726</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

## Consolidated Entity

	Note	2023 \$000	2022 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		453,707	444,038
Payments to suppliers and employees (inclusive of GST)		(467,377)	(432,422)
Interest received	4	2	17
Finance costs paid		(9,211)	(5,882)
Net cash (used in)/provided by operating activities	29(a)	(22,879)	5,751
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment	17	(546)	(870)
Non-current asset held for sale additions	15	(126)	(210)
Proceeds from sale of non-current assets	4, 17	2,019	220
Net cash provided by/(used in) investing activities		1,347	(860)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	21	-	21,655
Repayment of borrowings	21	(13,749)	(2,062)
Repayment of lease liabilities	22	(4,604)	(4,565)
Net proceeds/(payments) from capital raise/share issue		4,308	9,641
Net cash (used in)/provided by in financing activities		(16,216)	24,669
Net (decrease)/increase in cash held		(37,748)	29,560
Cash at beginning of the financial year		39,263	9,703
Cash at end of the financial year	11	3,686	39,263

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

The financial statements of Decmil Group Limited ('the Company') for the year ended 30 June 2023 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 (Cth).

Decmil Group Limited is a company limited by shares registered 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 23 August 2023.

## 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*, Australian Accounting Standards and Interpretations of the 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 2023

## Going concern

For the year ended 30 June 2023, the consolidated entity incurred a loss after tax of \$1.8 million compared to a loss after tax of \$103.2 million in the prior year.

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.

In addition, the consolidated entity has completed a capital raise as disclosed in note 36 subsequent events. Lastly, the consolidated entity will receive additional cash proceeds from the sale of Homeground.

## (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.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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.

## **(f) Plant and Equipment**

Each class of plant and equipment is carried at cost on initial recognition, 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## *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.

After recognition as an asset, an item of property, plant and equipment (such as land, property, buildings, etc.) whose fair value can be measured reliably is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be measured using fair value at the end of the reporting year and the entire class of property, plant and equipment to which that asset belongs is revalued.

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under revaluation surplus reserve except that the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. When an asset's carrying amount is decreased, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus. The revaluation surplus included in equity is transferred directly to retained earnings when the asset is derecognised.

## **(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.

## **(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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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.

## **(l) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## *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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## **(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.

### *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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

## *Diluted earnings per share*

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

## **(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 2023

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.

## **(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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## *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.

## **(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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## **(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.

### *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, 13 and 14 on revenues and contract assets and contract liabilities.

### *Contract modifications:*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## *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 2023. 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.

## **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 31%, 23% and 15% (2022: 28%, 25% and 10%) of its revenues from the top three external customers. All of the consolidated entity's assets are located in Australia.

Basis of accounting for purposes of reporting by operating segments

#### a. Accounting policies adopted

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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.

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
2023			
External sales	479,156	10,011	489,167
<b>Total segment revenue</b>	<b>479,156</b>	<b>10,011</b>	<b>489,167</b>
Segment earnings before interest, tax, depreciation and amortisation & impairments	7,772	1,228	9,000
Net interest	(5,254)	1	(5,253)
Depreciation & amortisation expense	(5,529)	(62)	(5,591)
Impairment of intangible assets	-	-	-
<b>Segment result</b>	<b>(3,011)</b>	<b>1,167</b>	<b>(1,844)</b>
Other unallocated expenses			-
Income tax expense			-
<b>Loss for the period</b>			<b>(1,844)</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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>

(b) Segment Assets	Construction & Engineering \$000	Accommodation \$000	Total \$000
<b>2023</b>			
Current assets	66,254	58,402	124,656
Non-current assets	59,497	192	59,689
Other unallocated assets			24,443
<b>Total segment assets</b>	<b>125,751</b>	<b>58,594</b>	<b>208,788</b>
Total assets includes:			
Acquisition of non-current assets	417	255	672

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

<b>(c) Segment Liabilities</b>	<b>Construction &amp; Engineering \$000</b>	<b>Accommodation \$000</b>	<b>Total \$000</b>
<b>2023</b>			
Current liabilities	97,557	1,659	99,216
Non-current liabilities	90,036	-	90,036
Other unallocated liabilities			(39,190)
<b>Total segment liabilities</b>	<b>187,593</b>	<b>1,659</b>	<b>150,062</b>

<b>Segment Liabilities</b>	<b>Construction &amp; Engineering \$000</b>	<b>Accommodation \$000</b>	<b>Total \$000</b>
<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>

## NOTE 4: Revenue

### Consolidated Entity

	<b>2023 \$000</b>	<b>2022 \$000</b>
Construction and engineering revenue	<b>477,757</b>	368,107
Accommodation revenue	<b>10,011</b>	9,280
Other revenue		
- grant income	-	-
- profit/(loss) on sale of non-current assets	<b>1,045</b>	(14)
- rentals	<b>354</b>	224
<b>Total revenue from continuing operations</b>	<b>489,167</b>	377,597

### (a) Interest revenue

Interest revenue from:		
- other persons	<b>2</b>	17
<b>Total interest revenue</b>	<b>2</b>	17

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## Disaggregation of revenue

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

	Consolidated Entity	
	2023	2022
	\$000	\$000
<b>Sectors</b>		
Infrastructure	342,988	274,732
Resources	54,635	67,253
Renewables	79,841	25,896
Accommodation	10,011	9,280
Other	1,692	436
	<b>489,167</b>	<b>377,597</b>
<b>Geographical regions</b>		
Australia	489,167	377,597
	<b>489,167</b>	<b>377,597</b>
<b>Timing of revenue recognition</b>		
Services transferred over time	477,464	367,881
Services transferred at a point in time	11,703	9,716
	<b>489,167</b>	<b>377,597</b>

## NOTE 5: Expenses

	Consolidated Entity	
	2023	2022
	\$000	\$000
Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	4,792	5,243
Finance costs:		
- plant and equipment leased	132	176
- buildings leased	754	882
- software leased	60	108
- from other parties	4,309	4,716
Total finance costs	5,255	5,882
Depreciation and amortisation of non-current assets:		
- plant and equipment owned	1,785	1,431
- plant and equipment leased	1,217	1,635
- buildings right-of-use assets	2,005	2,041
- software right-of-use assets	584	584
Total depreciation	5,591	5,691

