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ANNUAL
REPORT

ABN 35 111 210 390

AUSTRALIAN BUSINESS NUMBER

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REGISTERED ADDRESS

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ANNUAL GENERAL MEETING

Shareholders are advised that the Decmil Group Limited 2017 Annual General Meeting (AGM) will be held on 1st November 2017 at Decmil Head Office 20 Parkland Road, Osborne Park, Western Australia, commencing at 10.00am (AWST).

www.decmil.com

ABOUT THIS REPORT

This Annual Report is a summary of Decmil Group Limited's (ASX: DCG) ("Decmil" or "Company") operations, activities and financial position as at 30 June 2017.

Decmil Group Limited (ABN 35 111 210 390) is the parent Company of the Decmil Group of companies. In this report, unless otherwise stated, references to 'Decmil', 'DGL' and 'the Company', and 'we', 'us' and 'our' refer to Decmil Group Limited and its controlled entities.

References in the report to 'the year' or 'the reporting period' relate to the financial year, which is 1 July 2016 to 30 June 2017, unless otherwise stated. All dollar figures are expressed in Australian currency.

In an effort to reduce its impact on the environment, Decmil will only post printed copies of this Annual Report to those shareholders who elect to receive one through the share registry. An electronic copy of this Annual Report will be available on our website at **www.decmil.com**

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ABOUT US

Decmil has been a publicly listed company on the Australian Stock Exchange since 2005 (ASX code DCG).

Since our establishment in 1978, Decmil has remained an Australian owned business that is focussed on providing full cycle construction and engineering project delivery. Many things have changed since our establishment, but the foundations of our business remain the same. Our vision, *“To be the market leader in project delivery, achieving sustainable growth through the quality of our people and the strength of our relationships”* remains relevant and vital to our ongoing success.

We have offices in Perth, Western Australia; Brisbane, Queensland; Melbourne, Victoria; and Auckland, New Zealand, supporting our project delivery teams spread across Australia and New Zealand. Our offices also support our operations across South Australia, Northern Territory, New South Wales, Papua New Guinea and other neighbouring countries when required.

Our business specialises in design, construction and engineering, project delivery, accommodation services and telecommunications.

As respected leaders in complex project delivery, Decmil offers a diversified range of services to the infrastructure, renewable energy and natural resources sectors. For close to 40 years, and often in remote and challenging locations, we have collaborated with clients to deliver projects ranging in capabilities from non-process infrastructure, fuel, structural mechanical and piping, transport, accommodation, wind, solar and battery.

Our clients vary from government sectors in defence, immigration and health to blue chip clients in the resources, commercial and industrial sectors. We work closely with our clients to achieve unique, innovative and cost-effective solutions.

We are committed to outstanding project management and delivery regardless of the scale or the intricacy of the work.



OUR EXPERTISE

Decmil specialises in a range of design, engineering and construction capabilities which feed into our three key pillar sectors namely Infrastructure, Renewables and Resources.

INFRASTRUCTURE

Decmil has significant experience in infrastructure engineering and construction, delivering multidisciplinary projects in sectors such as transport, defence & detention and buildings.

We deliver major infrastructure projects across Australia, New Zealand and Asia Pacific. Our extensive experience in project delivery has allowed us to foster relationships with infrastructure asset owners.

Our capabilities include bulk earthworks, road construction and maintenance, subdivisions, bridgeworks and environmental remediation and engineering. Through combining a wide range of skills with new and unique methods and technologies we are able to deliver innovative, cost-effective projects in a timely and safe manner.

Our robust quality management controls and systems enable us to deliver the high integrity products required by our clients and their customers. Our proven record of project delivery across the infrastructure market reaffirms our position as a leading contractor in the supply of high quality complex fabrication, site civil works and associated construction.

RENEWABLES

Decmil offers a range of feasibility, engineering, project management and construction services for the Renewable Energy sector across Australia and New Zealand.

From scoping studies through to design, approvals, delivery and operations, Decmil is able to optimise all stages of the development process to provide our clients with a cost effective and streamlined delivery solution. Our established management systems and best practice project delivery techniques provide certainty of delivery for our clients.

We are innovative in our approach and have the expertise to create whole-of-project solutions. Companies choose to work with us as we are holistic and collaborative and we engineer the best design and construct solutions for our clients.



RESOURCES

From setting new standards in workforce accommodation, non-process infrastructure, structural mechanical and piping, construction management, civil construction such as roads and bridges, processing units and systems, to engineering infrastructure for power delivery management, Decmil has an extensive record of achievement in the resources industry.

We also specialise in construction and engineering associated with supporting Coal Seam Gas (CSG) and Liquefied Natural Gas (LNG) Projects. Decmil works with oil & gas industry clients to construct wellsites, downstream processing components, gas compressors and gas plants, non-process infrastructure such as control rooms, substations and workshops, and accommodation facilities.

Having worked with many of the world's leading mining and resource companies on major projects, we understand the challenges of remote areas, complex projects and tight budgets, and we work closely with all stakeholders to achieve the desired outcomes.

VISION AND VALUES

OUR VISION

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

OUR VALUES

INTEGRITY

*We are honest in all aspects and treat people with **respect** and **dignity**.*

EXCELLENCE

*We strive to deliver results that **stretch** our capabilities.*

ACCOUNTABILITY

*We take **responsibility** and **accountability** for our actions and hold others to account.*

TEAMWORK

*We work together and **support** each other to achieve our goals.*



A LETTER FROM BILL

The 2017 financial year represented a year of stabilisation for the Group following the significant decline in revenue experienced in the 2016 financial year.

Whilst the 2017 financial year will not deliver revenue growth or on earnings expectations, it has provided the Group with the opportunity to bed down the strategies developed over the past few years.

Decmil's strategy remains based on an overall ambition to build a diverse and strong construction and engineering business focussing on three key sector pillars namely **Infrastructure, Resources** and **Renewables**.

As part of the ongoing development of the business a number of key opportunities have been originated that have the potential to underpin growth in revenue in FY18. Some of these opportunities are listed below:

- Construction commenced on the Group's first large scale solar project - the Gullen 10MW project for Goldwind;
- Through Cut & Fill being short-listed to 1 of 3 for the OSARS PPP in Victoria as part of the Lendlease led consortium in a joint venture for the project delivery;
- Development of opportunities with regards to brownfield prison expansions, with a modular approach to construction; and
- Execution of an MOU with SolarReserve to develop a 70MW solar PV project in NSW, likely to start in 2018.

The transformation that occurred in recent years has created a more diverse and sustainable national business.

The Group enters FY18 with the benefit of having bedded down the new market entry strategies executed in recent years (organic and inorganic strategies), combined with the business re-focussing on its three key market pillars.

In addition to our business ambitions, Decmil is also committed to being a good corporate citizen by taking responsibility for all our social, ethical and environmental actions.

We see ourselves as part of the communities in which we operate, and as such we strive to be a positive, active and contributing participant in community life. Decmil's Corporate Social Responsibility program, Decmil in the Community, is about giving back, helping people in need and supporting local communities.

We do this through charity events, corporate friendships, charity partnerships, volunteering and donating. Decmil strives to make a broad and meaningful contribution to the communities in which we operate through these mechanisms.

In closing, it has been a tough year but the Board and executive team believe that the measures we have taken in the past year have placed the business in a strong position for the future. I would like to take this opportunity on behalf of the Board to thank our loyal shareholders for their ongoing support and our employees for their dedication to Decmil.



Bill Healy
CHAIRMAN





A LETTER FROM SCOTT

Operations in the 2017 financial year reflected the diversification of the Group in recent years, with project activity spanning a number of sectors.

These include; WA iron ore sustaining capital works, Queensland coal seam gas upstream maintenance, Defence enabling infrastructure, road and bridge projects for State road authorities, renewable energy and telecommunications. Key highlights include:

- Sustaining capital work in the WA iron ore Sector including a logistics hub for BHP at Port Hedland, an airstrip and associated facilities at Cape Preston for Sino Iron and various works for Samsung C&T at the Roy Hill project. Also new projects for Fortescue and at Rio Tinto's Nammuldi and Silvergrass projects;
- Enabling infrastructure works at a number of the Australian Defence Force bases and facilities;
- The Group's first substantial renewable energy project, being an engineer, procure and construct (EPC) contract for a 10MW solar farm and a two year operation and maintenance contract near Goulburn in New South Wales;
- Ongoing wellhead installation, brownfield maintenance and miscellaneous works for QGC in the Queensland coal seam gas sector;
- Work in New Zealand for the Ministry of Education with school projects in Christchurch and Auckland and securing the first project with the New Zealand Defence Force at Kauri Point;
- A variety of road and bridge projects by Cut & Fill predominantly for Vic Roads including the Sand Road Interchange, the Monash Freeway Bridge Strengthening project and the Sneydes Road Interchange; and
- A contract with NSW Health Infrastructure for the redevelopment of a regional medical facility including the diversion of services, demolition of existing structures and the construction of a new temporary medical centre.

Decmil has been evolving over the past few years, however basic principles we continue to follow are:

- Preserving our balance sheet strength;
- Continuing sustainable diversification;

- Sensible investment in people and capability; and
- A focus on costs at every level in the business.

Going into FY18 the Group is also seeing an improvement in market conditions across a number of its key sectors including:

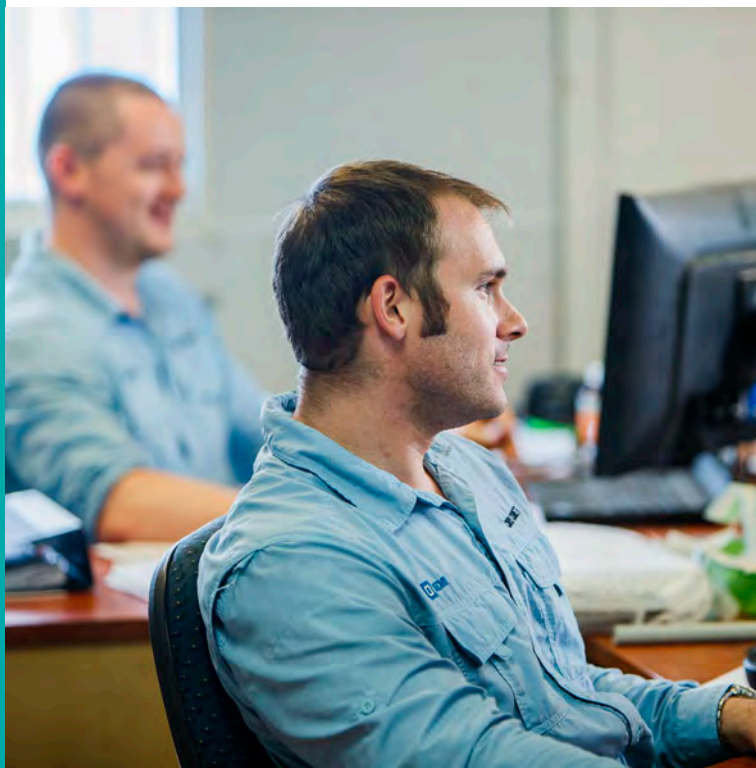
- **Natural Resources:** Sustaining capital works and replacement tonnage projects starting to activate in the WA Iron Ore market;
- **Infrastructure:** Significant opportunity in the Transport sector in Victoria where the Group is actively pursuing new road and bridge projects as both head contractor and in joint ventures. Also, significant opportunity in the Defence sector, New Zealand and in new sectors for Decmil such as Corrections; and
- **Renewable Energy:** Actively bidding a number of solar PV projects and wind projects as a balance of plant contractor.

I would like to thank the Board, our employees and shareholders for the support afforded to the business during the past 12 months.



Scott Criddle
MANAGING DIRECTOR &
GROUP CEO





PEOPLE & CULTURE

Decmil has a proud history of project delivery since 1978. Many things have changed since then but the foundations of our business remain the same.

Our vision, 'To be the market leader in project delivery, achieving sustainable growth through the quality of our people and the strength of our relationships', will continue to remain relevant and essential for success across Decmil.

Our values are vital as they are the essence of our identity, support our vision and shape our culture. Having a clear and defined set of values help guide and unify us as one team.

Our values; Integrity, Excellence, Accountability and Teamwork, are important to us and are embedded in our organisation. They motivate us, guide us in our decision making and shape the behaviours we display to others.

Our hiring philosophy ensures that we attract the right people who are aligned to our vision of being the market leader in project delivery. Decmil focusses on recruiting and retaining qualified people who reside in the areas which we operate. We are also driven to hire local and indigenous employees to ensure that we are supporting the local communities in which we operate.

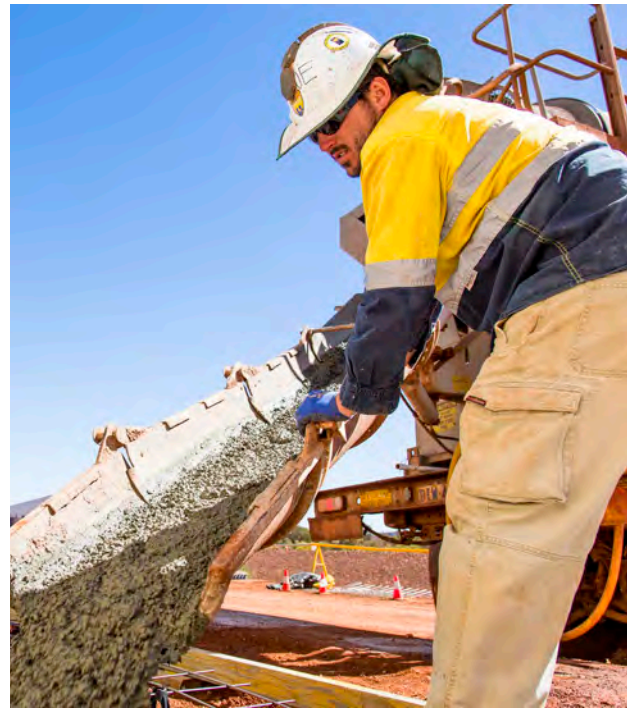
ANNUAL OVERVIEW

The last twelve months have been difficult as we have faced a number of challenges. With having to review our overhead costs, management implemented restructuring within the Construction & Engineering business to ensure we continued to operate within the difficult economic conditions.

We are employing people across Australia and New Zealand who represent a diversity of cultures, backgrounds and skills.

We have been heavily focussed on the integration and development of all the business to align policies, processes and procedures across Perth, Melbourne, Brisbane and Auckland offices.

We have been implementing communication methods to ensure our people feel part of one business and receive regular communication.



As a business with a large proportion of our workforce involved in contracting, Decmil has to continually adjust staffing levels in order to meet the demands of the projects in which we are involved. As at 30 June 2017 Decmil employed 463 people; 294 salaried employees and 169 wages employees.

To keep our employees engaged and empowered, we promote professional development through relationship building between co-workers, individual development plans, ensuring a safe work environment and offering competitive compensation.

Over the coming year, Decmil will continue to focus on initiatives aimed at recognising and developing our people to be the best they can be and creating a united culture within all the businesses.

HEALTH, SAFETY AND ENVIRONMENT



SHIELD

Keeping our people and our projects safe is central to everything we do at Decmil.

Our dedicated safety program, SHIELD, is designed to empower every person in the organisation to ensure their work practices are focussed on zero harm.

SHIELD drives behaviours, attitudes, decisions and actions within the business to achieve a working environment that is free from injury or incident.

Decmil's six elements of SHIELD are:

- 1. Personal commitment and cultural alignment;**
- 2. Leadership commitment and mentoring;**
- 3. Employee health and welfare;**
- 4. Reward and recognition;**
- 5. Training and development; and**
- 6. Consultation, communication and empowerment.**

Since it was implemented seven years ago, the SHIELD program has assisted significantly in reducing Total Recordable Injury Frequency Rates (TRIFR) across all projects.

The health and safety of every employee is foremost in everything we do. It is a key focus of our Group and is underpinned by our values system.

WHS

During the 2017 financial year the Group recorded similar safety performance to the previous year as measured by the Total Recordable Injury Frequency Rate (TRIFR). The TRIFR was 6.27 for this period. Within the result, an outstanding TRIFR performance of 1.62 was achieved by the traditional Decmil business unit.

