Decmil Group Limited

Annual Report

2020

decmil.com

ABN 35 111 210 390 and Controlled Entities

Australian Business Number
35 111 210 390

ASX Code
DCG

Registered address
20 Parkland Road, Osborne Park, WA 6017
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Annual general meeting
Shareholders are advised that the Decmil Group Limited 2020 Annual General Meeting (AGM) will be held on 04 November 2020 at 20 Parkland Road, Osborne Park, Western Australia, commencing at 10.00am (AWST).

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 2020. 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 2019 to 30 June 2020, 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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Our Values

Solutions
We know there is a way to achieve a positive outcome and don't stop until we find it. Our capabilities are enhanced by empowering our teams in supporting new ways of thinking and valuing the diversity of thought.

Collaboration
We support each other to reach our goals and value effective partnerships both with colleagues and with clients. In every scenario, we seek out opportunities to collaborate. It is our belief that we are better as one, moving together towards common goals and sharing our experiences to improve outcomes.

Sustainability
Providing value to our employees and shareholders through sustainable business choices is paramount to our success. In tandem, we care about the world around us and consider the impact of our actions.

Integrity
We do what we say and ensure that our actions instil trust and show respect for others. For us, it acts as the foundation for positive relationships and sets us apart in the way we do business.

Performance
We strive for excellence and deliver results while accepting accountability and aiming to exceed expectations. It is a commitment that we will deliver our best, and approach challenges with grit and a will to succeed.

WHO WE ARE

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

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.

ABOUT DECMIL

We are an Australian owned construction and engineering company offering a diversified range of services to the infrastructure, transport, energy and resources industries.

Decmil is a public company listed on the Australian Stock Exchange with significant experience in construction services. We aim to achieve sustainable growth through our strong relationships with our clients and are determined to find solutions for transformational projects.

Our History

For more than 40 years, Decmil has been supporting some of Australia's largest infrastructure projects which include a variety of expertise. Decmil has remained an Australian owned business that is focused on providing full cycle construction and engineering project delivery.

Our approach to all aspects of the business is about acting in accordance with our values and committing to operating responsibly and creating strong valued relationships with our stakeholders. At Decmil we believe our people are the strength of our business.

Over our history, we have diversified into four key sectors; resources, infrastructure, transport and energy. This diversification has allowed us to become a business which is able to offer its multidisciplinary construction and industrial services to varying stakeholders across many industries. We pride ourselves on our ability to collaborate with our clients and build long-lasting relationships.

Our Business

With operations throughout Australia, we offer a combination of national expertise and local knowledge, supported by a team of valued suppliers and contractors. Our offices are located in Perth, Western Australia; Brisbane, Queensland; and Melbourne, Victoria.

Our diversified service offerings and culture of high performance means we are able to approach all tasks safely, with a drive to exceed, a drive for innovation and a drive for sustainable outcomes.

The Decmil culture has been a key factor in our company's success. We are committed to operating in a way that delivers lasting benefits for all of our stakeholders including the communities we work for, our employees and our shareholders.

CHAIRMAN'S LETTER

As the new Chairman of Decmil, and on behalf of my fellow Directors, I am pleased to share with you the Decmil Annual Report for 2020. The 2020 financial year was a year of profound challenges for Decmil, both in terms of operations and financial performance.

Although this isn't a surprise to our stakeholders, I am disappointed to report that Decmil is reporting a revenue of $479 million, down approximately 28% from last year. This decrease in revenue is primarily driven from challenges on our Sunraysia Solar Farm project, the Rapidly Deployable Prisons project in New Zealand and the Mulla Mulla project for BHP.

In order to address these issues, along with my appointment, the Company has made several changes within the Board and Executive Leadership Team. We have appointed Dickie Dique to Managing Director and Chief Executive Officer. Dickie's career spans over 25 years within the construction and mining sectors and he has been involved with Decmil for several years.

Peter Thomas was appointed Chief Financial Officer in 2020 and supports the business with his significant experience across commercial activities. Damian Kelliher was appointed Chief Commercial Officer and continues to support the business' efforts in the management of pre-contracts, clients and ongoing commercial requirements.