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 6: Income Tax Expense

		Consolidated Entity	
		2023	2022
	Note	\$000	\$000
<b>The components of income tax (expense)/benefit comprise:</b>			
Current tax		-	-
Deferred tax	24	-	(22,478)
Under provision for tax in prior year	24	-	(46)
		-	(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% (2022: 30%)		553	24,212
Adjusted by the tax effect of:			
- equity based payments		(257)	129
- deductible transaction costs on equity issue		395	(386)
- non-deductible items		(366)	184
- under provision for tax in prior year		-	(46)
- derecognition of deferred tax assets for the year		(325)	(46,617)
<b>Income tax expense attributable to loss before income tax</b>		-	(22,524)
The applicable weighted average effective tax rates are as follows:		0%	28%

## 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**

### Key Management Personnel

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

**Vin Vassallo: Interim Chief Executive Officer** (until 31 October 2022)

**Alan Ings: Chief Financial Officer** (resigned 7 July 2022)

**Peter Thomas: Chief Financial Officer** (appointed 7 July 2022)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## 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:

	2023 \$000	2022 \$000
Short-term employee benefits	2,044	2,705
Equity-based payments	180	-
	<b>2,224</b>	<b>2,705</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.

## NOTE 8: Auditors' Remuneration

	Consolidated Entity	
	2023 \$000	2022 \$000
<b>Remuneration of the auditor of the parent entity for:</b>		
- auditing or reviewing the financial report	319	304
- taxation compliance services	14	22
- ATO Combined Assurance Review assistance	-	48
- taxation assistance	11	51
	<b>344</b>	<b>425</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 9: Earnings Per Share

		Consolidated Entity	
		2023	2022
		\$000	\$000
<b>(a)</b>	<b>Reconciliation of earnings to profit or loss</b>		
	Loss after income tax	(1,844)	(103,230)
	Earnings used to calculate basic and dilutive EPS	(1,844)	(103,230)
		No.	No.
<b>(b)</b>	<b>Weighted average number of ordinary shares outstanding during the year used in calculating basic</b>	155,520,076	152,376,278
<b>EPS</b>	Weighted average number of dilutive options outstanding	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	155,520,076	152,376,278

## NOTE 10: Dividends

		Consolidated Entity	
		2023	2022
		\$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>

## NOTE 11: Cash and Cash Equivalents

		Consolidated Entity	
		2023	2022
		\$000	\$000
	Cash at bank and in hand	3,686	39,263
		<b>3,686</b>	<b>39,263</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	3,686	39,263

Decmil had \$2.17 million cash held on trust in project bank accounts, which is not available for use by Decmil in the ordinary course of business.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 12: Trade and Other Receivables

	Consolidated Entity	
	2023	2022
	\$000	\$000
<b>CURRENT</b>		
Trade receivables	<b>40,838</b>	37,175
Less: Allowance for expected credit losses	-	-
	<b>40,838</b>	37,175

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.

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>2023</b>							
Trade receivables	40,838	37,763	336	847	7	1,885	
Total	<b>40,838</b>	<b>37,763</b>	<b>336</b>	<b>847</b>	<b>7</b>	<b>1,885</b>	
<b>2022</b>							
Trade receivables	37,175	36,319	286	437	8	125	-
Total	<b>37,175</b>	<b>36,319</b>	<b>286</b>	<b>437</b>	<b>8</b>	<b>125</b>	-

*Allowance for expected credit loss:*

There is no allowance for expected credit losses recognised as at 30 June 2023 (2022: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 13: Contract Assets

		Consolidated Entity	
	Note	2023 \$000	2022 \$000
Contract assets		33,771	16,258
Summarised as follows:			
<b>Construction contracts in progress</b>			
Contract costs incurred		1,711,455	1,267,433
Recognised profits		48,141	19,302
		1,759,596	1,286,735
Progress billings		(1,740,493)	(1,312,436)
		19,103	(25,701)
Amounts due from customers for contract work		33,771	16,258
Amounts due to customers for contract work	14	(14,668)	(41,959)
Net amount due from / (to) customers for contract work		19,103	(25,701)

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.

		Consolidated Entity	
		2023 \$000	2022 \$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		16,258	27,436
Additions		31,031	7,751
Transfer to trade receivables		(13,518)	(18,929)
Closing balance		33,771	16,258

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 14: Contract Liabilities

	Consolidated Entity	
	2023	2022
	\$000	\$000
Contract liabilities	14,668	41,959
<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	41,959	14,843
Payments received in advance	9,164	31,378
Transfer to revenue	(36,455)	(4,262)
Closing balance	14,668	41,959

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

	Consolidated Entity	
	2023	2022
	\$000	\$000
Balance at beginning of the year	56,865	56,655
Additions	126	210
<b>Balance at the end of the year</b>	<b>56,991</b>	<b>56,865</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 twelve months. The property is carried at fair value, with fair value being determined using expressions of interests received from third parties as disclosed in note 33. Charges over the property are detailed in note 29(d).

Decmil has assessed that the potential sale is not a discontinued operation as it is not a major line of business.

## NOTE 16: Other Current Assets

	Consolidated Entity	
	2023	2022
	\$000	\$000
Prepayments	2,811	2,899
Others	3,563	2,909
	<b>6,374</b>	<b>5,808</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 17: Plant and Equipment

	Consolidated Entity	
	2023	2022
	\$000	\$000
<b>PLANT AND EQUIPMENT</b>		
Plant and equipment:		
At cost	30,037	40,027
At valuation	5,209	-
Accumulated depreciation	(29,318)	(36,685)
	5,928	3,342
Leased plant and equipment (secured)	5,077	7,090
Accumulated depreciation	(2,318)	(2,457)
	2,759	4,633
<b>Total plant and equipment</b>	<b>8,687</b>	<b>7,975</b>

Secured items of plant and equipment at a carrying value of \$2,759,000 (2022: \$4,633,000) are mortgaged or pledged as security for the banking facilities detailed in note 29(d).