The Group has achieved third party certification through DNV.GL of all its registered business units under a single set of certificates for the latest standards relating to quality (9001:2015), safety (18001:2007) and environmental (14001:2015).

Over the next 12 months the Group is focussed on a range of key initiatives to support the safety and well-being of our staff.

These include the continued integration and alignment of all Group businesses under a single,

common HSEQ Management System; continued automation and enhancement of system processes; and implementation of specific system and continued leadership training programs aimed at all staff and Senior Management of the business.

ENVIRONMENT

Environmental management is a key focus of the Group with exceptional performance reported for the 2017 financial year. There were no regulatory breaches or significant environmental impacts recorded with the Group's operations over this period.

Over the next 12 months the Group is targeting greenhouse gas emissions (GHG) intensity reductions as a measure of our full-time equivalent staff numbers. The Group's "2nd Nature" program will incorporate strategies and processes to achieve this result.



DECMIL IN THE COMMUNITY

Decmil is committed to being a good corporate citizen by taking responsibility for all our social, ethical and environmental actions.

We see ourselves as part of the communities in which we operate, and as such we strive to be a positive, active and contributing participant in community life.

Decmil's Corporate Social Responsibility program, Decmil in the Community, is about giving back, helping people in need and supporting local communities. We do this through charity events, corporate friendships, charity partnerships, volunteering and donating. Decmil strives to make a broad and meaningful contribution to the communities in which we operate through these mechanisms.

Decmil as an organisation has always been involved in a range of community activities, supporting a number of sporting, cultural and educational organisations. Decmil is proud of the positive contributions it makes to the communities in which it operates.

CORPORATE SPONSORSHIPS

STARLIGHT CHILDREN'S FOUNDATION

Decmil has held a national corporate partnership with Starlight Children's Foundation since early 2014. Starlight's mission is to brighten the lives of seriously ill children and their families.

In 2017 the partnership involved sponsorship of Starlight Children's Foundation 5 Chefs Dinners in Western Australia, Queensland and Victoria. Decmil has also had the opportunity to donate 'experiences' to seriously ill children, provide volunteers for fundraising events and has been able to offer our boardroom facilities to assist the Foundation in conducting their business.

beyondblue

Decmil has a longstanding corporate friendship with beyondblue. Decmil is proud to promote this independent, not-for-profit organisation which aims to increase awareness and understanding of anxiety





and depression in Australia and to reduce the associated social stigma.

As a corporate friend of beyondblue, Decmil actively fundraises for the organisation. Over the past year this has included the sale of Entertainment Books to employees and the proceeds of our annual Christmas raffle.

STAFF CHARITY EVENTS

At Decmil, we encourage our people to participate in organised charity events. Over the past year the Company has been involved in Australia's Biggest Morning Tea, Daffodil Day, Pink Ribbon Morning Tea, World's Greatest Shave, CEO Sleepout and a national Christmas collection for the Smith Family.

Decmil also supports staff participation in the HBF Run for a Reason, the Bridge to Brisbane, the MS Walk and Fun Run and the Fidelity Life Corporate Run where employees are able to raise funds for their own nominated charities whilst getting active for the cause.

STAFF BASED INITIATIVES

The Decmil in the Community mandate encourages staff driven charity initiatives that assist worthy charities and support the communities in which we operate. Internal assistance with fundraising and promotion is provided to staff who instigate initiatives which support Decmil's charity partners and our local communities.

Over the past year, Decmil people have undertaken a range of initiatives such as participation in Shave for a Cure, Movember, Polished Man, Walking Stars ½ Marathon Night Walk, Bungy Jump for Mental Health and chocolate sales within the office with proceeds donated to charity.

KEEPING COMMUNITIES INFORMED

Decmil provides information to the community in many ways to keep stakeholders informed of its activities. These include media releases, our annual report and the Company's corporate website www.decmil.com



DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2017.

The names of directors of the Company at the end of the financial year are:

Bill Healy

Non-Executive Chairman

Scott Criddle

Managing Director and Group Chief Executive Officer

Denis Criddle

Non-Executive Director

Lee Verios

Non-Executive Director

David Saxelby

Non-Executive Director

Directors have been in office since the start of the financial year to the date of this report.



BOARD OF DIRECTORS



Bill Healy
Non-Executive Chairman

Qualifications

- Bachelor of Commerce
- Member of the Australian Institute of Company Directors

Experience

Bill Healy was appointed as Non-Executive Director in April 2009 and appointed as Non-Executive Chairman in July 2014.

Bill was a director and shareholder in Sealcorp Holdings from 1985 which then established and developed the diversified financial services group.

He was a founding director of ASGARD Capital Management Ltd, Securitor Financial Group Ltd, PACT Investment Group Pty Ltd and ASSIRT Pty Ltd. Sealcorp was acquired by St George Bank in 1997 and Bill remained on the Board until 1999.

He was founding director and Chairman of BOOM Logistics Ltd and was involved in the development of the Company's business model, early acquisitions and preparation for listing in 2003.

Former Directorships

- ASGARD Capital Management Ltd
- BOOM Logistics Ltd



Denis Criddle
Non-Executive Director

Qualifications

- Chartered Professional Engineer
- Member of Engineers Australia (1989-2012)
- Fellow of the Australian Institute of Company Directors

Experience

Denis was the founder of Decmil Australia, Decmil Group Limited's major business division. He was appointed to the Company's Board as a Non-Executive Director in August 2007 and served as the Non-Executive Chairman from September 2009 to December 2011.

Denis is a civil engineer with more than 30 years' experience in construction and maintenance services for the oil and gas and resources sectors in central Queensland and north-west Western Australia.

Denis has been involved in rural investments and local Government and was elected Shire President of the Roebourne Shire Council during the development years of oil and gas expansion in the Karratha region.

Current Directorships

- Riverford Holdings Pty Ltd



Lee Verios
Non-Executive Director

Qualifications

- Bachelor of Law, University of Western Australia
- Member of the Australian Institute of Company Directors

Experience

Lee was appointed as a Non-Executive Director in April 2010. Lee has more than 40 years' experience as a commercial and property lawyer in Western Australia.

Until he retired in July 2012, he was a partner in the international law firm of Norton Rose where he headed its Commercial Property division in Perth.

In addition to his legal background, Lee is an experienced Company Director, having held positions in a variety of enterprises in the public, private and not-for-profit sectors.

Current Directorships

- Finbar Group Ltd
- Wyllie Group Pty Ltd
- Ocean Gardens Inc

Former Directorships

- Port Bouvard Ltd
- Vmoto Ltd



David Saxelby
Non-Executive Director

Qualifications

- Bachelor of Civil Engineering, University of Sydney
- Member of the Australian Institute of Company Directors

Experience

David was appointed as a Non-Executive Director in May 2016. He has held Managing Director and CEO roles for the past decade, most recently with Lendlease as CEO of Construction and Infrastructure Australia.

Prior to Lendlease, David was with the Leighton Group for 18 years, where he held a number of senior positions, most recently as Managing Director of Thiess.

In addition to these roles, David has held a number of senior positions on Industry Boards and was listed in the Top 100 Engineers in Australia.

Current Directorships

- Ocius Pty Ltd
- Australian Constructors Association
- Bouygues Construction Australia
- Australian Rail Track Corporation
- Office of Projects (Victoria)

EXECUTIVE MANAGEMENT



Scott Criddle

Managing Director and Group Chief Executive Officer

Qualifications

- Bachelor of Applied Science in Construction Management and Economics, Curtin University, Western Australia
- Fellow of the Australian Institute of Building
- Member of the Australian Institute of Company Directors
- Registered Builder – Western Australia

Experience

Scott was appointed Chief Executive Officer in July 2009, and Managing Director of Decmil Group Limited in April 2010 and has been a Director of the Company since that time.

He was previously the Managing Director of Decmil Australia Pty Ltd, which was acquired by Decmil Group Limited in July 2007. In this role he was responsible for the long-term growth and strategic direction of the Company, playing a key role in building relationships with stakeholders and clients. Scott joined Decmil Australia in 1993 as a construction labourer to gain experience and learn about the Company from the ground up.

He held a variety of roles within Decmil Australia including Construction Manager, Estimator, Business Development Manager and Area Manager.



Tony Radalj

Chief Operating Officer

Qualifications

- Bachelor of Engineering – Civil
- Diploma in Occupational Health & Safety

Experience

Tony joined Decmil in 2012 and was appointed Chief Operating Officer for the Decmil Group in August 2017. During the past 5 years Tony has held key positions in Decmil such as Civil Manager and General Manager for Decmil Australia.

Tony's career spans across various sectors such as health, oil and gas, resources, government infrastructure, building and renewables. Tony brings extensive technical experience and a strong focus on strategy for the Group in the role of COO.

With his flexible management style he motivates and empowers teams to enable a strong work ethic and produce rewarding outcomes. Tony has extensive experience in relationship style contracting ensuring positive relationships are sustained with our clients. This includes utilising contracting models such as Lump Sum, D&C, Alliance and ECI.



Craig Amos
Chief Financial Officer

Qualifications

- Bachelor of Commerce (Hons), University of Cape Town
- Graduate Diploma of Advanced Auditing, University of Cape Town
- Graduate Diploma of Applied Finance, Financial Services Institute of Australasia
- Fellow of the Financial Services Institute of Australasia
- Member of Chartered Accountants Australia & New Zealand

Experience

Craig was appointed Chief Financial Officer in March 2014, having previously held the position of Group Manager for Corporate Development at Decmil Group Limited.

Prior to joining Decmil he held the position of Executive Director in the Corporate Finance division of Ernst & Young where he gained extensive experience leading teams on a range of strategic corporate transactions.

Craig has over 18 years' experience in finance, accounting, corporate transactions and commercial projects in both corporate and professional service environments.



Alison Thompson
Company Secretary

Qualifications

- Bachelor of Commerce, Murdoch University, Western Australia
- Fellow of Chartered Accountants Australia & New Zealand
- Graduate Diploma of Applied Corporate Governance

Experience

Alison has held several senior financial positions within the Group since August 2007. She is currently the Group Financial Controller for Decmil and was appointed Company Secretary in January 2014.

She has extensive technical experience gained from 4 years with PricewaterhouseCoopers and prior to joining Decmil, gained valuable industry experience at international construction firm Balfour Beatty based in the United Kingdom.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

Principal Activities

The consolidated entity provides design, engineering and construction work for the natural resources, Government and infrastructure sectors. The business is focussed on three key sectors:

Infrastructure

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

Resources

- Design and construction of permanent and temporary accommodation, including villages, for the resource sector;
- Construction of remote non-process infrastructure, including industrial buildings, processing plants, workshops and storage facilities;
- Coal Seam Gas and LNG wellhead installation with associated pipelines and facilities; and
- Civil work on brown and greenfield projects including site preparation, excavation and bulk earthworks in regional and remote areas.

Renewable Energy

- Civil works for remote wind and solar projects including site preparation, foundations and pilings;
- Structural and mechanical installations including towers for wind farms and framing systems and PV modules for solar projects; and
- Specialist electrical work for energy storage and distribution.

The consolidated entity also has business units involved in commissioning and maintenance services to telecommunications network owners, and a remote build, own and operate accommodation village.

Operating Results

The consolidated entity reported a statutory loss after providing for income tax expense of \$28,347,000 (2016: loss of \$58,236,000).

Dividends Paid or Recommended

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

Review of Operations

The 2017 financial year represented a year of stabilisation for the Group following the significant decline in revenue experienced in the 2016 financial year (\$300m vs \$670m in FY15). Whilst the 2017 financial year will not deliver revenue growth or on earnings expectations, it has provided the Group with the opportunity to bed down the strategies developed over the past few years.

Accordingly, the business is now focussing on three key sector pillars namely Infrastructure, Resources and Renewables that will form the base of the business over the next three years. These three pillars of focus (along with sub-sectors) are summarised in the below table:

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

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

Notwithstanding the poor earnings performance in FY17, a number of key opportunities have been originated that have the potential to underpin growth in revenue in FY18.

These opportunities, as well as other Group highlights, are listed below:

- Construction commenced on the Group's first large scale solar project – the Gullen 10MW solar PV project for Goldwind;
- Through Cut & Fill being short-listed to 1 of 3 for the OSARS PPP in Victoria as part of the Lendlease led consortium and in a joint venture for the project delivery;
- Development of opportunities with regards to brownfield prison expansions, with a modular approach to construction;
- Execution of a Memorandum of Understanding with SolarReserve to develop a 70MW solar PV project in NSW, likely to start in 2018; and
- Restructured the traditional Decmil business to be comprised of one national management team.

Financial Performance & Position

Despite an initial expectation of a stronger second half to the FY17 year, delays with construction start dates on key projects secured in the first half of FY17 year and also delays with the award of new design and construct tenders bid in the second half of FY17 has resulted in revenue for the FY17 year being below expectations at approximately \$304 million (FY16: \$300 million).

Based on the effect of the above, taken together with the project loss on the Hastings contract and substantial restructuring costs incurred in FY17, the Company reported a broadly break-even FY17 statutory reported EBITDA position.

In line with the requirements of the accounting standards Decmil also completed a comprehensive assessment of the carrying value of key assets which resulted in:

- A devaluation of the Group's wholly owned Homeground Gladstone accommodation village due to continued challenging conditions in the Queensland natural resources sector. Following an independent valuation, Homeground Gladstone was revalued to \$92.4 million as at 30 June 2017; and
- \$10.7 million impairment of goodwill associated with the Group's telecommunications division.

The Group maintained a net cash position, with cash on hand of \$16.9 million at the end of the financial year.

Whilst the Group has access to substantial senior debt and bonding facilities, it ended the year very lowly geared. The Board and management considers this fiscal discipline to be appropriate given the challenging environment in the broader construction and engineering sector.

Operational Highlights

Operations in the 2017 financial year reflect the diversification of the Group in recent years, with project activity spanning a number of sectors including WA Iron Ore sustaining capital works, Queensland coal seam gas upstream maintenance, Defence enabling infrastructure, road and bridge projects for State road authorities, renewable energy and telecommunications.

Key highlights:

- Sustaining capital work in the WA Iron Ore Sector including a logistics hub for BHP at Port Hedland, an airstrip and associated facilities at Cape Preston for Sino Iron and various works for Samsung C&T at the Roy Hill project. Also new projects for Fortescue and at Rio Tinto's Nammuldi and Silvergrass projects;
- Commencement of a circa \$50 million contract with RTA Weipa Pty Ltd, a wholly owned subsidiary of Rio Tinto Limited, for the design, construction and commissioning of the mine infrastructure area at the Amrun project;

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

- Enabling infrastructure works at a number of the Australian Defence Force bases and facilities;
- The Group's first substantial renewable energy project, being an engineer, procure and construct (EPC) contract for a 10MW solar farm and a two year operation and maintenance contract near Goulburn in New South Wales;
- Ongoing wellhead installation, brownfield maintenance and miscellaneous works for QGC in the Queensland coal seam gas sector;
- Work in New Zealand for the Ministry of Education with school projects in Christchurch and Auckland and securing the first project with the New Zealand Defence Force at Kauri Point;
- A variety of road and bridge projects by Cut & Fill predominantly for Vic Roads including the Sand Road Interchange, the Monash Freeway Bridge Strengthening project and the Sneydes Road Interchange; and
- A contract with NSW Health Infrastructure for the redevelopment of a regional medical facility including the diversion of services, demolition of existing structures and the construction of a new temporary medical centre.

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

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.

Likely Developments and Expected Results of Operations

The transformation that occurred in recent years has created a platform for a more diverse national business, with sustainable and higher quality of earnings in FY18 and beyond. The Group enters FY18 with the benefit of having bedded down the new market entry strategies executed in recent years (organic and inorganic strategies), combined with the business re-focussing on its three key market pillars.

Going into FY18 the Group is also seeing an improvement in market conditions across a number of its key sectors including:

- Natural Resources: Sustaining capital works and replacement tonnage projects starting to activate in the WA Iron Ore market;
- Infrastructure: Significant opportunity in the Transport sector in Victoria where the Group is actively pursuing new road and bridge projects as both head contractor and in joint ventures. Also significant opportunity in the Defence sector, New Zealand and in new sectors for Decmil such as Corrections; and
- Renewable Energy: Actively bidding a number of solar PV and wind projects as a balance of plant contractor.