At a Board level, Bill Healy, Scott Criddle and David Saxelby recently retired from the Decmil Board of Directors. I thank each of them for their input and service over the years and wish them well for their future endeavours. The vacancies on the Board have been filled by Peter Thomas and myself, and we expect to announce further board appointments in 2021 as we seek to expand the Board's expertise, governance and diversity.

Despite our challenges, Decmil's new Board and Executive Leadership Team are committed to restoring the Company's positive financial performance in order to deliver value to its shareholders.

Through overcoming the many challenges, we have been able to respond to the market and industry by implementing changes and strategies. Our focus for the 2021 financial year is to ensure the sustainability and performance of the Company.

Strategy

Our focus for the 2021 financial year is on work winning, financial acumen and risk mitigation. Decmil has substantially reduced corporate overheads. Even though we are still in the process of selling our non-core asset, Homeground, our attention is on our core business of offering construction and engineering solutions to the infrastructure, transport, resources and energy sectors.

Decmil has over 40 years of experience working in the resources and infrastructure sectors and we need to apply our existing knowledge to ensure excellent project delivery. The renewed focus of the Company has seen us start the 2021 financial year with exciting news of Decmil being the preferred proponent to build a $175 million road construction project for the Western Australian Government in Albany.

Our new strategy also sees us operating only within Australia after we ceased operations in New Zealand in early 2020. The work pipeline within Australia matches our core skills and Decmil is well positioned to capitalise on the growth outlook for government infrastructure projects and the expected future works of our core clients in the resources sector. We have been able to start the 2021 financial year in a strong financial position due to the recapitalisation and strengthening of our balance sheet with a $50 million capital raise which occurred in June 2020. The capital raising has supported our ability to tender on works and secure our potential growth opportunities.

With the Board and Executive Leadership Team working closely together and our strong financial position, our efforts will be in ensuring that all future projects are selected to play to our strengths and expertise. Our execution of projects will be performance and solution focused whilst we also focus on strong client relationships to secure repeat work.

The execution of our strategy will not be possible without the commitment and dedication of our people. I would like to extend my appreciation to Decmil employees and management for their integrity and collaboration over the challenging times. I am very much looking forward to celebrating with our people future success within the Company.

Decmil has always had a unique essence, thriving on an entrepreneurial spirit. This is no different in the coming year. The Company values were enhanced earlier this year to reflect how Decmil has grown and continues to evolve. Our values are; integrity, collaboration, sustainability, performance and solutions.

As we anticipate an increase in our contract awards, we look forward to the opportunity to develop our employees, ensuring our clients are working with a knowledgeable, experienced Decmil workforce.

With our focus on projects aligned to our key strengths and sectors and our improved financial outlook for the 2021 financial year, risk mitigation remains our other key focus area. Our risk mitigation starts within pre-contracts, where we review potentional works to ensure that we do not tender on onerous contracts. We have several opportunities that look at lower risk contracting models, such as alliances, within our sectors which support our overall strategy.

We also have an increased focus on project controls and commercial rigour, adopting new technology to ensure transparent project reporting.

Outlook

Whilst the Company has had to make difficult decisions in terms of personnel and operating cost reductions in order to reposition and respond to the past conditions, I am confident that our strategy puts Decmil in a position to deliver positive results in the coming years.

Our renewed focus on opportunities provides us with the tender pipeline sitting at a healthy $7-8 billion, placing Decmil in a position of future growth and sustainability.

Management believes that it has put in place a foundation which will substantially improve financial performance and create an environment focused on integrity and performance.

On behalf of the Board, I take this opportunity to thank our highly valued and talented team for their contribution. In addition, I would like to thank our shareholders and various stakeholders for their ongoing support. I look forward to being part of Decmil and supporting our Executive team over the coming years.

Andrew Barclay
Chairman

BUSINESS OVERVIEW

Across the 2020 financial year, we continued to strengthen our position across all sectors that Decmil operates in – infrastructure, transport, resources and energy.

A significant milestone has been the completion of the Drysdale Bypass project for Major Road Projects Victoria. This saw the successful delivery of the 6.4 kilometre bypass which is predicted to improve road safety and ease traffic congestion for the area.