The basis of the valuation of certain plant and equipment is fair value. These items of plant and equipment were last revalued on 30 June 2023 based on an independent valuer. The directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar assets in the same condition.

### 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:

	Note	Owned Plant and Equipment \$000	Leased Plant and Equipment \$000	Total \$000
<b>Balance at 1 July 2022</b>		3,342	4,633	7,975
Additions		546	-	546
Transfer between categories		933	(657)	276
Disposals		(974)	-	(974)
Revaluation of assets	25	3,865	-	3,865
Depreciation expense		(1,784)	(1,217)	(3,001)
<b>Balance at 30 June 2023</b>		<b>5,928</b>	<b>2,759</b>	<b>8,687</b>

	Note	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>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 18: Right-of-use Assets

	Consolidated Entity	
	2023	2022
	\$000	\$000
<b>LAND AND BUILDINGS</b>		
Right-of-use	14,912	14,912
Accumulated depreciation	(7,070)	(5,065)
	<b>7,842</b>	<b>9,847</b>
<b>SOFTWARE</b>		
Right-of-use	3,264	3,264
Accumulated depreciation	(2,665)	(2,081)
	<b>599</b>	<b>1,183</b>
<b>Total right-of-use assets</b>	<b>8,441</b>	<b>11,030</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 2022</b>	9,847	1,183	11,030
Additions	-	-	-
Disposals	-	-	-
Depreciation expense	(2,005)	(584)	(2,589)
<b>Balance at 30 June 2023</b>	<b>7,842</b>	<b>599</b>	<b>8,441</b>

	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>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 19: Intangible Assets

	Consolidated Entity	
	2023	2022
	\$000	\$000
Goodwill at cost	50,000	50,000
Total intangible assets	50,000	50,000
<b>Movements in carrying amounts</b>		
<i>Goodwill</i>		
Balance at the beginning of the year	50,000	75,482
Impairment charge	-	(25,482)
Balance at the end of the year	50,000	50,000
<b>Allocation of goodwill to CGU's</b>		
Construction & engineering	50,000	50,000
<b>Balance at the end of the year</b>	<b>50,000</b>	<b>50,000</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:

- 11.0% (2022: 12.9%) pre-tax discount rate
- 7.5% (2022: 2.0%) per annum projected revenue growth rate from FY2024 onwards
- 5.0% (2022: 5.0%) per annum increase in operating costs and overheads from FY2024 onwards

The discount rate of 11.0% 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 7.5% 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.

### *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 \$7,118,000 if the pre-tax discount rate changes by 0.5%.
- Revenue growth rate: there would be a movement of \$6,351,000 if the per annum projected revenue growth rate changes by 0.5%.
- Operating costs and overheads: there would be a movement of \$4,221,000 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 2023

## NOTE 20: Trade and Other Payables

	Consolidated Entity	
	2023	2022
	\$000	\$000
<b>CURRENT</b>		
Unsecured liabilities		
Trade payables	50,719	31,087
Sundry payables and accrued expenses	33,684	42,174
<b>Total current trade and other payables</b>	<b>84,403</b>	<b>73,261</b>
<b>NON-CURRENT</b>		
Sundry payables and accrued expenses	6,908	10,866
<b>Total non-current trade and other payables</b>	<b>6,908</b>	<b>10,866</b>
<b>Total trade and other payables</b>	<b>91,311</b>	<b>84,127</b>

## NOTE 21: Borrowings

	Consolidated Entity	
	2023	2022
	\$000	\$000
<b>CURRENT</b>		
Unsecured liabilities		
Insurance premium funding	278	202
Bank overdraft	8,227	19,252
<b>Total current borrowings</b>	<b>8,505</b>	<b>19,454</b>
<b>NON-CURRENT</b>		
Secured liabilities		
Term loan	18,716	17,873
<b>Total non-current borrowings</b>	<b>18,716</b>	<b>17,873</b>
<b>Total borrowings</b>	<b>27,221</b>	<b>37,327</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 (2022: 10.00%) based on the face value. The term loan repayment date is 31 July 2025.

### Bank Overdraft

The bank overdraft is with National Australia Bank Limited. Although the bank overdraft repayment date is 15 July 2025, 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 2023. 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 \$8,227,000 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 2023

## 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 2023.

## 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 2022</b>	17,873	19,252	202	37,327
Additions	-	-	2,800	2,800
Payments	-	(11,025)	(2,724)	(13,749)
Warrants adjustment	843	-	-	843
<b>Balance at 30 June 2023</b>	<b>18,716</b>	<b>8,227</b>	<b>278</b>	<b>27,221</b>

	Bank 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>

<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 2023

## NOTE 22: Lease Liabilities

	Consolidated Entity	
	2023 \$000	2022 \$000
<b>CURRENT</b>		
Hire purchase liability	1,108	1,561
Leasing liabilities	2,342	2,619
<b>Total current lease liabilities</b>	<b>3,450</b>	<b>4,180</b>
<b>NON-CURRENT</b>		
Hire purchase liability	1,664	2,919
Leasing liabilities	7,875	10,216
<b>Total non-current lease liabilities</b>	<b>9,539</b>	<b>13,135</b>
<b>Total lease liabilities</b>	<b>12,989</b>	<b>17,315</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 3.51% (2022: 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 \$5,077,011 (2022: \$7,090,000) as detailed in note 17.