Decmil's strategy remains based on an overall ambition to build a diverse and strong construction and engineering business capable of competing with Tier 1 contractors in Australia and abroad.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

Material Business Risks

The key challenges for the Group going into the 2018 financial year are:

- Improve market share with existing clients and sectors;
- To recruit quality staff that can sustain projected growth;
- Retain robust project controls to ensure project returns are predictable;
- To select projects that can deliver acceptable returns; and
- Control overheads across the Group.

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

- Weakness in the broader construction and engineering sector and a reduction in growth capital expenditure across major new natural resource projects. The Group is responding to this risk with diversification into new sectors (Government) and an increasing focus on winning work in the sustaining capital, non-process infrastructure and operating cycles/sustaining capital works of major resource projects.
- In order for the Group to continue working on resource related projects, a robust safety methodology needs to be in place. A serious safety incident or fatality has the ability to create a substantial risk to Decmil's licence to operate. Decmil mitigates this safety risk via its 'SHIELD' safety methodology, ensuring that all employees (including senior management) and sub-contractors are aligned and engaged with the approach to safety.
- A portion of the Group'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. In order to mitigate this risk, the Group has a sophisticated estimating function that utilises a robust estimating methodology and project teams monitor costs closely and maintain good working relationships with clients.
- From time to time Decmil operates in foreign jurisdictions (such as Papua New Guinea and New Zealand) and at times face operational and regulatory issues not generally experienced in Australia. The Group constantly refines its operating and compliance processes to manage these risks.
- 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 significantly lower levels of revenue and profit than historically generated. Management expects that in the medium term new opportunities will arise for Homeground Gladstone as the LNG sector in Gladstone moves from the construction to operational and maintenance stages; however the risk of volatility in the short term remains present.

During the 2015 financial year the Company implemented an enterprise risk review process to identify the most material risks facing the Company enterprise wide, together with an action plan to mitigate the occurrence or effect of each identified risk (Enterprise Risk Register). Each of the risks on the Enterprise Risk Register have been allocated to an owner who is responsible for monitoring, reporting and implementing action plans for each of the risks.

The Enterprise Risk Register brings together the most critical risks (both corporate and operational) identified by the Group Risk Management System and creates a structured process for regular reporting to the Board.

The Enterprise Risk Register is reviewed and presented to the Audit and Risk Committee on a quarterly basis.

Capital Management

Management is continually assessing the optimal capital structure to ensure the Group is working towards providing shareholders with adequate returns based on assessment of market risks and opportunities. This includes the management of debt levels, distributions to shareholders and the requirement for further equity funding.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

Whilst the Group has access to substantial senior debt and bonding facilities, it ended the year with limited senior debt and low levels of gearing. The Board considers this fiscal discipline to be appropriate given the environment in the broader construction and engineering sector.

Management also periodically reviews the level of capital invested in the Homeground Gladstone Village and where appropriate opportunity exists, will consider options to monetise the asset.

Environmental Regulation

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

There were no incident events that required reporting to relevant statutory bodies during the financial year.

The consolidated entity aims to continually improve its environmental performance and has established carbon emission reduction targets for the next financial year.

Directors' Meetings

During the financial year, 10 directors' meetings were held. Attendances by each director during the year were:

	Directors Meetings		Audit & Risk		Remuneration	
	Number of meetings eligible to attend	Number attended	Number of meetings eligible to attend	Number attended	Number of meetings eligible to attend	Number attended
Denis Criddle	10	10	4	4	-	-
Scott Criddle	10	10	-	-	-	-
Giles Everist	6	5	2	1	-	-
Bill Healy	10	10	4	4	2	2
David Saxelby	10	10	-	-	2	2
Lee Verios	10	10	3	3	2	2

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

Remuneration Report - Audited

This Remuneration Report for the year ended 30 June 2017 details the nature and amount of remuneration for directors and specified executives of Decmil Group Limited in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report is presented under the following sections:

1. Total realised earnings in FY17
2. Remuneration governance
 - 2.1. Remuneration committee
 - 2.2. Use of remuneration consultants
3. Executive remuneration approach and structure
 - 3.1. Remuneration philosophy
 - 3.2. Executive remuneration structure
 - 3.3. Remuneration practices
 - 3.4. Short term incentive plan
 - 3.5. Long term incentive plan
4. Link between Company performance and executive remuneration
5. Employment contracts of directors and senior executives
6. Non-Executive Director fee arrangements
7. Details of remuneration (statutory disclosures)

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

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

Role	
Non-Executive Directors (NEDs)	
Mr Bill Healy – Chairman of the Board and Remuneration Committee	Appointed to the Board April 2009 and as Chairman July 2014
Mr Denis Criddle	Appointed August 2007
Mr Giles Everist	Resigned 7 February 2017
Mr Lee Verios – Chairman of Audit and Risk Committee	Appointed April 2010
Mr David Saxelby	Appointed May 2016
Executive Directors	
Mr Scott Criddle – Managing Director and Group CEO	Appointed as CEO in July 2009 and Managing Director in April 2010
Executives (Other KMP)	
Mr Ric Buratto ¹ – CEO Construction and Engineering	Appointed July 2015
Mr Craig Amos – Chief Financial Officer	Appointed March 2014

¹ Ric Buratto left the Executive Leadership Team during the 2017 financial year

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

1. Total realised earnings in FY17

The table below sets out the total realised earnings for the executive KMP for FY17 and provides shareholders with details of the 'actual' or 'take-home' pay of executives relating to the 2017 financial year.

These earnings include cash salary, superannuation and bonuses accrued in relation to the current year and the value of share based incentives that vested during the performance period ended 30 June 2017. The table does not include the accounting value of share based incentives awarded but not vested. This is because those share based payments are dependent on the achievement of performance hurdles and may not be realised. For example, no performance rights were vested during the 2017 financial year and none have vested since the 2013 financial year.

Details of the remuneration received by the KMP prepared in accordance with statutory requirements and accounting standards are detailed in note 7.

No STI has been accrued for either the CEO or any other KMP in relation to the 2017 financial year.

Executive Total Realised Earnings in FY17 (non-IFRS)

Name	Fixed Remuneration ¹ \$	2017 STI ² \$	LTI ³ \$	Total Realised Remuneration 2017 \$	Total Realised Remuneration 2016 \$
Mr Scott Criddle⁴ Managing Director and Group CEO	688,815	-	-	688,815	819,659
Mr Craig Amos Chief Financial Officer	407,115	-	-	407,115	334,183
Mr Ric Buratto⁵ CEO Construction and Engineering	408,462	-	205,000	613,462	673,751
Total Realised Earnings	1,504,392	-	205,000	1,709,392	1,827,593

1 Fixed remuneration includes cash salary, paid leave, superannuation, and non-monetary benefits

2 Represents the value of the STI awarded in relation to the 2017 financial year

3 Represents the value of a sign on award of share based payments that vested during the 2017 financial year

4 As at the date of this report the total fixed remuneration for the Managing Director and Group CEO is \$520,049

5 Ric Buratto left the Executive Leadership Team during the 2017 financial year

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

2. Remuneration governance

2.1 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.

2.2 Use of remuneration consultants

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

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

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

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

3. Executive remuneration approach and structure

3.1 Remuneration philosophy

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

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

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

Decmil ensures:

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

3.2 Executive remuneration structure

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

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

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

Remuneration component	Vehicle	Purpose	Link to performance
Fixed remuneration	Comprises base salary, superannuation contributions and other benefits such as motor vehicles and life insurance.	To provide competitive fixed remuneration for senior executives as determined by the scope of their position and the knowledge, skill and experience required to perform the role.	Company and individual performance are considered during the annual remuneration review.
STI	Historically, the STI component of the Chief Executive Officer's remuneration has been paid in cash. For FY16, FY17 and FY18 100% of any STI award earned will be deferred for 12 months and will be satisfied by the issue of Restricted Rights instead of a cash award. The STI of other executives are paid in cash.	Rewards executives for short term achievement of: <ul style="list-style-type: none"> financial and operational key performance indicators; progress with the delivery of the Company's business plan and strategic objectives; and specific goals in relation to the development of people within the Company and its profile within the business community. 	Examples of key performance indicators include: <ul style="list-style-type: none"> Achievement of financial targets such as Group revenue and NPAT; Achievement of target work in hand levels at 30 June of each year to ensure the sustainability of revenue in subsequent years; Overhead and cost control targets; Targets set in relation to the achievement of the Group's business plan such as the diversification of the business and entry into new markets; and Targets set for safety performance based on Total Recordable Injury Frequency Rates.
LTI	Executives are entitled to participate in the performance rights scheme approved by shareholders. Performance rights do not attract dividends or voting rights.	To better align executives to the interests of shareholders and provide a reward based on long term growth in share price and earnings.	Vesting of awards is dependent on absolute TSR, achieving EPS growth targets and continuous employment.

3.3 Remuneration practices – Total Fixed Remuneration

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

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

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

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

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

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

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

3.4 Short term incentive plan

General Terms of the STI Plan	
How is it paid?	Generally in cash. The CEO STI award can be satisfied by the issue of restricted rights.
How much can executives earn?	Executives can earn up to 50% of their total fixed remuneration as an STI incentive.
How is performance measured?	Through a balance scorecard of financial, operational and organisation development KPI's set prior to the commencement of each financial year. Financial measures are assessed based on the Group's audited financial results.
When is it paid?	In September or October of the financial year after the target year.
What are the deferral terms?	Historically, the STI component of the Chief Executive Officer's remuneration has been paid in cash. It was proposed that for, FY16, FY17 and FY18 100% of any STI award earned will be deferred for 12 months and will be satisfied by the issue of restricted rights instead of a cash award.
What happens if an executive leaves or there is a change of control?	The payment of any accrued or part STI benefit in these circumstances is at the discretion of the Board.
How much STI has been accrued in relation to the 2017 financial year?	No STI has been accrued in relation to the 2017 financial year.

The STI award opportunity is based on a percentage of an individual's base salary. For the CEO, a maximum award opportunity of 50% 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.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

During the financial year ended 30 June 2017 the following key performance indicators were applicable to the STI opportunity of the CEO:

Key Performance Indicator	KPI Weighting (%)	Measurement
Group Financial Results		
Net Profit After Tax	30%	Annual target set by Board measured by audited results
Cash Overhead	10%	Measured as cash overhead as a percentage of revenue
Work in Hand	30%	Level of work in hand in the Group measured at 30 June
Strategic/Operational Objectives		
Organisational Structure	10%	Strong leaders appointed to each division capable of delivering to their business plan
Integration	5%	Integrated business units that utilise Group Services
Financial	10%	All business units to be operating cash positive for each quarterly financial review
People	5%	Succession plan in place for each member of the ELT and General Managers
OVERALL TOTAL	100%	

With the dramatic turnabout in the resources and energy sectors during the 2016 financial year the Group undertook a number of steps to restructure and reduce the overhead base in its traditional business units. As part of these efforts, executives of the Group agreed to a 10% reduction in total fixed remuneration effective February 2016 (with the CEO voluntarily agreeing to a 15% reduction). As market conditions continued to be subdued throughout FY17, the CEO took a further voluntary reduction of 30% and the Board took a further 10% reduction in April 2017.

In addition, no STI has been accrued for either the CEO or any other KMP in relation to the 2016 or 2017 financial years.

3.5 Long term incentive plan

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

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

The LTI Scheme is designed to:

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

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

General Terms of the LTI Plan	
How is it paid?	The Company uses performance rights and restricted shares in its long term incentive plan.
How much can be earned (i.e. maximum opportunity)?	For executives, up to 150% of total fixed remuneration converted into performance rights at the 60 day VWAP to 30 June.
How is performance measured?	Vesting hurdles for performance rights for executives are based on absolute TSR (40%), EPS (40%) and continuous employment (20%).
When is performance measured?	The achievement of vesting conditions for performance rights are assessed between July and September after the target financial year-end. Measurement periods are from the date of award of the rights to the first tranche being eligible for vesting.
What happens if an executive leaves or there is a change of control?	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Are executives eligible for dividends?	<p>Performance rights do not accrue dividends.</p> <p>The retention grant of restricted shares to the CEO accrues dividends which become payable upon vesting.</p>
Have many shares vested under the LTI plan?	<p>For a variety of reasons (some market related and some design related) there has historically been a very low percentage of performance rights awarded that actually vest e.g. no performance rights have vested since the 2013 financial year despite the fact that in the 2014 and 2015 financial years the Group performed well financially and grew substantially.</p> <p>No restricted shares have vested as the time based conditions have not yet been achieved.</p>

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.

Any performance rights which do not vest at any due vesting date rollover for re-assessment to the next vesting date. The vesting conditions will be subsequently reassessed in that year and performance rights may vest as applicable. Unvested performance rights will rollover for the length of the performance period and 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.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

Performance Hurdles

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

Below is a summary of the performance hurdles that relate to unvested performance rights as at 30 June 2017:

Issued financial year ended 30 June 2013 and prior

Performance rights issued during the financial year ended 30 June 2013 and prior years are eligible for vesting three, five and seven years after the initial grant date depending upon Total Shareholder Return (TSR) performance relative to a comparator group identified at the time of grant (S&P/ASX 300 Index).

Performance rights granted during this period remain under these terms and conditions.

The performance rights vest according to the schedule below:

Company TSR Rank in S&P/ASX 300 Index	% of Performance Rights that Vest
Below the 50th Percentile	0%
At or below the 50th Percentile and below the 75th Percentile	50%, plus 2% for every one Percentile increase above 50th Percentile
At or above the 75th Percentile	100%

Issued financial year ended 30 June 2014

These performance rights vest two, three and four years after the initial grant date and are subject to the following vesting performance measures:

- Two thirds of the performance rights are subject to earnings per share compound annual growth rate (EPS CAGR) performance and;
- One third of the performance rights are subject to TSR performance relative to the other companies in the ASX 200.

The performance rights in respect of a financial year will vest in tranches as follows:

Years after the financial year in respect of which the grant of Performance Rights is made	% of Performance Rights Eligible for Vesting
2	25%
3	25%
4	50%

For performance rights subject to EPS CAGR performance, vesting will occur as follows:

EPS CAGR – Measured from the year in respect of which grant of Performance Rights is made	% Performance Rights that Vest
<6%	0%
6%	25%
>6% <24%	Pro-rata vesting between 25%-100%
24% or more	100%

For performance rights subject to TSR performance, vesting will occur as follows:

TSR – Measured from the year in respect of which grant of Performance Rights is made	% Performance Rights that Vest
<50th Percentile	0%
50th Percentile	50%
>50th Percentile <75th Percentile	Pro-rata vesting between 50%-100%
>75th Percentile or more	100%

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

Issued financial year ended 30 June 2015 and later

These performance rights are subject to the following vesting conditions:

- 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) 40% of performance rights are subject to EPS CAGR performance; and
- c) 40% of performance rights are subject to absolute TSR performance.

In relation to the performance rights subject to the EPS CAGR and TSR, the following vesting tranches will apply:

Years after the financial year in respect of which the grant of Performance Rights is made	% of Performance Rights Eligible for Vesting
2	25%
3	25%
4	50%

For performance rights subject to EPS CAGR performance, vesting will occur as follows:

EPS CAGR – Measured from the year in respect of which grant of Performance Rights is made	% Performance Rights that Vest
< 6%	0%
6%	25%
>6% <8%	Pro-rata vesting between 25%-100%
>8%	100%

For performance rights subject to TSR performance, vesting will occur as follows:

Absolute TSR – Measured from the year in respect of which grant of Performance Rights is made	% Performance Rights that Vest
< 7%	0%
7%	50%
>7% <11%	Pro-rata vesting between 50%-100%
>11%	100%

Note, the Company obtained shareholder approval at the 2015 AGM to implement a number of changes to the hurdles attaching to the performance rights to be issued for FY15, FY16, FY17 and FY18. These changes included the replacement of the Relative Total Shareholder Return (TSR) performance hurdle with an Absolute TSR performance hurdle, and adjustment of the Earnings Per Share (EPS) hurdles in line with current market expectations and inclusion of a performance hurdle relating to continuous employment with the Group.