An additional transport milestone has been the progression of Main Roads Western Australia's Reid Highway project. This project continues to support Decmil's operational performance and strengthen key client relationships within the sector.

Decmil also commenced the Mordialloc project in Victoria in joint venture with McConnell Dowell. This significant highway upgrade is now 25% complete.

In Queensland, Decmil has progressed the Warrego highway project which should complete before the end of calendar 2020.

Within the energy sector, Decmil has also progressed both the Warradarge and Yandin wind farms which will add over 400 MW of new power generation to Western Australia.

These projects are testaments to our strong relationships with our client, Vestas, in which we have successfully maintained milestone achievements across both projects.

We have also been strengthening our commercial and pre-contracts processes, including the establishment of the Royal Institute of Chartered Surveyors (RICS) Approved Development Program within the business. The program provides a structure, plan and timetable for maximising Decmil's professional standards.

The enhancement of our project delivery capabilities has continued across the business, with significant progress being made on the Vega project. Vega is an implementation project which has involved stakeholders across our business in the integration of world leading software, InEight®.

The inclusion of the InEight® suite across the business is improving transparency from pre-contracts through to operations.

Across the year, the business has also made significant structural changes to support the continued development of the company's interests and activities.

Board and Executive structures have been significantly changed enabling streamlined, more efficient and more effective decision marking.

In addition to the progress we have made, Decmil continues to build our pipeline of work by bidding on approximately $500 million of new contracts.

Our core resources, transport, infrastructure and energy expertise is well positioned to secure projects identified in the $7 to $8 billion pipeline across Australian projects, particularly with clients that Decmil has significant experience in working with.

HEALTH & SAFETY

Work Health & Safety

Decmil has embarked on a dedicated focus and strong commitment to Safety Leadership during the 2020 financial year. Leading safety indicators for Loss Prevention Inspections, Behavioural Observations and Leadership Interactions have driven a campaign to improve the safety performance of all our project sites. Through this we have observed improvement of all health and safety lagging indicator measures, Total Recordable Injury Frequency Rate (TRIFR); Lost Time Injury Frequency Rate (LTIFR) and High Potential Incident Frequency Rate (HPIFR) from the previous reporting period.

	2020	2019	2018	2017	2016
TRIFR	4.33	5.33	3.35	6.27	6.16
LTIFR	0.72	1.14	0.96	0.82	0.90
HPIFR	7.21	9.14	12.94	9.90	8.75

Our Approach

Ensuring the health and safety of our people and partners is core to everything we do at Decmil. For 10 years, our award-winning program, Safety and Health In Every Level at Decmil (SHIELD) has continued to empower our people to create a safe workplace. In line with our core values and guiding behaviours and as part of our mission to continually improve our health and safety performance, we continue to build on the SHIELD foundation to improve the way we deliver work safely and efficiently. Our program is about:

- Recognising 'What Matters Most' to each of us
- Understanding those behaviours that will keep us safe at work
- Conducting safety conversations in the workplace to promote safe behaviours and correct at-risk behaviours
- Providing a program to recognise and reward safe behaviours

We are committed to the safety and well-being of all our people and partners. Over the next 12 months we will be refocusing our critical risk management approach to better reflect our operating environments.

During the year the business was externally audited and maintained Office of the Federal Safety Commissioner (OFSC) accreditation and certification to ISO 18001 allowing the business to deliver federally funded projects.

Decmil will continue to improve its management systems to ensure they support safe outcomes for our people, community and clients and implementing innovative mobility solutions to enhance the proactive capture and analysis of health and safety information.

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

We do regret to report however that during the year a subcontractor employee was struck by a vehicle driven by a member of the public and succumbed to their injuries. The vehicle accident is currently the subject of an investigation by the Police Major Crash Investigations Unit. Decmil continues to provide support to family, friends and colleagues of the victim.

Our strong commitment to safety at every level translates into high-performing teams and strong leadership both on-site and in our corporate offices.