The following are the amounts recognised in profit or loss:

	Note	Consolidated Entity	
		2023 \$000	2022 \$000
Depreciation expense of right-of-use assets	18	2,589	2,625
Interest expense on lease liabilities		814	990
<b>Total amount recognised in profit or loss</b>		<b>3,403</b>	<b>3,615</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 \$000	Leasing Liabilities \$000	Total \$000
<b>Balance at 1 July 2022</b>	<b>4,480</b>	<b>12,835</b>	<b>17,315</b>
Additions and lease modifications	276	-	276
Payments	(1,984)	(2,618)	(4,602)
<b>Balance at 30 June 2023</b>	<b>2,772</b>	<b>10,217</b>	<b>12,989</b>

	Hire Purchase Liability \$000	Leasing Liabilities \$000	Total \$000
<b>Balance at 1 July 2021</b>	<b>4,953</b>	<b>15,168</b>	<b>20,121</b>
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>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 23: Provisions

	Consolidated Entity	
	2023	2022
	\$000	\$000
<b>CURRENT</b>		
Employee entitlements	3,498	4,986
Total current provisions	3,498	4,986
<b>NON-CURRENT</b>		
Employee entitlements	375	319
Total non-current provisions	375	319
<b>Total provisions</b>	<b>3,873</b>	<b>5,305</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	
	2023	2022
	\$000	\$000
<b>Movement in provision</b>		
Balance at beginning of year	5,305	5,060
Additional provision	3,442	5,711
Amounts used	(4,875)	(5,466)
<b>Balance at the end of the year</b>	<b>3,872</b>	<b>5,305</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 24: Other Deferred Tax

Consolidated Entity	1 July 2022 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 2023 Closing Balance \$000
<b>2023</b>						
<b>Deferred tax assets on:</b>						
Transaction costs on equity issue	-	-	-	-	-	-
Provisions – employee benefits	-	-	-	-	-	-
Investment due diligence costs	-	-	-	-	-	-
Other provisions and accruals	-	-	-	-	-	-
Tax losses and carry forward tax credits	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-
Research and development tax offset (non-refundable)	-	-	-	-	-	-
<b>Total deferred tax assets</b>	-	-	-	-	-	-
<b>Deferred tax liabilities on:</b>						
Prepayments	-	-	-	-	-	-
Accrued income	-	-	-	-	-	-
<b>Total deferred tax liabilities</b>	-	-	-	-	-	-
<b>Net deferred tax asset</b>	-	-	-	-	-	-

Consolidated Entity	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>2022</b>						
<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>275</b>	<b>(22,492)</b>	-
<b>Deferred tax liabilities on:</b>						
Prepayments	14	-	-	-	(14)	-
Accrued income	-	-	-	-	-	-
<b>Total deferred tax liabilities</b>	<b>14</b>	-	-	-	<b>(14)</b>	-
<b>Net deferred tax asset</b>	<b>22,249</b>	<b>(46)</b>	-	<b>275</b>	<b>(22,478)</b>	-

Unused tax losses of which no deferred tax asset has been recognised amount to \$204 million (2022: \$187 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 25: Share Capital and Reserves

	Consolidated Entity	
	2023 \$000	2022 \$000
155,552,216 (2022: 155,133,252) fully paid ordinary shares	279,973	279,961
22,808,656 (2022: -) redeemable convertible preference shares	4,300	-
Total	284,273	279,961

### (a) Ordinary Shares

	2023		2022	
	No.	\$000	No.	\$000
<b>At the beginning of reporting period</b>	<b>155,133,252</b>	<b>279,961</b>	128,737,597	267,487
Performance rights converted to shares	418,964	105	-	-
Issue of shares from capital raising	-	-	26,395,655	10,558
Share consolidation 10:1	-	-	-	-
Equity based payments	-	857	-	431
Transaction costs of issue	-	(3)	-	(642)
Issue of warrants for term loan	-	-	-	2,127
Movement in warrants (Note 21)	-	(947)	-	-
<b>At the end of the reporting date</b>	<b>155,552,216</b>	<b>279,973</b>	155,133,252	279,961

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 2023.

During the year ended 30 June 2023, 418,964 shares were issued to former executives upon vesting of performance rights who are no longer KMP.

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) Redeemable Convertible Preference Shares

	2023		2022	
	No.	\$000	No.	\$000
<b>At the beginning of reporting period</b>	-	-	-	-
Issue of redeemable convertible preference shares	22,808,656	4,562	-	-
Transaction costs of issue	-	(262)	-	-
<b>At the end of the reporting date</b>	<b>22,808,656</b>	<b>4,300</b>	-	-