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

4. Link between Company performance and executive remuneration

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

5. Employment contracts of directors and senior executives

The Company has entered into a service agreement with Mr Scott Criddle who commenced in the role of CEO on 1 July 2009.

The key terms of Mr Scott Criddle's service agreement are:

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

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

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

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

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

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

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

6. Non-Executive Director fee arrangements

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board approves payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability.

Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders during a general meeting. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity however to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

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

The table below summaries Board and committee chair fees payable to NEDs at 30 June 2017 (inclusive of superannuation):

Board fees		\$000
Chair		130
NED		73
Committee fees		\$000
Audit & Risk and Remuneration	Chairs	8
	Member	-

Maximum aggregate NED fee pool

The maximum aggregate amount of fees that can be paid to NEDs is subject to approval by shareholders during a general meeting. The maximum aggregate amount that may be paid to NEDs for their services is \$650,000 during any financial year, as approved by shareholders at the 2012 AGM. The Board will not seek an increase to the aggregate NED fee pool limit at the 2017 AGM.

7. Details of remuneration

As part of a restructuring and cost reduction effort by the Company, effective 1 February 2016, the fixed remuneration of KMP (and directors from 1 May 2016) was reduced by 10% (with the Group CEO voluntarily agreeing to a 15% reduction).

With market conditions continuing to be subdued throughout FY17, the CEO took a further voluntary reduction of 30% and the Board took a further 10% reduction on 1 April 2017.

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	STI Accrued Current Year	Fair Value of Incentive Securities Awarded	Other	Total	Total Performance Related %	Total Fixed Remuneration %
Bill Healy	2017	128,219	12,181	-	-	-	-	140,400	-	100.0
	2016	143,684	13,650	-	-	-	-	157,334	-	100.0
Denis Criddle	2017	72,123	6,852	-	-	-	-	78,975	-	100.0
	2016	80,822	7,678	-	-	-	-	88,500	-	100.0
Trevor Davies ¹	2017	-	-	-	-	-	-	-	-	100.0
	2016	34,247	3,253	-	-	-	-	37,500	-	100.0
Giles Everist ²	2017	54,375	-	-	-	-	-	54,375	-	100.0
	2016	98,333	-	-	-	-	-	98,333	-	100.0
David Saxelby	2017	78,975	-	-	-	-	-	78,975	-	100.0
	2016	13,500	-	-	-	-	-	13,500	-	100.0
Lee Verios	2017	80,137	7,613	-	-	-	-	87,750	-	100.0
	2016	89,802	8,531	-	-	-	-	98,333	-	100.0
Total	2017	413,829	26,646	-	-	-	-	440,475	-	100.0
	2016	460,388	33,112	-	-	-	-	493,500	-	100.0

Executive Directors (\$)	Year	Salary and Fees	Superannuation	STI Paid in Relation to Prior Year	STI Accrued Current Year	Fair Value of Incentive Securities Awarded ³	Other	Total	Total Performance Related %	Total Fixed Remuneration %
Scott Criddle ⁴	2017	669,200	19,616	-	-	484,981	-	1,173,797	41.3	58.7
	2016	800,351	19,308	392,638	-	1,579,438	-	2,791,735	70.6	29.4
Total	2017	669,200	19,616	-	-	484,981	-	1,173,797	41.3	58.7
	2016	800,351	19,308	392,638	-	1,579,438	-	2,791,735	70.6	29.4

Other Executives (\$)	Year	Salary and Fees	Superannuation	STI Paid in relation to Prior Year	STI Accrued Current Year	Fair Value of Incentive Securities Awarded	Other	Total	Total Performance Related %	Total Fixed Remuneration %
Ric Buratto	2017	393,750	14,712	-	-	435,534	-	843,996	51.6	48.4
	2016	654,443	19,308	-	-	136,667	-	810,418	16.9	83.1
Craig Amos	2017	387,500	19,616	-	-	127,083	-	534,199	23.8	76.2
	2016	314,875	19,308	146,250	-	46,879	-	527,312	36.6	63.4
Total	2017	781,250	34,328	-	-	562,617	-	1,378,195	40.8	59.2
	2016	969,318	38,616	146,250	-	183,546	-	1,337,730	24.7	75.3

1 Trevor Davies resigned from the board of directors 18 November 2015

2 Giles Everist resigned from the board of directors 7 February 2017

3 Includes fair value of one off retention grant of 2,500,000 restricted shares which are subject to the achievement of vesting hurdles

4 As at the date of this report the total fixed remuneration for the Managing Director and Group CEO is \$520,049

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

Options issued as part of remuneration for the year ended 30 June 2017

There were no options granted to directors or executives as part of their remuneration during the financial year.

Performance Rights

During the year ended 30 June 2017, the following performance rights were granted.

Grant Date	Number of Rights Granted	Fair Value of Rights Granted
1 July 2016	3,634,749	\$1,111,598

During the year ended 30 June 2017, 250,000 performance rights were vested.

During the year ended 30 June 2017, none of the performance rights lapsed due to their vesting criteria not being met.

The following rights have been granted but remain unvested at 30 June 2017:

Grant Date	Number of Unvested Rights	Fair Value of Unvested Rights
1 July 2010	120,976	\$21,231
1 July 2011	235,210	\$24,932
1 July 2012	297,665	\$30,362
1 July 2013	763,957	\$136,366
1 July 2014	754,068	\$44,867
1 July 2015	1,612,117	\$56,424
1 July 2016	2,006,769	\$612,065
Total	5,790,762	\$926,247

Additional Information

The earnings of the consolidated entity for the five years to 30 June 2017 are summarised below:

	2017 \$000	2016 \$000	2015 \$000	2014 \$000	2013 \$000
Revenue	306,015	301,644	666,915	618,401	528,786
EBITDA	(30,912)	(75,926)	62,696	81,117	100,712
EBIT	(36,539)	(82,902)	55,894	74,316	92,580
Profit after income tax	(28,347)	(58,236)	40,280	52,627	64,367

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

	2017	2016	2015	2014	2013
Share price at financial year end (\$)	0.93	0.72	1.16	1.83	1.78
Total dividends paid (cents per share)	4.0	10.5	13.0	12.5	11.5
Basic earnings per share (cents per share)	(2.65) ¹	6.10 ¹	23.91	29.50 ²	26.94 ²

¹ Based on adjusted earnings

² Excluding business combination gains from both 2013 & 2014 reporting periods

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

Shareholdings, Option Holdings and Performance Rights Holdings

Shareholdings

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

30 June 2017	Balance 1.07.2016	Received as Part of Remuneration	Additions	Disposals/ Other ¹	Balance 30.06.2017
Directors:					
Denis Criddle	20,989,145	-	-	-	20,989,145
Scott Criddle	5,709,695	-	-	-	5,709,695
Giles Everist ²	513,332	-	-	(513,332)	-
Bill Healy	600,190	-	-	-	600,190
David Saxelby	-	-	-	-	-
Lee Verios	66,667	-	-	-	66,667
Key management personnel:					
Craig Amos	1,500	-	-	-	1,500
Ric Buratto ³	-	250,000	-	(250,000)	-
Total	27,880,529	250,000	-	(763,332)	27,367,197

Option holdings

There were no options held by directors or KMP at 30 June 2017.

Performance Rights holdings

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

30 June 2017	Balance 1.07.2016	Granted as Remuneration	Vested During the Period	Expired/ Other ¹	Balance 30.06.2017
Directors:					
Scott Criddle	3,088,587	1,590,102	-	-	4,678,689
Key management personnel:					
Craig Amos	320,710	416,667	-	-	737,377
Ric Buratto ³	500,000	1,427,980	(250,000)	(1,677,980)	-
Total	3,909,297	3,434,749	(250,000)	(1,677,980)	5,416,066

1 Other includes shares included upon appointment or excluded upon resignation

2 Giles Everist resigned on 7 February 2017

3 Ric Buratto left the Executive Leadership Team during the 2017 financial year

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

Other transactions with directors, KMP and their related parties:

	2017 \$000
(a) Director Related Transactions	
Rent of various properties used by Decmil Australia Pty Ltd paid to Broadway Pty Ltd, an entity in which Mr Denis Criddle has a beneficial interest	196
Consulting fees for Saxelby Associates Pty Ltd, an entity in which Mr David Saxelby has a beneficial interest	200
(b) Director Related Balances¹	
Amounts owing to Saxelby Associates Pty Ltd, an entity in which Mr David Saxelby has a beneficial interest, for directors' fees and consulting fees	23

*[End of Remuneration Report]***Shares Under Option**

There were no unissued ordinary shares of the Company under option outstanding at the date of this report.

Shares Issued on the Exercise of Options

There were no ordinary shares of the Company issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

Employee Share Program

At the 2014 Annual General Meeting, shareholders approved the adoption by the Company of a broad based employee share plan and the issue of securities pursuant to that plan. During the financial year, 124,478 shares were issued under this plan as part of the Decmil Employee Share Purchase Plan. Under this plan, employees who purchased up to \$1,000 of shares had those shares matched by the Company. The matched shares are subject to a trade restriction until the earlier of 3 years or cessation of employment with the Company.

Indemnifying Officers or Auditor

The Company has indemnified the Directors 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 of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Proceedings on Behalf of Company

During the year ended 30 June 2017 the liquidators for Forge Group Ltd (in liquidation) (receivers and managers appointed) commenced an action in the Supreme Court of Western Australia against Eastcoast Development Engineering Pty Ltd (EDE), a subsidiary of the Company, for the repayment of \$2.9 million for what they consider constitute unfair preference payments, insolvent transactions and voidance transactions. The liquidators have commenced claims against a number of parties which are joined with EDE in the same action. The claim will be vigorously defended by EDE.

Other than the above, there are currently no material legal proceedings involving the Company or its subsidiaries.

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

DIRECTORS' REPORT Cont'd

FOR THE YEAR ENDED 30 JUNE 2017

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

Non-Audit Services

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

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; 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 Partners for non-audit services provided during the year ended 30 June 2017:

	\$
Taxation compliance services	15,556
Accounting assistance	9,000
Total	24,556

Auditor's Independence Declaration

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

Rounding of Amounts

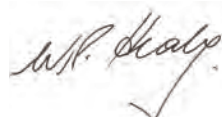
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain 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 adhered to the ASX Corporate Governance Principles and Recommendations as detailed in Decmil Corporate Governance Statement which can be found at <http://www.decmil.com.au/investor-relations/corporate-governance/>

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

On behalf of the directors



Bill Healy

Chairman

29 August 2017

RSM Australia Partners

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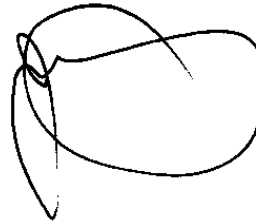
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Decmil Group Limited for the year ended 30 June 2017, 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



J A KOMNINOS
Partner

Perth, WA
Dated: 29 August 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

Consolidated Entity			
	Note	2017 \$000	2016 \$000
Revenue from continuing operations	11	303,870	299,836
Cost of sales		(270,334)	(258,949)
Gross profit		33,536	40,887
Administration expenses		(31,202)	(31,545)
Equity based payments		(1,030)	(707)
Restructuring costs		(1,388)	(4,021)
Earnings from continuing operations before interest, tax, depreciation and amortisation & impairments		(84)	4,614
Interest received	11(a)	52	457
Borrowing costs	4	(739)	(227)
Depreciation and amortisation expense	4, 17, 19	(5,604)	(6,666)
Impairment of intangible assets	19	(10,687)	-
Investment property fair value adjustment	33	(18,763)	(78,069)
Profit/(loss) before income tax expense		(35,825)	(79,891)
Income tax (expense)/benefit	5	8,458	23,806
Net profit/(loss) from continuing operations		(27,367)	(56,085)
Loss after tax from discontinued operations	6	(980)	(2,151)
Net profit/(loss) for the year		(28,347)	(58,236)
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the year		(28,347)	(58,236)
Overall Operations			
Basic earnings per share (cents per share)	9a	(16.57)	(34.50)
Diluted earnings per share (cents per share)	9a	(16.57)	(34.50)
Continuing Operations			
Basic earnings per share (cents per share)	9b	(16.00)	(33.23)
Diluted earnings per share (cents per share)	9b	(16.00)	(33.23)
Discontinuing Operations			
Basic earnings per share (cents per share)	9c	(0.57)	(1.27)
Diluted earnings per share (cents per share)	9c	(0.57)	(1.27)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2017

Consolidated Entity

	Note	2017 \$000	2016 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	12	16,905	15,077
Trade and other receivables	13	34,950	29,517
Work in progress	14	11,914	15,846
Current tax receivable	22	-	616
Other current assets	20	5,716	7,931
TOTAL CURRENT ASSETS		69,485	68,987
NON-CURRENT ASSETS			
Investment property	18	92,400	111,032
Property, plant and equipment	17	10,425	37,753
Deferred tax assets	24	27,098	18,834
Intangible assets	19	75,482	86,345
Other assets		1,595	-
TOTAL NON-CURRENT ASSETS		207,000	253,964
TOTAL ASSETS		276,485	322,951
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	21	60,158	63,533
Current tax payable	22	49	-
Borrowings	23	350	2,161
Provisions	25	4,017	5,145
TOTAL CURRENT LIABILITIES		64,574	70,839
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	316	-
Borrowings	23	474	7,212
Provisions	25	1,125	854
TOTAL NON-CURRENT LIABILITIES		1,915	8,066
TOTAL LIABILITIES		66,489	78,905
NET ASSETS		209,996	244,046
EQUITY			
Issued capital	26	163,384	162,254
Retained earnings		46,612	81,792
TOTAL EQUITY		209,996	244,046

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

Consolidated Entity	Note	Issued Capital \$000	Retained Earnings \$000	Total \$000
Balance at 1 July 2015		161,705	157,646	319,351
Net loss for the year		-	(58,236)	(58,236)
Total comprehensive income for the year		-	(58,236)	(58,236)
Shares issued for the period		47	-	47
Transaction costs net of tax benefit		(205)	-	(205)
Equity based payments		707	-	707
Dividends paid	10	-	(17,618)	(17,618)
Balance at 30 June 2016		162,254	81,792	244,046
Balance at 1 July 2016		162,254	81,792	244,046
Net loss for the year		-	(28,347)	(28,347)
Total comprehensive income for the year		-	(28,347)	(28,347)
Shares issued for the period		54	-	54
Transaction costs net of tax benefit		46	-	46
Equity based payments		1,030	-	1,030
Dividends paid	10	-	(6,833)	(6,833)
Balance at 30 June 2017		163,384	46,612	209,996

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

Consolidated Entity

	Note	2017 \$000	2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		303,708	329,086
Payments to suppliers and employees		(310,774)	(352,739)
Interest received		53	459
Finance costs paid		(739)	(227)
Income taxes received		800	3,059
Net cash used in operating activities	29(a)	(6,952)	(20,362)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,346)	(2,920)
Purchase of investments, net of cash acquired	29(b)	-	(12,825)
Proceeds from sale of non-current assets		26,061	1,158
Net cash used in investing activities		24,715	(14,587)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from/(repayment of) borrowings		(9,145)	8,050
Share issue/buy-back transaction costs		43	46
Dividends paid		(6,833)	(17,618)
Net cash used in financing activities		(15,935)	(9,522)
Net increase/(decrease) in cash held		1,828	(44,471)
Cash at beginning of the financial year		15,077	59,548
Cash at end of the financial year		16,905	15,077

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

The financial statements of Decmil Group Limited ('the Company') for the year ended 30 June 2017 comprise of the Company and its controlled entities (collectively referred to as 'the consolidated entity') and the consolidated entity's interests in joint operations. The separate financial statements of the parent entity, Decmil Group Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

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

The financial statements were authorised for issue in accordance with a resolution of the directors dated 29 August 2017.

NOTE 1: Summary of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board, and International Financial Reporting Standards as issued by the International Accounting Standards Board. 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.

(a) Principles of Consolidation

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

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

Non-controlling interests in the results and equity of controlled entities are shown separately within the equity section of the consolidated statement of financial position and statement of profit or loss and other comprehensive income. The non-controlling interests in the net assets of the controlled entity comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Where the consolidated entity loses control over a controlled entity, it derecognises the assets including goodwill, liabilities and non-controlling interest in the controlled entity together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

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

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

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

The consolidated entity recognises the excess of the research and development (R&D) tax offset over the statutory rate ('the R&D offset') being an additional 8.5% (2016: 10%) deduction as a government grant when there is reasonable assurance it will be received and any attached conditions will be complied with. As the grant relates to R&D expenditure already incurred it is recognised in the income statement in the period it became receivable.

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) Construction Contracts and Work in Progress

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date compared to expected actual costs. Where losses are anticipated they are provided for in full. Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: Summary of Significant Accounting Policies (Cont'd)**(e) Property, Plant and Equipment**

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

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

Depreciation

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

Class of Fixed Asset	Depreciation Rate
Building	2.5%
Owned plant and equipment	12.5% to 33%
Leased plant and equipment	12.5%

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

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

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

(f) Investment Property

Investment property, comprising investment interests in land and buildings, is held to generate long-term returns. Investment property is initially measured at cost and subsequently measured at fair value. Investment property is carried at fair value which is based on discounted cash flow projections. Investment property is valued at least every 3 years by independent external valuers. Any resultant changes in fair value are shown separately in the statement of profit or loss and other comprehensive income as net gains/(losses) from fair value adjustments on investment property.

(g) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over their estimated useful lives. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

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

(h) Impairment of Assets

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

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

(i) Goodwill

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. It is allocated to the consolidated entity's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not being larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Impairment losses recognised for goodwill are not subsequently reversed.

(j) Intangibles other than Goodwill

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to each class of intangible assets. Where amortisation is charged on assets with finite lives, this expense is taken to the statement of profit or loss and other comprehensive income, through the 'amortisation expenses' line item.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of intangible assets with indefinite useful lives, either individually or at the cash-generating unit level.

(k) Employee Benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

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

Other long-term employee benefits

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

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

Equity-based payments

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

(l) Provisions

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

(m) Cash and Cash Equivalents

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

(n) Revenue and Other Income

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue recognition relating to the provision of services, namely construction activities, is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

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

Interest revenue is recognised as interest accrues using the effective interest rate method.

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

(o) 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.

(p) Earnings Per Share

Basic earnings per share

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

Diluted earnings per share

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

(q) 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.

(r) 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.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

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

(t) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the statement of profit or loss and other comprehensive income immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted, including recent arm's length transactions, reference to similar instruments and option pricing models.

Amortised cost is the amount at which the financial asset or liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest rate method.

The *effective interest rate method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of profit or loss or other comprehensive income.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in the statement of profit or loss and other comprehensive income through the amortisation process and when the financial asset is derecognised.

ii. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

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

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

Impairment

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial asset has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

(u) 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.

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.

(v) 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.

(w) Foreign Currency Transactions and Balances

Foreign currency translation

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

Foreign currency transactions

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

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

(x) 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.

(y) 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.

(z) Comparative Figures

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

(aa) 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 consolidated entity determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles are discussed in note 19.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

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

Equity-based payment transactions

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

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

Construction contracts

When accounting for construction contracts, the contracts are either combined or segmented if this is deemed necessary to reflect the substance of the agreement. Revenue arising from fixed price contracts is recognised in accordance with the percentage of completion method. Stage of completion is agreed with the customer on a work certified to date basis, as a percentage of the overall contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred plus a percentage of fees earned during the financial year. The percentage of fees earned during the financial year is based on the stage of completion of the contract.

Where a loss is expected to occur from a construction contract, the excess of the total expected contract costs over expected contract revenue is recognised as an expense immediately.

Provision for maintenance

In determining the level of provision required for maintenance, the consolidated entity has made judgements in respect of the expected outcome of construction contracts and the costs of fulfilling the maintenance obligations. The provision is based on estimates made from historical data associated with past construction contracts.

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.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors' financial position.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

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

Income tax

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

Recovery of deferred tax assets

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

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

NOTE 2: New Accounting Standards for Application in Future Periods

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

New Accounting Standards and Interpretations not yet mandatory or early 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 2017. 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.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 2: New Accounting Standards for Application in Future Periods (Cont'd)

A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income (OCI). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' (ECL) model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. The adoption of this standard has been assessed by the consolidated entity and will impact its assets, liabilities and expenses but the extent of which has not yet been assessed by the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 3: Parent Entity Information

	Parent Entity	
	2017 \$000	2016 \$000
Statement of profit or loss and other comprehensive income		
Profit/(loss) for the year	(4,069)	556
Total comprehensive income for the year	(4,069)	556
Statement of financial position		
ASSETS		
Current assets	83,664	99,188
Non-current assets	90,987	80,406
TOTAL ASSETS	174,651	179,594
LIABILITIES		
Current liabilities	140,145	137,062
Non-current liabilities	822	444
TOTAL LIABILITIES	140,967	137,506
EQUITY		
Issued capital	164,751	162,254
Retained earnings	(131,067)	(120,166)
TOTAL EQUITY	33,684	42,088

a) Guarantees

Cross guarantees have been provided by Decmil Group Limited and its controlled entities as listed in note 15(b).

b) Other Commitments and Contingencies

Decmil Group Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities apart from that disclosed in note 34.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 4: Expenses

	Consolidated Entity	
	2017 \$000	2016 \$000
From continuing operations		
(Loss)/profit before income tax includes the following specific expenses:		
Employee benefits costs	84,070	92,477
Finance costs	739	227
Depreciation and amortisation of non-current assets:		
- plant and equipment owned	4,831	5,985
- plant and equipment leased	80	81
- building	517	526
- amortisation of intangible assets	176	74
Total depreciation	5,604	6,666
Rental expense on operating leases	2,025	1,207
Net foreign exchange loss/(gain)	(198)	410

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 5: Income Tax Expense

		Consolidated Entity	
	Note	2017 \$000	2016 \$000
Income tax (expense)/benefit is attributable to:			
Loss from continuing operations		8,458	23,806
Loss from discontinued operations	6	420	628
		8,878	24,434
The components of income tax (expense)/benefit comprise:			
Current tax		662	(1,000)
Deferred tax	24	7,824	25,454
Over/(under) provision for tax in prior year		392	(20)
		8,878	24,434
The prima facie tax expense on loss before income tax is reconciled to the income tax (expense)/benefit as follows:			
Prima facie tax (expense)/benefit on loss before income tax at 30% (2016: 30%)		11,168	24,801
Adjusted by the tax effect of:			
- equity based payments		(230)	(212)
- deductible capital raising costs		54	193
- non-deductible items		(2,763)	(2,162)
- research and development tax offset (non-refundable)		257	1,834
- over/(under) provision for tax in prior year		392	(20)
Income tax (expense)/benefit attributable to loss before income tax		8,878	24,434
The applicable weighted average effective tax rates are as follows:		24%	30%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 6: Discontinued Operations

Due to unfavourable market conditions, the SAS Telecom business was discontinued during the 2016 financial year.

(a) Financial performance information		Consolidated Entity	
	Note	2017 \$000	2016 \$000
Other services revenue		2,145	2,241
Interest received		-	2
Total revenue		2,145	2,243
Cost of sales		(3,370)	(2,685)
Administration expenses		(151)	(1,574)
Depreciation and amortisation expense		(24)	(310)
Impairment of intangible assets		-	(433)
Restructuring costs		-	(20)
Total expenses		(3,545)	(5,022)
Profit/(loss) before income tax expense		(1,400)	(2,779)
Income tax (expense)/benefit	5	420	628
Profit/(loss) after income tax expense from discontinued operations		(980)	(2,151)

(b) Financial position information		Consolidated Entity	
	Note	2017 \$000	2016 \$000
Current Assets			
Cash and cash equivalents		6	150
Trade and other receivables		42	505
Work in progress		-	692
Current tax receivable		-	587
Other current assets		-	13
Total Current Assets		48	1,947
Non-current Assets			
Deferred tax assets		215	41
Property, plant and equipment		54	255
Total Non-current Assets		269	296
Total Assets		317	2,243
Current Liabilities			
Trade and other payables		5,989	6,851
Provisions		-	84
Total Current Liabilities		5,989	6,935
Total Liabilities		5,989	6,935
Net Assets/(Liabilities)		(5,672)	(4,692)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 6: Discontinued Operations (Cont'd)

(c) Cash flow information	Note	Consolidated Entity	
		2017 \$000	2016 \$000
Net cash used in operating activities		(175)	(5)
Net cash used in investing activities		31	(68)
Net cash from financing activities		-	-
Net (decrease)/increase in cash and cash equivalents from discontinued operations		(144)	(73)

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

Denis Criddle**Scott Criddle****Giles Everist** (resigned 7 February 2017)**Bill Healy****David Saxelby****Lee Verios**

Key Management Personnel

Ric Buratto: CEO Construction and Engineering¹**Craig Amos: Chief Financial Officer**

- B.** Compensation for Key Management Personnel

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

	2017 \$000	2016 \$000
Short-term employee benefits	1,945	2,860
Equity-based payments	1,047	1,763
	2,992	4,623

- 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.

¹ Ric Buratto left the Executive Leadership Team during the 2017 financial year

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 8: Auditors' Remuneration

	Consolidated Entity	
	2017 \$000	2016 \$000
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report	266	287
- taxation services	16	12
- accounting assistance	9	-
- corporate finance services	-	7
	291	306

NOTE 9: Earnings Per Share

	Consolidated Entity	
	2017 \$000	2016 \$000
(a) Reconciliation of earnings to profit or loss from overall operations		
Loss after income tax	(28,347)	(58,236)
Earnings used to calculate basic and dilutive EPS	(28,347)	(58,236)
(b) Reconciliation of earnings to profit or loss from continuing operations		
Loss after income tax	(27,367)	(56,085)
Earnings used to calculate basic and dilutive EPS	(27,367)	(56,085)
(c) Reconciliation of earnings to profit or loss from discontinuing operations		
Loss after income tax	(980)	(2,151)
Earnings used to calculate basic and dilutive EPS	(980)	(2,151)
	No.	No.
(d) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	171,036,636	168,800,836
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	171,036,636	168,800,836

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 10: Dividends

	Consolidated Entity	
	2017 \$000	2016 \$000
Distributions Paid		
Final dividend for the year ended 30 June 2016 of 2.0 cents (2015: 8.5 cents) per share fully franked at the tax rate of 30% (2015: 30%)	3,398	14,220
Interim dividend for the year ended 30 June 2017 of 2.0 cents (2016: 2.0 cents) per share fully franked at the tax rate of 30% (2016: 30%)	3,435	3,398
	6,833	17,618
Balance of franking account at year end	54,244	59,886

NOTE 11: Revenue

		Consolidated Entity	
	Note	2017 \$000	2016 \$000
From continuing operations			
Construction and engineering revenue		263,584	271,638
Accommodation revenue		14,486	8,964
Other revenue			
- government grant		891	6,112
- rentals		351	492
- profit on sale of property		2,213	-
- other services revenue		22,345	12,630
Total revenue from continuing operations		303,870	299,836
(a) Interest revenue			
Interest revenue from:			
- other persons		52	457
Total interest revenue		52	457

On 23 June 2017, the commercial office located at 20 Parkland Road, Osborne Park, Western Australia was sold for \$27.5 million. The written down value at the date of sale was \$23.189 million. The profit recognised on sale was \$2.213 million net of selling costs.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 12: Cash and Cash Equivalents

	Consolidated Entity	
	2017 \$000	2016 \$000
Cash at bank and in hand	16,905	15,077
	16,905	15,077
<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	16,905	15,077

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 13: Trade and Other Receivables

	Consolidated Entity	
	2017 \$000	2016 \$000
CURRENT		
Trade receivables	34,950	29,517
Less: Provision for impairment of receivables	-	-
	34,950	29,517
Movement in the provision for impairment of receivables are as follows:		
Opening balance	-	-
Additional provisions recognised	31	47
Written off during the year as uncollectable	(31)	(47)
Closing balance	-	-

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	
2017							
Trade receivables	34,950	29,912	4,010	326	170	532	-
Total	34,950	29,912	4,010	326	170	532	-
2016							
Trade receivables	29,517	23,625	4,152	604	225	911	-
Total	29,517	23,625	4,152	604	225	911	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 14: Work in Progress

		Consolidated Entity	
	Note	2017 \$000	2016 \$000
CURRENT			
Construction and engineering contracts			
Cost incurred to date plus profit recognised		730,763	843,853
Consideration received and receivables as progress billings		(730,362)	(850,107)
		401	(6,254)
Advanced billings to customers	21	(11,513)	(22,100)
Unbilled amounts due from customers		11,914	15,846
		401	(6,254)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15: Controlled Entities**(a) Controlled Entities**

	Country of Incorporation	Percentage Owned (%)	
		2017	2016
Parent Entity:			
Decmil Group Limited	Australia		
Controlled entities of Decmil Group Limited:			
Decmil Australia Pty Ltd	Australia	100%	100%
Decmil Properties Pty Ltd	Australia	100%	100%
Eastcoast Development Engineering Pty Ltd	Australia	100%	100%
Homeground Villages Pty Ltd	Australia	100%	100%
Decmil Infrastructure Pty Ltd	Australia	100%	100%
Decmil Services Pty Ltd	Australia	100%	100%
Scope Australia Pty Ltd	Australia	100%	100%
Decmil Group Limited Employee Share Plan Trust	Australia	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%
Homeground Karratha Pty Ltd	Australia	100%	100%
Controlled entities of Decmil Australia Pty Ltd:			
Decmil PNG Limited	Papua New Guinea	100%	100%
Decmil Construction NZ Limited	New Zealand	100%	100%
Decmil Engineering Pty Ltd	Australia	100%	100%
Cut and Fill Pty Ltd	Australia	100%	100%
Controlled entities of Decmil Infrastructure Pty Ltd:			
Cornelisse Shoal Pty Ltd	Australia	100%	100%
Controlled entities of Decmil Services Pty Ltd:			
Decmil Telecom Pty Ltd	Australia	100%	100%
SC Holdings Pty Ltd	Australia	100%	100%
SC Services Pty Ltd	Australia	100%	100%
SC Equipment Holdings Pty Ltd	Australia	100%	100%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15: Controlled Entities (Cont'd)

(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, Homeground Villages Pty Ltd and Decmil Properties 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.

	2017 \$000	2016 \$000
Financial information in relation to:		
(i) Statement of profit or loss and other comprehensive income:		
Loss before income tax	(22,420)	(78,549)
Income tax (expense)/benefit	7,268	22,555
Loss after income tax	(15,152)	(55,994)
(ii) Retained Earnings:		
Retained earnings at the beginning of the year	38,970	112,582
Loss after income tax	(15,152)	(55,994)
Dividends recognised for the period	(6,833)	(17,618)
Retained earnings at the end of the year	16,985	38,970

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15: Controlled Entities (Cont'd)

	2017 \$000	2016 \$000
(iii) Statement of Financial Position:		
Current Assets		
Cash and cash equivalents	9,773	10,520
Trade and other receivables	25,602	19,524
Work in progress	6,165	11,093
Current tax receivable	271	1,455
Other assets	2,808	1,813
Total Current Assets	44,619	44,405
Non-current Assets		
Investment property	92,400	111,032
Property, plant and equipment	5,469	32,567
Deferred tax assets	25,690	18,006
Intangible assets	69,343	69,343
Other financial assets	9,560	9,560
Other assets	1,595	-
Total Non-current Assets	204,057	240,508
Total Assets	248,676	284,913
Current Liabilities		
Trade and other payables	64,429	80,139
Borrowings	243	45
Provisions	2,194	2,770
Total Current Liabilities	66,866	82,954
Non-current Liabilities		
Deferred tax liabilities	316	-
Provisions	1,125	735
Total Non-current Liabilities	1,441	735
Total Liabilities	68,307	83,689
Net Assets	180,369	201,224
Equity		
Issued capital	163,384	162,254
Retained earnings	16,985	38,970
Net Equity	180,369	201,224

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16: Joint Arrangements**Interest in Joint Operations**

In June 2017, Pilbara Marine Pty Ltd, a wholly owned subsidiary of Fortescue Metals Group, awarded Decmil Australia Pty Ltd, in joint venture with BESIX Australia Pty Ltd (Decmil BESIX JV), a ~\$21.0m contract for the provision of tug infrastructure and service facilities including fuel, lighting, electrical and water services at Anderson Point, Port Hedland in Western Australia. The principal place of business of the joint operation is Australia.