During the year ended 30 June 2023, 22,808,656 redeemable convertible preference shares were issued to Institutions. Key terms of the redeemable convertible preference shares are contained within an ASX announcement dated 22 June 2023 and summarised below:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Security	Cumulative, fully paid, redeemable convertible preference shares (RCPS)
Issuer	Decmil Group Limited (Decmil)
“Initial Term”	3 years
Dividend Rate	<p>Preferential dividends accrue and are, at the election of Decmil, payable semi-annually (Dividend Payment Date) at 12.00% pa during the Initial Term. The dividend rate will increase by 1.00% pa each year after the Initial Term unless the RCPS is converted or redeemed on the terms set out below. Any dividends not paid accumulate until the RCPS is converted or redeemed.</p> <p>Preferential dividends will be 100% franked in the Initial Term and are expected to carry franking credits beyond the initial term.</p> <p>Decmil intends to hold the amount of cash equal to each years’ dividend amount in advance to ensure that each of the dividend payments for that year are paid in cash rather than cumulating. It is intended that whenever a dividend is paid in cash, the relevant bank account will be immediately replenished with an equivalent amount to ensure that, at all times there is at least the next 12 months’ worth of dividend payments on deposit in advance. In addition, the bank account will have an attaching irrevocable directive that the funds deposited can only be disbursed for the purpose of paying the RCPS semi-annual dividend payments.</p>
Conversion Dates – Holder’s election	<p>RCPS Holders may elect to convert all or some of their RCPS (including accrued but unpaid dividends) into fully paid ordinary shares (Shares) (Conversion):</p> <ul style="list-style-type: none"> <li>(a) on the last Business Day of every month within 30 months of the issue date; or</li> <li>(b) on the occurrence of a trigger event (e.g. takeover bids, schemes, delisting, insolvency etc),</li> </ul> <p>by giving a conversion notice to Decmil not less than 10 Business Days (or in the case of a trigger event, 5 Business Days) prior to the relevant conversion date (provided that if the RCPS Holder holds less than 20,000 RCPS, this election must be for all of their RCPS).</p> <p>Decmil must, as soon as reasonably possible, announce the occurrence of any trigger event, or any other event or circumstance has occurred which would, with the expiry of a grace period, the giving of notice or any combination of the foregoing, be a trigger event, has occurred.</p>
Conversion formula	<p>The number of Shares issued on Conversion is:</p> <ul style="list-style-type: none"> <li>(a) 1 per RCPS; and</li> <li>(b) 1 per each \$0.20 of unpaid dividends,</li> </ul> <p>subject to adjustment for any share splits, bonus issues, rights issues, or other capital reconstructions or certain other dilutionary events.</p>
Ordinary shares Issued upon Conversion	<p>Each new Share issued on Conversion will rank in all respects equally with the then existing Shares.</p> <p>The issue of Shares issued on Conversion following the Call Date (as that term is defined below) (including those Shares issued on conversion of any unpaid dividends as contemplated below) shall be issued to the Holder of the RCPS on the relevant Conversion date.</p> <p>If the issue of Shares upon Conversion of any RCPS would result in any Holder being in contravention of section 606(1) of the Corporations Act (General Prohibition), then the Conversion shall be deferred until such later time or times that the issue would not result in a contravention of the General Prohibition.</p>
Decmil Conversion / Redemption election	<p>On the date that the Initial Term concludes (Call Date) and on each subsequent Dividend Payment Date, Decmil will have the right to convert the RCPS into Shares or redeem the RCPS for cash at Face Value (plus any unpaid dividends).</p>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	<p>The Conversion of any unpaid dividends accrued following the Call Date into Shares shall be subject to the prior approval of Decmil's Shareholders.</p> <p>If the RCPS are not redeemed or converted on the Call Date or any subsequent Dividend Payment Date, the Directors will ensure that they are satisfied on a reasonable basis that Decmil will have sufficient cash reserves to meet the dividend payments for the next year of the term of the RCPS.</p>
Ranking	<p>On a winding up of Decmil, RCPS will rank for a return of capital, behind all creditors of Decmil but ahead of ordinary shareholders.</p>
Rights	<p>Prior to the Call Date, RCPS holders are only entitled to vote on certain limited matters as required under the ASX Listing Rules and Decmil's Constitution such as a proposal that affects the rights attaching to RCPS or for the disposal of the whole of the property, business and undertaking of Decmil.</p> <p>However, this restriction on voting does not apply when a dividend is not paid in full on the RCPS or during a winding up of Decmil.</p> <p>RCPS Holders are entitled to receive all reports, notices of meeting and other documents sent to Shareholders and to attend general meetings.</p>
Quotation	<p>The RCPS are intended to be listed on ASX.</p>

## (c) Reserves

	2023 \$000	2022 \$000
At the beginning of reporting period	-	-
Additions	3,865	-
Disposals	-	-
At the end of the reporting date	3,865	-

During the year ended 30 June 2023, \$3.9 million in assets were revaluated based on an independent valuation report.

## (d) 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 2023

## NOTE 26: Controlled Entities

### Controlled Entities

	Country of Incorporation	Percentage Owned (%)	
		2023	2022
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.

	2023	2022
	\$000	\$000
<b>Financial information in relation to:</b>		
<b>(i) Statement of profit or loss and other comprehensive income:</b>		
Loss before income tax	(14,828)	(73,724)
Income tax expense	-	(22,524)
Loss after income tax	<b>(14,828)</b>	(96,248)
<b>(ii) Accumulated losses:</b>		
Accumulated losses at the beginning of the year	(259,159)	(162,911)
Loss after income tax	<b>(14,828)</b>	(96,248)
Accumulated losses at the end of the year	<b>(273,987)</b>	(259,159)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$000	2022 \$000
<b>(iii) Statement of Financial Position:</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,316	27,645
Trade and other receivables	34,318	12,190
Contract assets	14,253	11,651
Non-current asset held for sale	56,991	56,865
Other current assets	5,126	3,613
<b>TOTAL CURRENT ASSETS</b>	<b>112,004</b>	<b>111,964</b>
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	4,497	5,339
Right-of-use assets	7,499	9,310
Deferred tax assets	-	-
Intangible assets	50,000	50,000
<b>TOTAL NON-CURRENT ASSETS</b>	<b>61,996</b>	<b>64,649</b>
<b>TOTAL ASSETS</b>	<b>174,000</b>	<b>176,613</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	93,966	71,017
Contract liabilities	7,045	19,232
Borrowings	8,505	19,454
Lease liabilities	2,688	2,791
Provisions	1,975	3,137
<b>TOTAL CURRENT LIABILITIES</b>	<b>114,179</b>	<b>115,631</b>
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables	6,908	10,866
Borrowings	18,716	17,873
Lease liabilities	8,407	11,242
Provisions	285	199
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>34,316</b>	<b>40,180</b>
<b>TOTAL LIABILITIES</b>	<b>148,495</b>	<b>155,811</b>
<b>NET ASSETS</b>	<b>25,505</b>	<b>20,802</b>
<b>EQUITY</b>		
Issued capital	284,273	279,961
Redemmmable convertible preference shares	14,052	-
Reserves	1,167	-
Accumulated losses	(273,987)	(259,159)
<b>TOTAL EQUITY</b>	<b>25,505</b>	<b>20,802</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 27: Joint Arrangements

### Interest in Joint Operations

	Country of Incorporation	2023	2022
VicConnect Alliance	Australia	40%	40%
Mordialloc JV	Australia	40%	40%

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:

	2023	2022
	\$000	\$000
TOTAL ASSETS	-	-
TOTAL LIABILITIES	-	-
Revenue	83,025	38,765
Expenses	(78,753)	(36,399)
Profit for the year	4,272	2,366

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## 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.