Under the joint venture agreement Decmil Australia Pty Ltd has a 50% participation interest in all the assets used, revenues generated and the expenses incurred by the joint arrangement. Decmil Australia Pty Ltd is also liable for 50% of any liabilities incurred by the joint arrangement. In addition, Decmil Australia 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).

Decmil BESIX JV is an unincorporated entity and is classified as a joint operation. Accordingly, Decmil Australia 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 Decmil BESIX JV that are included in the consolidated financial statements are as follows:

	2017 \$000	2016 \$000
CURRENT ASSETS		
Cash and cash equivalents	100	-
Other assets	673	-
TOTAL CURRENT ASSETS	773	-
TOTAL ASSETS	773	-
CURRENT LIABILITIES		
Trade and other payables	728	-
TOTAL CURRENT LIABILITIES	728	-
TOTAL LIABILITES	728	-
Revenue	592	-
Expenses	(529)	-
Profit for the year	63	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16: Joint Arrangements (Cont'd)

In August 2016, Decmil Construction NZ Limited, a controlled entity of Decmil Group Limited entered into a 50% participation interest in the Stanley Decmil Joint Venture with joint venture partner Stanley Construction Limited to construct the Thames Indoor Sports Facility for the Thames Coromandel District Council located in Thames, New Zealand valued at NZD\$3.4m. The principal place of business of the joint operation is New Zealand.

Under the joint venture agreement Decmil Construction NZ Limited has a 50% participation in all the assets used, the revenues generated and the expenses incurred by the joint arrangement. Decmil Construction NZ Limited is also liable for 50% of any liabilities incurred by the joint arrangement. In addition, pursuant to the joint venture agreement, Decmil Construction NZ Limited has 50% of the voting rights in relation to the Stanley Decmil Joint Venture.

Stanley Decmil Joint Venture is an unincorporated entity and is classified as a joint operation. Accordingly, Decmil Construction NZ Limited'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 Stanley Decmil Joint Venture that are included in the consolidated financial statements are as follows:

	2017 \$000	2016 \$000
CURRENT ASSETS		
Cash and cash equivalents	58	-
Other assets	92	-
TOTAL CURRENT ASSETS	150	-
TOTAL ASSETS	150	-
CURRENT LIABILITIES		
Trade and other payables	114	-
TOTAL CURRENT LIABILITIES	114	-
TOTAL LIABILITES	114	-
Revenue	1,556	-
Expenses	(1,506)	-
Profit for the year	50	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16: Joint Arrangements (Cont'd)

Decmil Australia Pty Ltd, a controlled entity of Decmil Group Limited, is a participant in two unincorporated joint ventures with Balance Utility Solutions Pty Ltd. The first is a 50% participation interest in the delivery of a battery energy storage system for Western Power in Perenjori, Western Australia valued at \$1.6m. The second is a 67% participation interest in the construction of a 10MW solar farm in Goulburn, New South Wales and a two year operation and maintenance contract for Gullen Solar Pty Ltd valued at \$19.2m.

Under the joint venture agreements entered into in 2016, Decmil Australia Pty Ltd has the respective participation interests stated above, which reflects its percentage share of assets, distribution of funds and percentage liability for costs and expenses incurred by the joint arrangement (whether by way of return of capital or distribution of surplus funds). Those participation interests are supported by cross indemnities from Decmil and its joint venture partner. Decmil Australia Pty Ltd has voting rights in each joint arrangement, which generally require unanimity on most decisions save for certain urgent matters that only require a majority.

Each of the arrangements described above are unincorporated entities and are classified as joint operations. Accordingly, Decmil Australia 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 Decmil Balance JV that are included in the consolidated financial statements are as follows:

	2017 \$000	2016 \$000
CURRENT ASSETS		
Cash and cash equivalents	499	-
Other assets	1,955	-
TOTAL CURRENT ASSETS	2,454	-
TOTAL ASSETS	2,454	-
CURRENT LIABILITIES		
Trade and other payables	1,898	-
TOTAL CURRENT LIABILITIES	1,898	-
TOTAL LIABILITES	1,898	-
Revenue	12,957	-
Expenses	(12,162)	-
Profit for the year	795	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16: Joint Arrangements (Cont'd)

In September 2014, Leighton Contractors Pty Ltd awarded Decmil Australia Pty Ltd, in a joint venture with Structural Systems and Hawkins Civil (DASSH JV), a \$19.9m contract for the construction of the Elizabeth Quay Pedestrian Bridge in Perth, Western Australia. The works are part of the Elizabeth Quay Inlet and Public Space Development for the West Australian State Government. The principal place of business of the joint operation is Australia.

Under the joint venture agreement entered into in 2014, Decmil Australia Pty Ltd has a 45% interest in all the assets used, the revenues generated and the expenses incurred by the joint arrangement. Decmil Australia Pty Ltd is also liable for 45% of any liabilities incurred by the joint arrangement. In addition, pursuant to the joint venture agreement, Decmil Australia Pty Ltd has 45% of the voting rights in relation to the DASSH JV.

DASSH JV is an unincorporated entity and is classified as a joint operation. Accordingly, Decmil Australia 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 DASSH JV that are included in the consolidated financial statements are as follows:

	2017 \$000	2016 \$000
CURRENT ASSETS		
Cash and cash equivalents	-	41
Other assets	-	3
TOTAL CURRENT ASSETS	-	44
TOTAL ASSETS	-	44
CURRENT LIABILITIES		
Trade and other payables	-	82
TOTAL CURRENT LIABILITIES	-	82
TOTAL LIABILITES	-	82
Revenue	-	1,125
Expenses	-	(1,437)
Profit/(loss) for the year	-	(312)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16: Joint Arrangements (Cont'd)

Main Roads Western Australia awarded Decmil Australia Pty Ltd, in a joint venture with Obrascon Huarte Lain S.A. (Decmil OHL JV), a \$7.6m contract for the demolition and replacement of an existing bridge in Maylands, Western Australia. The principal place of business of the joint operation is Australia.

Under the joint venture agreement entered into in 2014, Decmil Australia Pty Ltd has a 50% interest in all the assets used, the revenues generated and the expenses incurred by the joint arrangement. Decmil Australia Pty Ltd is also liable for 50% of any liabilities incurred by the joint arrangement. In addition, pursuant to the joint venture agreement, Decmil Australia Pty Ltd has 50% of the voting rights in relation to the Decmil OHL JV.

Decmil OHL JV is an unincorporated entity and is classified as a joint operation. Accordingly, Decmil Australia 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 Decmil OHL JV that are included in the consolidated financial statements are as follows:

	2017 \$000	2016 \$000
CURRENT ASSETS		
Cash and cash equivalents	-	-
Other assets	-	-
TOTAL CURRENT ASSETS	-	-
TOTAL ASSETS	-	-
CURRENT LIABILITIES		
Trade and other payables	-	-
TOTAL CURRENT LIABILITIES	-	-
TOTAL LIABILITES	-	-
Revenue	-	24
Expenses	-	1
Profit/(loss) for the year	-	25

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:

	2017 \$000	2016 \$000
Guarantees given for satisfactory contract performance	18,757	248

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 17: Property, Plant and Equipment

	Consolidated Entity	
	2017	2016
	\$000	\$000
LAND AND BUILDING (Secured)		
Freehold land, at cost	554	5,002
Building:		
At cost	216	21,536
Accumulated depreciation	(22)	(2,306)
	748	24,232
PLANT AND EQUIPMENT		
Plant and Equipment:		
At cost	42,145	43,959
Accumulated depreciation	(32,973)	(30,779)
	9,172	13,180
Leased Plant and Equipment (Secured)		
At cost	1,221	1,268
Accumulated depreciation	(716)	(927)
	505	341
Total Property, Plant and Equipment	10,425	37,753

Movements in Carrying Amounts

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

	Land and Building \$000	Owned Plant and Equipment \$000	Leased Plant and Equipment \$000	Total \$000
Balance at 1 July 2016	24,232	13,180	341	37,753
Additions	222	994	353	1,569
Transfer between leased and owned	-	109	(109)	-
Disposals	(23,189)	(257)	-	(23,446)
Depreciation expense	(517)	(4,854)	(80)	(5,451)
Balance at 30 June 2017	748	9,172	505	10,425

On 23 June 2017, the commercial office located at 20 Parkland Road, Osborne Park, Western Australia was sold for \$27.5 million. The written down value at the date of sale was \$23.189 million. The profit recognised on sale was \$2.213 million net of selling costs.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 17: Property, Plant and Equipment (Cont'd)

	Land and Building \$000	Owned Plant and Equipment \$000	Leased Plant and Equipment \$000	Total \$000
Balance at 1 July 2015	24,758	13,367	915	39,040
Additions	-	2,193	-	2,193
Transfer between leased and owned	-	758	(758)	-
Disposals	-	(940)	-	(940)
Additions through acquisition of controlled entity	-	3,846	265	4,111
Depreciation expense	(526)	(6,044)	(81)	(6,651)
Balance at 30 June 2016	24,232	13,180	341	37,753

NOTE 18: Investment Property

	Consolidated Entity	
	2017 \$000	2016 \$000
Balance at beginning of year	111,032	188,374
Additions	131	727
Fair value adjustment	(18,763)	(78,069)
Balance at end of year	92,400	111,032

The investment property comprises the Homeground Gladstone Accommodation Village located in Gladstone, Queensland. The investment property is carried at fair value, with fair value being determined using a discounted cash flow valuation model based on assumptions made by the consolidated entity as detailed in note 33.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 19: Intangible Assets

	Consolidated Entity	
	2017	2016
	\$000	\$000
Goodwill at cost	86,169	69,343
Additions	-	16,826
Goodwill written off	(10,687)	-
	75,482	86,169
Customer contracts, at cost	176	-
Additions	-	250
Accumulated amortisation	(176)	(74)
	-	176
Total intangible assets	75,482	86,345
Movements in Carrying Amounts		
<i>Goodwill</i>		
Balance at the beginning of the year	86,169	69,343
Additions	-	16,826
Goodwill written off	(10,687)	-
Balance at the end of the year	75,482	86,169
<i>Customer Contracts</i>		
Balance at the beginning of the year	176	684
Additions	-	250
Amortisation	(176)	(325)
Customer contracts written off	-	(433)
Balance at the end of the year	-	176
Allocation of goodwill to CGU's		
Decmil Australia Pty Ltd	69,343	69,343
SC Services Pty Ltd	-	10,687
Cut and Fill Pty Ltd	4,422	4,422
Scope Australia Pty Ltd	1,717	1,717
Balance at the end of the year	75,482	86,169

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 using a steady rate, together with a terminal value.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 19: Intangible Assets (Cont'd)

The following key assumptions were used in the discounted cash flow model for each cash-generating unit:

- (a) 12.9% (2016: 12.9%) pre-tax discount rate;
- (b) 5% (2016: 5%-10%) per annum projected revenue growth rate;
- (c) 2.5% (2016: 2.5%) per annum increase in operating costs and overheads; and
- (d) 2.5% (2016: 2.5%) per annum increase in terminal value.

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

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

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

Based on the above, an impairment charge of \$10,687,000 has been applied as the carrying amount of goodwill exceeded its recoverable amount for the SC Services Pty Ltd cash-generating unit.

Sensitivity

As disclosed above, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- (a) Revenue for Cut and Fill Pty Ltd would need to increase by less than 1.2% before goodwill would need to be impaired, with all other assumptions remaining constant.
- (b) Overheads for Cut and Fill Pty Ltd would need to increase by more than 6.3% before goodwill would need to be impaired, with all other assumptions remaining constant.
- (c) Revenue for Scope Australia Pty Ltd would need to decrease by more than 2.8% before goodwill would need to be impaired, with all other assumptions remaining constant.
- (d) Overheads for Scope Australia Pty Ltd would need to increase by more than 11.6% before goodwill would need to be impaired, with all other assumptions remaining constant.

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

In addition to goodwill, intangible assets in the form of customer contracts valued at \$250,000 were recognised on the acquisition of Cut and Fill Pty Ltd for construction contracts in progress at the time of acquisition. These were fully amortised as at 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 20: Other Current Assets

		Consolidated Entity	
	Note	2017 \$000	2016 \$000
CURRENT			
Prepayments		1,258	1,067
Others		4,458	6,864
		5,716	7,931

NOTE 21: Trade and Other Payables

		Consolidated Entity	
	Note	2017 \$000	2016 \$000
CURRENT			
Unsecured Liabilities			
Trade payables		24,817	21,619
Advance billings to customers	14	11,513	22,100
Sundry payables and accrued expenses		23,828	19,814
		60,158	63,533

NOTE 22: Current Income Tax

		Consolidated Entity	
	Note	2017 \$000	2016 \$000
Current tax receivable			
- income tax refundable		-	(616)
Current tax payable			
- provision for income tax		49	-
		49	(616)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 23: Borrowings

	Consolidated Entity	
	2017	2016
	\$000	\$000
CURRENT		
Secured liabilities		
Bank loan	-	2,000
Hire purchase liability	107	161
Insurance premium funding	186	-
Software subscription funding	57	-
Total current borrowings	350	2,161
NON-CURRENT		
Secured liabilities		
Bank loan	-	7,000
Hire purchase liability	474	212
Insurance premium funding	-	-
Software subscription funding	-	-
Total non-current borrowings	474	7,212
Total Borrowings	824	9,373

Hire purchase agreements have an average term of 4 years. The average interest rate implicit in the hire purchase is 4.54% (2016: 5.09%). The hire purchase liability is secured by a charge over the underlying hire purchase assets.

The bank loan was repaid during the year ended 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 24: Other Deferred Tax

Consolidated Entity	1 July 2016 Opening Balance \$000	Under- provision in Prior Year \$000	Acquired on Acquis- ition \$000	Charged to Income \$000	Charged Directly to Equity \$000	30 June 2017 Closing Balance \$000
2017						
Deferred tax assets on:						
Transaction costs on equity issue	6	-	-	-	1	7
Provisions – employee benefits	1,949	-	-	(371)	-	1,578
Restructuring costs	4	-	-	(4)	-	-
Investment due diligence costs	34	-	-	(22)	-	12
Other provisions and accruals	430	332	-	81	-	843
Tax losses and carry forward tax credits	9,130	(276)	-	3,776	-	12,630
Property, plant and equipment	7,281	113	-	4,634	-	12,028
Total deferred tax assets	18,834	169	-	8,094	1	27,098
Deferred tax liabilities on:						
Prepayments	-	-	-	(17)	-	(17)
Equity based payments	-	-	-	287	46	333
Total deferred tax liabilities	-	-	-	270	46	316

Consolidated Entity	1 July 2015 Opening Balance \$000	Under- provision in Prior Year \$000	Acquired on Acquis- ition \$000	Charged to Income \$000	Charged Directly to Equity \$000	30 June 2016 Closing Balance \$000
2016						
Deferred tax assets on:						
Transaction costs on equity issue	199	-	-	-	(193)	6
Provisions – employee benefits	2,796	-	348	(1,195)	-	1,949
Restructuring costs	9	-	-	(5)	-	4
Investment due diligence costs	60	9	-	(35)	-	34
Other provisions and accruals	1,171	8	7	(756)	-	430
Tax losses and carry forward tax credits	-	-	972	8,158	-	9,130
Property, plant and equipment	-	-	-	7,281	-	7,281
Total deferred tax assets	4,235	17	1,327	13,448	(193)	18,834
Deferred tax liabilities on:						
Property, plant and equipment:						
Tax allowance	2,770	9	-	(2,779)	-	-
Fair value gain	9,131	-	-	(9,131)	-	-
Prepayments	69	-	27	(96)	-	-
Total deferred tax liabilities	11,970	9	27	(12,006)	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 25: Provisions

		Consolidated Entity	
	Note	2017 \$000	2016 \$000
CURRENT			
Employee entitlements	25a	3,931	4,868
Onerous lease		86	277
Total current provisions		4,017	5,145
NON CURRENT			
Employee entitlements	25a	1,125	854
Onerous lease		-	-
Total non-current provisions		1,125	854
Total Provisions		5,142	5,999

(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	
	Note	2017 \$000	2016 \$000
<i>Movement in provision</i>			
Balance at beginning of year		5,722	6,458
Additional provision		6,162	6,788
Additions through acquisition of controlled entity		-	1,471
Amounts used		(6,828)	(8,995)
Balance at end of year		5,056	5,722

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 26: Issued Capital

	Consolidated Entity	
	2017 \$000	2016 \$000
171,736,697 (2016: 169,892,219) fully paid ordinary shares	163,384	162,254

(a) Ordinary Shares

	2017		2016	
	No.	\$000	No.	\$000
At the beginning of reporting period	169,892,219	162,254	167,294,299	161,705
Shares issued during the year	124,478	54	2,597,920	47
Options exercised during the year	-	-	-	-
Issue of retention shares	1,470,000	-	-	-
Performance rights converted to shares	250,000	-	-	-
Equity based payments	-	1,030	-	707
Transaction costs of issue/buy-back	-	46	-	(205)
At the end of the reporting date	171,736,697	163,384	169,892,219	162,254

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. In November 2016, 1,470,000 ordinary shares were issued into the trust on an allocated basis for 58 employees. These ordinary shares will vest to employees after two years of continuous employment from the date of grant.

Also, during the year ended 30 June 2017, 124,478 shares were issued under the Decmil Employee Share Purchase Plan. Under this plan, employees who purchased up to \$1,000 of shares had those shares matched by the Company. The matched shares are subject to a trade restriction until the earlier of three years or cessation of employment with the Company.

In addition to the above share issues, 250,000 shares were issued to executives upon vesting of performance rights during the year ended 30 June 2017.

During the year ended 30 June 2016 shareholders approved a one off retention grant of 2,500,000 restricted shares to the Group CEO, which will vest in equal proportions two and four years from grant date subject to the achievement of certain hurdles outlined in the Remuneration Report. In addition, 97,920 shares were issued under the Decmil Employee Share Purchase Plan.

(b) Capital Management

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 27: Commitments

		Consolidated Entity	
	Note	2017 \$000	2016 \$000
(a) Hire Purchase Commitments¹			
Payable – minimum HP payments			
-	Not later than 1 year	131	175
-	Between 1 and 5 years	515	228
Minimum HP payments		646	403
Less future finance charges		(65)	(30)
Present value of minimum HP payments		581	373
(b) Insurance Premium Funding Commitments			
Payable – minimum payments			
-	Not later than 1 year	188	-
Minimum payments		188	-
Less future finance charges		(2)	-
Present value of minimum payments		186	-
(c) Software Subscription Funding Commitments			
Payable – minimum payments			
-	Not later than 1 year	61	-
Minimum payments		61	-
Less future finance charges		(4)	-
Present value of minimum payments		57	-
(d) Operating Leases Payable			
Non-cancellable operating leases contracted for but not recognised as liabilities			
Payable – minimum lease payments			
-	Not later than 1 year	3,380	1,164
-	Between 1 and 5 years	8,393	585
-	More than 5 years	1,176	-
		12,949	1,749
(e) Operating Leases Receivable			
Future minimum rentals receivable for operating leases at the end of the reporting period but not recognised as assets			
Payable – minimum lease payments			
-	Not later than 1 year	167	712
-	Between 1 and 5 years	642	711
		809	1,423

¹ Hire purchase commitments include contracted amounts for various plant and equipment with a written down value of \$505,770 (2016: \$341,014) 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 (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 28: Segment Reporting

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision makers (being the Chief Executive Officer and the Chief Financial Officer) in assessing performance and determining the allocation of resources. The consolidated entity operates as three segments.

1. Construction and Engineering

- Decmil Australia Pty Ltd – multi-discipline design, civil engineering and construction services;
- Eastcoast Development Engineering Pty Ltd – fabrication and installation of high pressure pipes, vessels and tanks;
- Decmil PNG Limited – construction arm of Decmil located in Papua New Guinea;
- Decmil Engineering Pty Ltd – civil construction including roads and bridges primarily for the Government sector;
- Decmil Construction NZ Limited – construction arm of Decmil located in New Zealand;
- Cut and Fill Pty Ltd – civil engineering company focussed on civil infrastructure works across the South Eastern seaboard of Australia; and
- Scope Australia Pty Ltd – specialising in the delivery of study, project management, engineering and design consultancy services to the mining, resources, government and construction sectors.

2. Accommodation

- Homeground Villages Pty Ltd – build-own-operation of the Homeground Gladstone Accommodation Village located in Gladstone, Queensland.

3. Other

- Decmil Properties Pty Ltd – former owner and manager of a commercial office building located at 20 Parkland Road, Osborne Park, Western Australia which derived internal and external revenue;
- SC Services Pty Ltd – design, installation, commissioning and maintenance services to telecommunications network owners, manufacturers and NBN service providers; and
- Decmil Telecom Pty Ltd trading as SAS Telecom – the discontinued telecommunications and managed services business.

The consolidated entity is domiciled in Australia. 95% of revenue from external customers is generated from Australia.

The consolidated entity derives 14%, 10% and 10% (2016: 24%, 19% and 16%) of its revenues from the top three external customers. All of the consolidated entity's assets are located in Australia.

Basis of accounting for purposes of reporting by operating segments

A. Accounting policies adopted

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

B. Intersegment transactions

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

C. Segment assets

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 28: Segment Reporting (Cont'd)

D. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrance 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;
- deferred tax assets and liabilities; and
- current tax liabilities.

(a) Segment Performance	Construction & Engineering \$000	Accommodation \$000	Other \$000	Total \$000
2017				
External sales	264,354	14,529	27,133	306,016
Total segment revenue	264,354	14,529	27,133	306,016
Segment earnings before interest, tax, depreciation and amortisation & impairments	(2,500)	3,315	(1,534)	(719)
Net interest	(352)	(19)	(316)	(687)
Depreciation & amortisation expense	(3,738)	(1,024)	(866)	(5,628)
Impairment of intangible assets	-	-	(10,687)	(10,687)
Investment property fair value adjustment	-	(18,763)	-	(18,763)
Segment result	(6,590)	(16,491)	(13,403)	(36,484)
Other unallocated expenses				(741)
Income tax (expense)/benefit				8,878
Loss for the period				(28,347)

Segment Performance	Construction & Engineering \$000	Accommodation \$000	Other \$000	Total \$000
2016				
External sales	277,256	9,149	15,239	301,644
Total segment revenue	277,256	9,149	15,239	301,644
Segment earnings before interest, tax, depreciation, amortisation & impairments	6,721	(761)	(3,129)	2,831
Net interest	388	6	(161)	233
Depreciation & amortisation expense	(4,621)	(1,316)	(1,039)	(6,976)
Impairment of intangible assets	-	-	-	-
Investment property fair value adjustment	-	(78,069)	-	(78,069)
Segment result	2,488	(80,140)	(4,329)	(81,981)
Other unallocated expenses				(688)
Income tax (expense)/benefit				24,433
Loss for the period				(58,236)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 28: Segment Reporting (Cont'd)

(b) Segment Assets	Construction & Engineering	Accommodation	Other	Total
2017	\$000	\$000	\$000	\$000
Current assets	57,515	1,732	9,612	68,859
Non-current assets	82,497	93,240	1,698	177,435
Other unallocated assets				30,191
Total segment assets	140,012	94,972	11,310	276,485
Total assets includes:				
Acquisition of non-current assets	849	314	537	1,700

Segment Assets	Construction & Engineering	Accommodation	Other	Total
2016	\$000	\$000	\$000	\$000
Current assets	54,836	2,678	9,706	67,220
Non-current assets	84,993	112,679	36,023	233,695
Other unallocated assets				22,036
Total segment assets	139,829	115,357	45,729	322,951
Total assets includes:				
Acquisition of non-current assets	4,534	807	1,691	7,032

(c) Segment Liabilities	Construction & Engineering	Accommodation	Other	Total
2017	\$000	\$000	\$000	\$000
Current liabilities	56,734	1,200	5,017	62,951
Non-current liabilities	1,093	-	-	1,093
Other unallocated liabilities				2,445
Total segment liabilities	57,827	1,200	5,017	66,489

Segment Liabilities	Construction & Engineering	Accommodation	Other	Total
2016	\$000	\$000	\$000	\$000
Current liabilities	61,397	1,720	6,346	69,463
Non-current liabilities	623	-	7,000	7,623
Other unallocated liabilities				1,819
Total segment liabilities	62,020	1,720	13,346	78,905

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 29: Cash Flow Information

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

	Consolidated Entity	
	2017	2016
	\$000	\$000
Loss after income tax	(28,347)	(58,236)
Adjustments for:		
Depreciation and amortisation	5,627	6,976
Equity based payments	1,030	707
Impairment of investment property	18,763	78,069
Impairment of intangible assets	10,687	433
Profit on sale of non-current assets	(2,615)	(381)
Fixed assets write off	-	-
Cash generated from operations before working capital changes	5,145	27,568
Changes in assets and liabilities		
Trade receivables	(5,433)	23,410
Other assets	620	6,938
Work in progress	3,932	(2,560)
Trade payables and accruals	(3,133)	(51,906)
Current tax liabilities	722	3,912
Deferred tax assets	(8,264)	(13,278)
Deferred tax liabilities	316	(11,997)
Provisions	(857)	(2,449)
Change in working capital balances	(12,097)	(47,930)
Net cash used in operating activities	(6,952)	(20,362)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 29: Cash Flow Information (Cont'd)**(b) Acquisition of Entities**

- (i) On 1 December 2015, the Group acquired 100% of the issued capital of SC Holdings Pty Ltd, SC Services Pty Ltd and SC Equipment Holdings Pty Ltd for an upfront purchase consideration of \$14,000,000. The SC entities' activities include design, installation, commissioning and maintenance services to telecommunications network owners, manufacturers and NBN service providers. The acquisition is part of the Group's strategy to diversify into the telecommunications service sector.

Details of the transaction were:

	Consolidated Entity	
	2017	2016
	\$000	\$000
Purchase consideration	-	14,000
Less: escrow adjustments	-	(154)
Less: cash acquired	-	-
Cash outflow on acquisition	-	13,846
Assets and liabilities held at acquisition date		
Receivables	-	3,069
Work in progress	-	2,651
Other assets	-	524
Plant and equipment	-	947
Payables	-	(2,090)
Accruals	-	(1,277)
Provisions	-	(511)
Identifiable assets acquired and liabilities assumed	-	3,313
Goodwill on consolidation	-	10,687
Purchase consideration	-	14,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 29: Cash Flow Information (Cont'd)

(b) Acquisition of Entities (Cont'd)

- (ii) On 1 February 2016, the Group acquired 100% of the issued capital of Cut and Fill Pty Ltd for \$9,560,000. Cut & Fill is a Melbourne based civil engineering company focussed on civil infrastructure works across the South Eastern seaboard of Australia.

Details of the transaction were:

	Consolidated Entity	
	2017 \$000	2016 \$000
Purchase consideration	-	9,560
Less: cash acquired	-	(12,261)
Cash outflow/(inflow) on acquisition	-	(2,701)
Assets and liabilities held at acquisition date		
Cash	-	12,261
Receivables	-	2,031
Work in progress	-	(5,147)
Deferred tax assets	-	1,248
Other assets	-	171
Plant and equipment	-	2,967
Payables	-	(6,292)
Accruals	-	(906)
Provisions	-	(901)
Other liabilities	-	(544)
Identifiable assets acquired and liabilities assumed	-	4,888
Goodwill on consolidation	-	4,422
Intangible assets on consolidation	-	250
Purchase consideration	-	9,560

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 29: Cash Flow Information (Cont'd)**(b) Acquisition of Entities (Cont'd)**

(iii) On 1 March 2016, the Group acquired the business assets of Scope Australia Pty Ltd for \$1,680,000 on a cash free and debt free basis. Scope Australia specialises in the delivery of study, project management, engineering and design consultancy services to a range of industry sectors including mining, resources, government and construction.

Details of the transaction were:

	Consolidated Entity	
	2017	2016
	\$000	\$000
Purchase consideration	-	1,680
Less: cash acquired	-	-
Cash outflow on acquisition	-	1,680
Assets and liabilities held at acquisition date		
Deferred tax assets	-	73
Plant and equipment	-	134
Provisions	-	(244)
Identifiable assets acquired and liabilities assumed	-	(37)
Goodwill on consolidation	-	1,717
Purchase consideration	-	1,680

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 29: Cash Flow Information (Cont'd)**(c) Non-cash Financing and Investing Activities**

	Consolidated Entity	
	2017	2016
	\$000	\$000
Finance leases to acquire plant and equipment	382	-

(d) Credit Standby Facilities with Banks

	Consolidated Entity	
	2017	2016
	\$000	\$000
Credit facilities	187,000	234,900
<i>Amount utilised</i>		
Bank overdraft	(233)	-
Receivables funding	(3,059)	-
Loan facility	-	(9,000)
Equipment finance	(581)	(373)
Bank guarantees and surety bond facilities	(63,516)	(45,207)
	119,611	180,320
<i>The credit facilities are summaries as follows:</i>		
Bank overdraft and/or receivables funding facility	20,000	15,000
Loan facility	25,000	35,000
Equipment finance	2,000	13,200
Bank guarantees and surety bond facilities	140,000	171,700
	187,000	234,900

The majority of credit facilities are provided by National Australia Bank Limited and comprise a \$40 million multi-option facility, \$25 million market loan facility and a \$0.4 million corporate credit card facility. The \$40 million multi-option facility encompasses a bank guarantee facility, letter of credit facility, overdraft and/or limited recourse receivables funding facility capped at \$20 million.

The bank market loan facility expires in July 2020. The interest charged is calculated at Bank Bill Rate plus a margin of 1.45% (2016: 1.40%) which equates to 3.30% as at 30 June 2017 (2016: 3.54%).

Security for the National Australia Bank facilities comprises the following:

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

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

- Equipment finance of \$2 million with Toyota Finance; and
- Surety bond facilities of \$50 million with Asset Insure, \$35 million with Vero and \$35 million with Insurance Australia Limited.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 30: Equity-Based Payments**Performance Rights Plan**

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

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

	Number
Performance rights outstanding as at 30 June 2015	3,100,783
Granted	3,365,996
Forfeited	-
Vested	-
Lapsed	-
Performance rights outstanding as at 30 June 2016	6,466,779
Granted	3,634,749
Forfeited	(4,060,766)
Vested	(250,000)
Lapsed	-
Performance rights outstanding as at 30 June 2017	5,790,762

The fair value of the performance rights granted during the financial year was \$1,111,598. Performance rights are valued using various valuation methodologies, including Black-Scholes option pricing models and Monte Carlo simulations where performance rights have market based vesting conditions. 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, dividends paid and likelihood of rights being forfeited prior to vesting.

The weighted average fair value of performance rights granted during the year was \$0.305 (2016: \$0.169). These values were calculated using a Black-Scholes option pricing model applying the following inputs:

Expected vesting period for the performance rights to vest:	2, 3 and 4 years
Expected share price volatility:	30%
Risk-free interest rate:	2.02%
Dividend yield	4.5%

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

	Consolidated Entity	
	2017	2016
Performance Rights	\$000	\$000
Expenses	1,442	792
Written back due to forfeiting	(381)	-
Written back on reassessment of probabilities	(397)	(85)
	664	707

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 30: Equity-Based Payments (Cont'd)**Incentive Shares Plan**

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

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

	Number
Unvested incentive shares as at 30 June 2016	-
Granted	1,475,000
Forfeited	(105,000)
Unvested incentive shares as at 30 June 2017	1,370,000

The fair value of the incentive shares granted during the financial year was \$1,223,775. Incentive shares are valued using the share price at the date of grant. The fair value has been discounted by 25% to reflect the probability of not meeting the continuous employment vesting condition.

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

	Consolidated Entity	
Incentive Shares	2017	2016
	\$000	\$000
Expenses	387	-
Written back due to forfeiting	(21)	-
	366	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

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 15.