## 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:

	2023	2022
	\$000	\$000
Guarantees given for satisfactory contract performance	4,179	9,339

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 28: Commitments

	Consolidated Entity	
	2023	2022
	\$000	\$000
<b>(a) Hire Purchase Commitments<sup>1</sup></b>		
Payable – minimum HP payments		
Not later than 1 year	-	1,691
Between 1 and 5 years	-	3,069
Minimum HP payments	-	4,760
Less future finance charges	-	(280)
Present value of minimum HP payments	-	4,480
<b>(b) Insurance Premium Funding Commitments</b>		
Payable – minimum payments		
Not later than 1 year	-	206
Minimum payments	-	206
Less future finance charges	-	(4)
Present value of minimum payments	-	202
<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	453	451
Between 1 and 5 years	1	128
	<b>454</b>	579
<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	170	199
Between 1 and 5 years	-	170
	<b>170</b>	369

<sup>1</sup> Hire purchase commitments include contracted amounts for various plant and equipment with a written down value of \$2,759,000 (2022: \$4,633,000) 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 2023

## NOTE 29: Cash Flow Information

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

	Consolidated Entity	
	2023	2022
	\$000	\$000
Loss after income tax	(1,844)	(103,230)
Adjustments for:		
Depreciation and amortisation	5,591	5,691
Equity based payments	857	431
Loss/(profit) on sale of non-current assets	(1,046)	14
Cash provided by / (used in) operations before working capital changes	3,558	(97,094)
Changes in assets and liabilities		
Trade and other receivables	10,379	(12,235)
Other assets	2,236	(400)
Contract assets	(17,513)	11,178
Intangible assets	-	25,482
Trade and other payables	7,184	29,210
Contract liabilities	(27,291)	27,116
Deferred tax assets	-	22,249
Provisions	(1,432)	245
Change in working capital balances	(26,437)	102,845
Net cash (used in)/provided by operating activities	(22,879)	5,751

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

	Consolidated Entity	
	2023	2021
	\$000	\$000
Finance leases to acquire plant and equipment	-	1,803
Share based payments	857	431

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

Consolidated Entity	1 July 2022 Opening Balance \$000	Cash Flows \$000	Non-Cash Changes \$000	30 June 2023 Closing Balance \$000
Borrowings	37,327	(13,749)	3,643	27,221
Lease liabilities	17,315	(4,604)	277	12,988

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## (d) Credit Standby Facilities with Financial Institutions

	Consolidated Entity	
	2023	2022
	\$000	\$000
Credit facilities	84,045	75,000
<i>Amount utilised</i>		
Bank overdraft	(8,227)	(19,252)
Limited recourse receivables funding	-	-
Bank guarantee facility	(24,145)	(20,540)
Term loan facility	(20,000)	(20,000)
Equipment finance	(2,742)	(4,480)
Surety bond facilities	(11,387)	-
<b>Credit facilities available</b>	<b>17,544</b>	<b>10,728</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	20,000
Equipment finance	5,045	15,000
Surety bond facilities	19,000	-
<b>Total credit facilities</b>	<b>84,045</b>	<b>75,000</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 \$3.0 million with Toyota Finance.
- Equipment finance of \$2.05 million with Caterpillar Finance.
- Surety bond facility of \$19.0m with AssetInsure.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 30: Equity Based Payments

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

	Consolidated Entity	
	2023	2022
	\$000	\$000
Performance rights	355	(53)
Incentive shares	-	43
Related party options	50	50
Warrants	452	391
	<b>857</b>	<b>431</b>

### (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 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>
Granted	18,597,539
Forfeited	(3,253,898)
Vested	(418,964)
Lapsed	-
<b>Performance rights outstanding as at 30 June 2023</b>	<b>19,278,525</b>

The fair value of the performance rights granted during the financial year ended 30 June 2023 was \$1,526,095. 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

The weighted average fair value of performance rights granted during the year ended 30 June 2023 was \$0.082. These values were calculated using a Binomial and Barrier option pricing model applying the following inputs:

Assumptions	Class A, B, C	Class D	Class E
Expected vesting period for the performance rights to vest:	3 years	2 years	3 years
Market price of shares at date of grant:	\$0.17	\$0.17	\$0.17
Expected share price volatility:	70%	70%	70%
Risk-free interest rate:	3.06%	3.08%	3.06%
Dividend yield:	0%	0%	0%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

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

	Consolidated Entity	
	2023 \$000	2022 \$000
<b>Performance Rights</b>		
Expenses	413	133
Written back due to forfeiting	(58)	(19)
Written back due to lapsing	-	-
Written back on reassessment of probabilities	-	(167)
	<b>355</b>	<b>(53)</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 2021<sup>1</sup></b>	<b>30,000</b>
Granted <sup>1</sup>	-
Vested <sup>1</sup>	(30,000)
Forfeited <sup>1</sup>	-
<b>Unvested incentive shares as at 30 June 2022</b>	<b>-</b>
Granted	-
Vested	-
Forfeited	-
<b>Unvested incentive shares as at 30 June 2023</b>	<b>-</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 2023

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	
	2023 \$000	2022 \$000
<b>Incentive Shares</b>		
Expenses	-	43
Written back due to forfeiting	-	-
	-	43

## (c) Options

During the year ended 30 June 2022 the Company granted 13,179,834 Placement Options. The Placement Options were granted on 6 September 2021 as part of a Placement conducted by Decmil which was announced by the Company on 26 July 2021 and approved by Shareholders on 30 August 2021. The Placement Options have an expiry date of 6 September 2023 and an exercise price of \$0.48. A total of 937,500 Placement Options were granted to Directors of the Company because the Directors participated in the Placement.

A summary of the movements of all options granted is below.

	Number
<b>Unvested options as at 30 June 2021</b>	<b>1,800,000</b>
Granted	13,179,834
Vested	-
Forfeited	-
<b>Unvested options as at 30 June 2022</b>	<b>14,997,834</b>
Granted	-
Vested	-
Forfeited	-
<b>Unvested options as at 30 June 2023</b>	<b>14,997,834</b>

No options were granted during the financial year.