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	
	2017	2016
	\$000	\$000
(a) Director Related Transactions		
Rent of various properties used by Decmil Australia Pty Ltd paid to Broadway Pty Ltd, an entity in which Mr Denis Criddle has a beneficial interest	196	202
Consulting fees for Saxelby Associates Pty Ltd, an entity in which Mr David Saxelby has a beneficial interest	200	33
(b) Director Related Balances¹		
Amounts owing to The Nevern Group Pty Ltd, an entity in which Mr Giles Everist has a beneficial interest, for directors' fees	-	8
Amounts owing to Saxelby Associates Pty Ltd, an entity in which Mr David Saxelby has a beneficial interest, for directors' fees and consulting fees	23	26

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 32: Financial Instruments

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

No derivatives are used by the consolidated entity and the consolidated entity does not speculate in the trading of derivative instruments.

(i) Financial Risk Management Policies

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

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

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

(ii) Specific Financial Risk Exposures and Management

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

Credit risk

The maximum exposure to credit risk, at balance date to recognise financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2017.

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 (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 32: Financial Instruments (Cont'd)

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the consolidated entity holds financial instruments which are other than the Australian Dollar (AUD) functional currency of the consolidated entity.

(iii) Financial instrument composition and maturity analysis:

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

	Weighted Average Effective Interest Rate %	Non- Interest Bearing \$000	Within 1 year \$000	1 to 5 Years \$000	Carrying Amount \$000
2017					
Financial Assets					
Cash and cash equivalents	1.5	-	16,905	-	16,905
Receivables	-	34,950	-	-	34,950
		34,950	16,905	-	51,855
Financial Liabilities					
Payables	-	(60,158)	-	-	(60,158)
Borrowings	3.6	-	(350)	(474)	(824)
		(60,158)	(350)	(474)	(60,982)
2016					
Financial Assets					
Cash and cash equivalents	2.0	-	15,077	-	15,077
Receivables	-	29,517	-	-	29,517
		29,517	15,077	-	44,594
Financial Liabilities					
Payables	-	(63,533)	-	-	(63,533)
Borrowings	3.6	-	(2,161)	(7,212)	(9,373)
		(63,533)	(2,161)	(7,212)	(72,906)

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 (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 32: Financial Instruments (Cont'd)**(v) Sensitivity Analysis****Interest Rate Risk and Price Risk**

The consolidated entity has performed sensitivity analysis relating to its exposure to interest rate risk, price risk and foreign exchange 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 2017, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant is immaterial.

Price Risk Sensitivity Analysis

At 30 June 2017, the effect on profit and equity as a result of changes in the price risk, with all other variables remaining constant would be as follows:

	Consolidated Entity	
	2017	2016
	\$000	\$000
Change in profit		
Increase in labour costs by 5% (CPI assumption)	(4,204)	(4,763)
Change in equity		
Increase in labour costs by 5% (CPI assumption)	(4,204)	(4,763)

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

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

Foreign Exchange Sensitivity Analysis

The effect on profit and equity as a result of changes in foreign exchange rates, with all other variables remaining constant, is immaterial.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

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
Consolidated 2017				
Assets				
Investment property	-	-	92,400	92,400
Total assets	-	-	92,400	92,400
Consolidated 2016				
Assets				
Investment property	-	-	111,032	111,032
Total assets	-	-	111,032	111,032

There were no transfers between levels during the financial year.

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

Investment property has been valued using a discounted cash flow model.

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

Consolidated	Investment Properties \$000	Total \$000
Balance at 30 June 2015	188,374	188,374
Additions	727	727
Revaluation	(78,069)	(78,069)
Balance at 30 June 2016	111,032	111,032
Additions	131	131
Revaluation	(18,763)	(18,763)
Balance at 30 June 2017	92,400	92,400

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 33: Fair Value Measurement (Cont'd)

During the reporting period the Group's investment property, being the Homeground Gladstone Accommodation Village located near Gladstone, Queensland, was revalued by an independent valuer (Ernst & Young). The primary valuation method utilised by the valuer was a discounted cash flow model.

Key assumptions utilised by the valuer in the preparation of its valuation included:

- Useful life of the asset in the range of 20 to 30 years with no terminal value;
- Various occupancy assumptions over the estimated useful life (low of 15% to high of 98%);
- Room rate growth in the range of 0% to 2.0%; and
- A nominal post-tax discount rate range of 11.0% to 12.0%.

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

The fair value is sensitive to changes within the range of key assumptions disclosed above. Any material change within the range for any individual assumption or any combination of assumptions will likely have a material impact on the fair value as follows:

Assumption	Increase in Assumption	Decrease in Assumption
Useful life	Positive impact	Negative impact
Occupancy	Positive impact	Negative impact
Room rate growth	Positive impact	Negative impact
Discount rate	Negative impact	Positive impact

NOTE 34: Contingent Liabilities

	Consolidated Entity	
	2017 \$000	2016 \$000
Guarantees given to external parties for satisfactory contract performance for the consolidated entity	63,614	45,207

During the year ended 30 June 2017 the liquidators for Forge Group Ltd (in liquidation) (receivers and managers appointed) commenced an action in the Supreme Court of Western Australia against Eastcoast Development Engineering Pty Ltd ("EDE"), a subsidiary of the Company, for the repayment of \$2.9 million for what they consider constitute unfair preference payments, insolvent transactions and voidance transactions. The liquidators have commenced claims against a number of parties which are joined with EDE in the same action. The claim will be vigorously defended by EDE.

On 1 May 2017 the Company received an advice from AusIndustry, the agency that oversees technical elements of the Australian Tax Office's Research and Development Incentive Scheme ("R&D Scheme"), disputing the eligibility of certain engineering activities submitted by the Company in relation to the 2014 financial year for the R&D Scheme. R&D Scheme benefits received by the Company in relation to the 2014 financial year for the disputed engineering activities amounts to approximately \$3.4 million.

The Company does not agree with the advice received from AusIndustry and under the relevant legislation has requested an independent review of the matter. As at the date of this report, the independent review had not been completed. The Company is also considering further review options available to it, including submission to the Australian Administrative Tribunal.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 35: Subsequent Events

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 2017

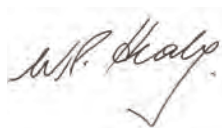
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 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 15(b) will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described.

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

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

On behalf of the directors



Bill Healy

Chairman

29 August 2017



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 2017, the consolidated statement of 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 2017 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
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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
Recognition of Deferred Tax Assets Refer to Note 24 in the financial statements	
<p>The Group has net deferred tax assets of \$27.098 million relating mainly to tax losses and temporary differences.</p> <p>For the year ended 30 June 2017, management has performed an assessment on the recoverability of the net deferred tax assets by using the Group's forecast for 2018 and beyond to satisfy the probability criteria that future taxable profits will be available against which the balance can be utilised.</p>	<p>Our audit procedures in relation to management's recognition of deferred tax assets included:</p> <ul style="list-style-type: none"> • Reviewing of the Group's forecast for 5 years from 2018 and assessing management's assumptions and inputs for reasonableness; and • Assessing the recoverability of deferred tax assets, and the manner in which timing differences would be reversed and losses utilised. This was based on the same forecasts used in the intangible asset valuation model (refer below) and were therefore assessed in conjunction with our audit procedures over intangible assets.
Impairment of Intangible Assets Refer to Note 19 in the financial statements	
<p>The Group has goodwill of \$75.482 million relating to three cash generating units ("CGU") as disclosed in note 19. We focused on this area 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 judgements about the future underlying cash flows of the business and the discount rates applied to them.</p> <p>For the year ended 30 June 2017, management has performed an impairment assessment over the goodwill balance by:</p> <ul style="list-style-type: none"> • identifying three CGUs which has been based on the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets; • calculating the value in use for three CGUs using a discounted cash flow model. These models used cash flows (revenues, expenses and capital expenditure) for each CGU for 5 years, with a terminal growth rate applied to the 5th year. These cash 	<p>Our audit procedures in relation to management's impairment assessment included:</p> <ul style="list-style-type: none"> • Assessing management's determination that the goodwill should be allocated to three CGUs based on the nature of the Group's business and the manner in which results are monitored and reported; • Assessing the valuation methodology used and reconciling input data to supporting evidence, such as approved forecasts, then reviewing these forecasts against actual current and previous performance; • Challenging the reasonableness of key assumptions used in the valuation model, including the cash flow forecast and discount rates used; • Reviewing management's sensitivity analysis on revenue growth rates and overheads used in the valuation model to determine the extent of headroom for the CGUs; and • Reviewing the adequacy of disclosures against the requirements of AASB 136.

<p>flows were then discounted to net present value using the Group's weighted average cost of capital (WACC); and</p> <ul style="list-style-type: none"> • comparing the resulting value in use of the three CGUs to their respective book values. 	
Recognition of Revenue and Profits on Long Term Contracts Refer to Note 14 in the financial statements	
<p>The Group's largest source of revenue is from construction and engineering.</p> <p>Construction and engineering revenues are derived from contracts where revenue is recognised based on the stage of completion. This is measured as the percentage of work performed up to the reporting date with respect to the total anticipated contract work to be performed. 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"> • Determination of stage of completion • Estimation of total contract revenue and costs including the estimation of cost contingencies • Determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims • Estimation of project completion date • Provision for loss making contracts <p>We focused on this area as 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 in relation to recognition of revenue and profits on long term contracts included:</p> <ul style="list-style-type: none"> • Evaluating and assessing the operating effectiveness of internal controls over the accuracy and timing of revenue recognised in the financial report, including: <ul style="list-style-type: none"> - Transactional controls in the revenue and billing cycles - Transactional controls in the underlying contract related cost balances in the purchase and payroll cycles • For material contracts with a delivery schedule of greater than 12 months, we performed the following procedures: <ul style="list-style-type: none"> - Understanding the performance and status of the contracts through enquiries of personnel with responsibility for contract management. - Assessing the Group's ability to deliver contracts within budgeted margins by analysing the historical accuracy of forecasting margins. - Assessing the provisions for loss making contracts and whether these appropriately reflected the expected contractual provisions. - Evaluating contract performance in the period since year end to audit opinion date to assess the need for any further provisions for losses.
Fair Valuation of Investment Property Refer to Note 18 in the financial statements	
<p>The Group has an investment property fair valued at \$92.4 million as at 30 June 2017.</p> <p>For the year ended 30 June 2017, a valuation was undertaken by an external valuer using the discounted cash flow method, with assumptions made in respect of financial forecast inputs including occupancy rates, growth rates and discount rates.</p>	<p>Our audit procedures in relation to fair valuation of investment property included:</p> <ul style="list-style-type: none"> • Assessing the valuation methodology used; and • Reviewing the independent valuation and assessing the assumptions and inputs for reasonableness.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, 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: http://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 2017.

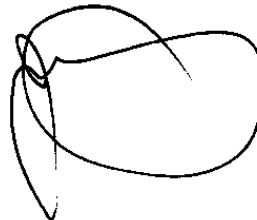
In our opinion, the Remuneration Report of Decmil Group Limited, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

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



J A KOMNINOS
Partner

Perth, WA
Dated: 29 August 2017

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

FOR THE YEAR ENDED 30 JUNE 2017

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

1. Substantial shareholders

The names of substantial beneficial shareholders listed on the Company's register as at 30 June 2017 are:

	Shares	%
Denis Criddle	20,989,145	12.22
Commonwealth Bank Group	19,257,910	11.21
Paradice Investment Management Pty Ltd	13,677,756	7.96
Thorney Investments Group	13,041,141	7.59
Franco Family Holdings (Retail Group)	12,475,000	7.26

The following information is made up as at 31 July 2017:

2. Distribution of shareholdings

	No. of shareholders	No. of ordinary shares	%
1 – 1,000	1,676	916,595	0.53
1,001 – 5,000	2,831	8,450,712	4.92
5,001 – 10,000	1,005	7,643,176	4.45
10,001 – 100,000	941	23,634,270	13.76
100,001 and over	75	131,091,944	76.34
Total	6,528	171,736,697	100.00

There are 956 shareholders with an unmarketable parcel totalling 269,458 shares.

3. Voting rights

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

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

4. Twenty largest shareholders

The names of the twenty largest registered shareholders of fully paid ordinary shares in the Company as at 31 July 2017 are:

	No. of Ordinary Fully Paid Shares Held	%
Citicorp Nominees Pty Ltd	27,099,610	15.78
HSBC Custody Nominees (Australia) Ltd	23,830,032	13.88
National Nominees Ltd	16,312,354	9.50
Broadway Pty Ltd – The Decmil Australia Fund A/C	10,475,000	6.10
Broadway Pty Ltd – The Decmil Australia A/C	7,824,666	4.56
L, M & R Franco – LMR Franco Unit Trust A/C	5,000,000	2.91
J P Morgan Nominees Australia Ltd	4,210,346	2.45
National Exchange Pty Ltd	2,500,000	1.46
SJ & AC Criddle Holdings Pty Ltd – SJ & AC Criddle Family A/C	2,500,000	1.46
Delauney Pty Ltd – Franco Family A/C	2,300,000	1.34
Farview Pty Ltd – Ernesto Franco Family A/C	2,300,000	1.34
Zero Nominees Pty Ltd	2,077,837	1.21
Mrs Nola Isabel Criddle – Criddle Investment Fund A/C	1,947,827	1.13
CPU Share Plans Pty Ltd	1,370,000	0.80
SJ & AC Criddle Holdings Pty Ltd – SJ & AC Criddle Family A/C	1,257,195	0.73
Mr Mario Franco + Mrs Immacolata Franco – The Mario Franco S/F	1,100,000	0.64
BNP Paribas Nominees Pty Ltd	1,074,447	0.63
Prudential Nominees Pty Ltd	1,000,000	0.58
BNP Paribas Noms (NZ) Ltd	878,303	0.51
Criddle Holdings Pty Ltd – SJ Criddle Family A/C	857,195	0.50
Total	115,914,812	67.51

CORPORATE DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2017

Directors

Bill Healy, Non-Executive Chairman
 Scott Criddle, Managing Director
 Denis Criddle, Non-Executive Director
 David Saxelby, Non-Executive Director
 Lee Verios, Non-Executive Director

Executive Team

Scott Criddle, Chief Executive Officer
 Tony Radalj, Chief Operating Officer
 Craig Amos, Chief Financial Officer

Company Secretary

Alison Thompson

Australian Business Number

35 111 210 390

Principal Registered Address

20 Parkland Road
 Osborne Park WA 6017
 Telephone: 08 9368 8877
 Facsimile: 08 9368 8878

Postal Address

PO Box 1233
 Osborne Park WA 6916

Operational Offices

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

Decmil Australia Pty Ltd &
 Homeground Villages Pty Ltd
 Level 5, 60 Edward Street
 Brisbane QLD 4000
 Telephone: 07 3640 4600

Decmil Construction NZ Limited
 Level 6, 16 Kingston Street
 Auckland 1010
 Telephone: +64 9 443 4443

SC Services Pty Ltd
 133 Pilbara Street
 Welshpool WA 6106
 Telephone: 08 9208 5999

Cut and Fill Pty Ltd
 86 Denmark Street
 Kew VIC 3101
 Telephone: 03 8417 7800

Scope Australia Pty Ltd
 1025 Wellington Street
 West Perth WA 6005
 Telephone: 08 9216 7400

Auditor

RSM Australia Partners
 8 St Georges Terrace
 Perth WA 6000
 Telephone: 08 9261 9100

Share Registry

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

Bankers

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

Controlled Entities

Decmil Australia Pty Ltd
 Decmil Engineering Pty Ltd
 Decmil PNG Limited
 Decmil Construction NZ Limited
 Cut and Fill Pty Ltd
 Eastcoast Development Engineering Pty Ltd
 Scope Australia Pty Ltd
 Homeground Villages Pty Ltd
 Homeground Gladstone Pty Ltd ATF
 Homeground Gladstone Unit Trust
 Homeground Karratha Pty Ltd
 Decmil Properties Pty Ltd
 Decmil Infrastructure Pty Ltd
 Cornelisse Shoal Pty Ltd
 Decmil Services Pty Ltd
 Decmil Telecom Pty Ltd
 SC Holdings Pty Ltd
 SC Services Pty Ltd
 SC Equipment Holdings Pty Ltd
 Decmil Group Limited Employee Share Plan
 Trust

ASX Code

DCG