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

	Consolidated Entity	
	2023 \$000	2022 \$000
<b>Options</b>		
Expenses	50	50

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## (d) Warrants

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

	Number
<b>Unvested warrants as at 30 June 2021</b>	-
Granted	50,769,231
Vested	-
Forfeited	-
<b>Unvested warrants as at 30 June 2022</b>	<b>50,769,231</b>
Granted <sup>1</sup>	-
Vested <sup>1</sup>	-
Forfeited <sup>1</sup>	-
<b>Unvested warrants as at 30 June 2023<sup>1</sup></b>	<b>50,769,231</b>

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

	Consolidated Entity	
	2023	2022
	\$000	\$000
<b>Warrants</b>	<b>843</b>	-

<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 2023

## 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	
	2023 \$000	2022 \$000
<b>(a) Director Related Transactions<sup>1</sup></b>		
Consulting fees for Andrew Barclay & Associates, in which Mr Andrew Barclay has a beneficial interest	348	274
Consulting fees for C1 Energy Pty Ltd, an entity in which Mr Peter Thomas has a beneficial interest (2023 is captured in the remuneration report)	-	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 (2023 is captured in the remuneration report)	-	205
<b>(b) Director Related Balances</b>		
Amounts owing to Andrew Barclay & Associates, in which Mr Andrew Barclay has a beneficial interest	59	43
Amounts owing to C1 Energy Pty Ltd, an entity in which Mr Peter Thomas has a beneficial interest	-	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	-	80

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

## 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.

<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 2023

## (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 2023.

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## (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>2023</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	-	-	3,686	-	-	3,686
Receivables	-	40,838	-	-	-	40,838
Contract assets	-	33,771	-	-	-	33,771
		<b>74,609</b>	<b>3,686</b>	<b>-</b>	<b>-</b>	<b>78,295</b>
<b>Financial Liabilities</b>						
Payables	-	(91,311)	-	-	-	(91,311)
Contract liabilities	-	(14,668)	-	-	-	(14,668)
Borrowings	10.5	-	(8,505)	(18,716)	-	(27,221)
Lease liabilities	6.4	-	(4,166)	(11,270)	-	(15,436)
		<b>(105,979)</b>	<b>(12,671)</b>	<b>(29,986)</b>	<b>-</b>	<b>(148,636)</b>
<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>-</b>	<b>-</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>

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

## (iv) Net Fair Values of financial instruments

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## (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 2023, 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

The consolidated entity is not exposed to any significant price risk.

## 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 2023</b>				
<b>Assets</b>				
Non-current asset held for sale	-	56,991	-	56,991
<b>Total assets</b>	<b>-</b>	<b>56,991</b>	<b>-</b>	<b>56,991</b>
<b>Consolidated 2022</b>				
<b>Assets</b>				
Non-current asset held for sale	-	56,865	-	56,865
<b>Total assets</b>	<b>-</b>	<b>56,865</b>	<b>-</b>	<b>56,865</b>

The non-current asset held for sale has been valued by using expressions of interests received from third parties.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 34: Contingent Liabilities

	Consolidated Entity	
	2023	2022
	\$000	\$000
Guarantees given to external parties for satisfactory contract performance for the consolidated entity	57,196	77,630

## NOTE 35: Parent Entity Information

	Parent Entity	
	2023	2022
	\$000	\$000
<b>Statement of profit or loss and other comprehensive income</b>		
Profit / (loss) for the year	56,638	(46,790)
Total comprehensive income for the year	56,638	(46,790)
<b>Statement of financial position</b>		
ASSETS		
Current assets	16,991	18,587
Non-current assets	150,139	72,259
TOTAL ASSETS	167,130	90,846
LIABILITIES		
Current liabilities	79,542	85,624
Non-current liabilities	33,730	26,366
TOTAL LIABILITIES	113,272	111,990
EQUITY		
Issued capital	298,337	279,973
Accumulated losses	(244,479)	(301,117)
TOTAL EQUITY	53,858	(21,144)

### a) Guarantees

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

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 36: Subsequent Events

A letter from the Company's banker, National Australia Bank Limited was received after the balance date of 30 June 2023. 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 2023, borrowings of \$8.2 million would be classified as a non-current liability (increasing net current assets by \$8.2 million).

In addition, shortly after the balance date of 30 June 2023, Decmil announced that it had completed its \$26.3 million capital raise (before fees), of which was \$20 million was underwritten at 30 June 2023 and that \$20 million (before fees) was included in the balance sheet at that date.

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 2023

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001* (Cth) ('**Corporations Act**'), 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 2023 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; and
- 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*.

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

On behalf of the directors

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

**Andrew Barclay**

Chair

23 August 2023



**RSM Australia Partners**

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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 2023, 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 2023 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.

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

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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
<b>Recognition of Revenue</b> <b>Refer to Note 4 in the financial statements</b>	
<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>

<b>Non-Current Asset Held-for-sale</b> <b>Refer to Note 15 in the financial statements</b>	
<p>The Group owns a property in the Homeground Accommodation Village in Gladstone, Queensland.</p> <p>We determined this area to be a key audit matter due to the material balance to the Group's financial position, in particular, the net current asset balance.</p> <p>The factors and complexity of the accounting requires significant audit effort and involvement of senior audit team members in assessing this key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating documentation provided by management to conclude whether the property met the criteria to be classified as an asset held-for-sale;</li> <li>• Assessing management's determination of whether there are any impairment indicators; and</li> <li>• Evaluating the adequacy of the disclosures to the financial statements.</li> </ul>
<b>Impairment of Intangible Assets</b> <b>Refer to Note 19 in the financial statements</b>	
<p>The carrying amount of goodwill is \$50,000,000. 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 and the CGU's property plant and equipment and right of use assets;</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>• Evaluating 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>• Evaluating the adequacy of the disclosures to the financial statements.</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 2023 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 2023.

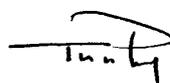
In our opinion, the Remuneration Report of Decmil Group Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

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



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 23 August 2023

# ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

FOR THE YEAR ENDED 30 JUNE 2023

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

## Fully Paid Ordinary Shares

### 1. Substantial shareholders of fully paid ordinary shares

As at 24 July 2023 the following organisations have disclosed a substantial holding notice to the Australian Securities Exchange:

	Shares	%
Thorney International Pty Ltd <sup>1</sup>	31,010,771	19.99
Franco Family Holdings <sup>2</sup>	11,953,300	7.68

### 2. Distribution of shareholdings of fully paid ordinary shares

The following information is current at 24 July 2023:

	No. of shareholders	No. of ordinary shares	%
1 – 1,000	2,801	754,067	0.48
1,001 – 5,000	1,135	2,873,338	1.85
5,001 – 10,000	440	3,368,116	2.17
10,001 – 100,000	884	29,189,587	18.77
100,001 and over	197	119,367,108	76.74
Total	<b>5,457</b>	<b>155,552,216</b>	<b>100.00</b>

There are 2,942 shareholders with an unmarketable parcel totalling 2,095,433 shares.

### 3. Securities Exchange Listing

The fully paid ordinary shares of Decmil Group Limited are listed on the Australian Securities Exchange under the symbol of DCG.

### 4. Voting rights of fully paid ordinary shares

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

<sup>1</sup> Substantial holding as at 5 November 2021, as per notice lodged on 5 November 2021.

<sup>2</sup> Substantial holding as at 26 June 2020, as per notice lodged on 26 June 2020 (adjusted).

# ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

FOR THE YEAR ENDED 30 JUNE 2023

## 5. Twenty largest shareholders of fully paid ordinary shares

The names of the twenty largest registered shareholders of fully paid ordinary shares in the Company as at 24 July 2023 are:

	No. of Ordinary Fully Paid Shares Held	%
UBS Nominees Pty Ltd	31,301,306	20.12
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/c>	11,953,300	7.68
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	8,697,206	5.59
Mrs Jenny Mary Baguley + Mr John Richard Baguley <Baguley Family S/F A/c>	2,699,949	1.74
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
Mr Thomas Matthew McLean	1,575,619	1.01
Billy Lids Pty Ltd	1,570,000	1.01
Spinite Pty Ltd <Mazal A/c>	1,413,021	0.91
BNP Paribas Nominees Pty Ltd Barclays <DRP A/c>	1,322,913	0.85
Mr Peter James Thomas	1,300,000	0.84
Berkopy Holdings Pty Ltd	1,250,000	0.80
Est Dr Olga Assef	1,075,198	0.69
Brindle Holdings Pty Ltd <O'Connor S/F A/c>	1,067,377	0.69
Mr Sugandi Marjuki + Mrs Wai Shan Pang <Celia and Andy S/F A/c>	1,000,000	0.64
Citicorp Nominees Pty Limited	925,067	0.59
Mr Barnaby Colman Caddick	907,000	0.58
Dr Salvador Gala	905,306	0.58
Neweconomy Com AU Nominees Pty Limited <900 Account>	841,029	0.54
<b>Total</b>	<b>75,524,291</b>	<b>48.55</b>

## Redeemable Convertible Preference Shares ('RCPS')

### 1. Distribution of holdings of Redeemable Convertible Preference Shares

The following information is current at 24 July 2023:

	No. of holders	No. of RCPS	%
1 – 1,000	174	59,748	0.05
1,001 – 5,000	127	357,671	0.27
5,001 – 10,000	69	543,980	0.41
10,001 – 100,000	205	8,179,550	6.23
100,001 and over	98	122,235,680	93.04
<b>Total</b>	<b>673</b>	<b>131,376,629</b>	<b>100.00</b>

There are no unmarketable parcels of RCPS.

### 2. Securities Exchange Listing

The RCPS of Decmil Group Limited are listed on the Australian Securities Exchange under the symbol of DCGPA.

# ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

FOR THE YEAR ENDED 30 JUNE 2023

### 3. Voting rights of Redeemable Convertible Preference Shares<sup>1</sup>

Prior to the Call Date, RCPS Holders are only entitled to vote on certain limited matters as required under the ASX Listing Rules and Decmil's Constitution such as a proposal that affects the rights attaching to RCPS or for the disposal of the whole of the property, business and undertaking of Decmil. If RCPS Holders are entitled to vote, each Holder is entitled to one vote per RCPS held.

However, this restriction on voting does not apply when a dividend is not paid in full on the RCPS or during a winding up of Decmil. At such times, and always after the Call Date, RCPS shall vote on an as if converted based.

### 4. Twenty largest shareholders of Redeemable Convertible Preference Shares

The names of the twenty largest registered holders of RCPS in the Company as at 24 July 2023 are:

	No. of Ordinary Fully Paid Shares Held	%
UBS Nominees Pty Ltd	50,102,095	38.14
BNP Paribas Nominees Pty Ltd <IB AU NOMS Retailclient DRP>	6,597,793	5.02
Klip Pty Ltd <The Beirne Super Fund A/c>	5,250,000	4.00
Timster Pty Limited <The McRod Super Fund A/c>	5,000,000	3.81
Beirne Trading Pty Ltd	3,000,000	2.28
Mr Ronald Alfred Brierley	2,500,000	1.90
Eyeon Investments Pty Ltd <Eyeon Investments Family A/c>	2,500,000	1.90
J S Millner Holdings Pty Limited	2,500,000	1.90
Rahn Investments Pty Limited <Bellevue Hill S/F A/c>	2,500,000	1.90
Waradale Pty Ltd <Narvo Family A/c>	2,500,000	1.90
Gailforce Marketing & PR Pty Limited <Hale Agency Super Fund A/c>	2,117,648	1.61
Boatlife Holdings Pty Ltd <Colfer Family A/c>	2,000,000	1.52
Sotam Pty Ltd <Alf S/F A/c>	2,000,000	1.52
Mr Peter James Thomas	1,704,411	1.30
Finclear Nominees Pty Ltd <Accumulation Entrepot A/c>	1,500,000	1.14
Onmell Pty Ltd <Onm Bpfam A/c>	1,354,902	1.03
Dinwoodie Investments Pty Ltd	1,205,000	0.92
Lollywatch Pty Ltd <PST Super A/c>	1,000,982	0.76
Mrs Jenny Mary Baguley + Mr John Richard Baguley <Baguley Family S/F A/c>	1,000,000	0.76
CKDJ Nominees Pty Ltd <Golden Eggs S/F A/c>	1,000,000	0.76
<b>Total</b>	<b>97,332,831</b>	<b>74.09</b>

<sup>1</sup> For further information, please refer to note 25 (b).