PEOPLE & CULTURE

Decmil recognises that our greatest assets are our people and remain committed to attracting, developing and retaining high calibre employees who live our values and actively contribute to Decmil's vision and strategic objectives.

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

Whilst our business has seen many changes, this year saw us consolidate our organisational structure to centralise core functions. The number of employees at 30 June 2020 was 466 employees: 335 salaried employees and 131 wages employees. This figure does not include contractors, subcontractors or Non-Executive Directors.

Our headcount is a slight decrease on 12 months earlier due to us no longer operating within New Zealand and changes to our corporate structure.

The implemented changes to the business have enabled us to focus on core business requirements with the concentration being on operational excellence and project delivery capability.

Job satisfaction, retention of key talent and maintaining the 'Decmil Way' of delivering projects are critical to the Company's ongoing success.

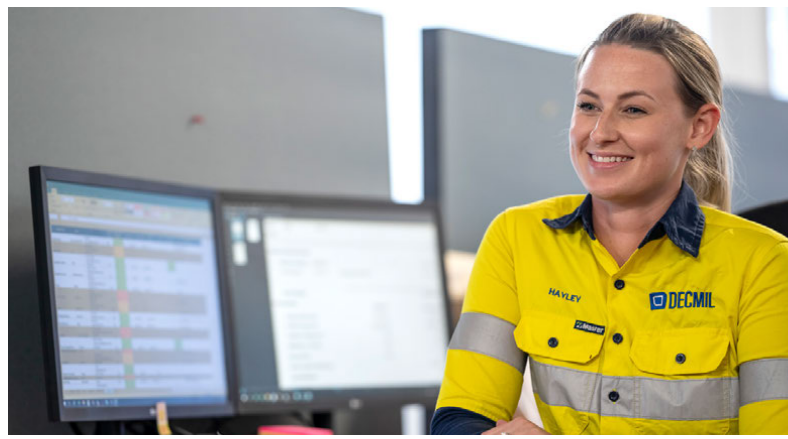
As a result, we have commenced reviewing our training and development offering in order to maximise our people's capabilities and performance through improved skills, knowledge and operational readiness.

Our recruitment philosophy ensures that we attract the right people who are highly skilled in their areas of expertise and aligned to The Decmil Way to ensure success at every level. We are focused on hiring local and indigenous employees to secure a diverse and all-encompassing workforce.

Our diverse portfolio of projects across four different industry sectors, aids our ability to attract and retain quality employees with varying backgrounds, skills and expertise.

At Decmil we strive to create a workplace where people of all backgrounds work together in an environment where each unique contribution is equally valued and recognised.

Formalised through our Diversity Policy, Decmil has a longstanding commitment to workforce diversity with a focus on Indigenous engagement and gender equality.



With the unexpected effects of COVID-19 in the second half of this year, we have had a focus on employee wellbeing and ensuring our people are able to remain working with imposed government restrictions.

Rather than implementing any new initiatives this year, we focused on core people areas such as communications, retention and role clarity in order to ensure engagement and retention.

From a resourcing perspective we have found success from our internal referral program which means we have been able to ensure candidate experience is seamless and personalised.

Next year, we will continue to focus on growing the capability within our teams, driving inclusive and diverse high-performing teams and increasing our collaboration across regions and projects. Our attention will be on increasing our learning and development offering in order to ensure a high-performing culture.

The strength of our business is due to our people and the excellence in service and delivery that they provide each of our clients.

Our commitment to a sustainable future is underpinned by principles which shape our approach to people and safety, business performance and governance, and the environment and communities in which we operate.

SUSTAINABILITY

We recognise the contribution we can make to sustainable development through best-practice in environmental management, community investment and improving the diversity of our workforce and supply chain. At Decmil, we believe that our approach to sustainability will create new opportunities and enhance long-term social and environmental outcomes to deliver lasting benefits for all our stakeholders.

Environmental Excellence

Strong environmental performance is essential to the ongoing success and sustainability of our company, with exceptional performance reported for the 2020 financial year. There were no significant environmental incidents or penalties recorded across Decmil's operations.

Other key achievements include:

- Our Environmental Management System was re-certified to ISO14001;
- Environmental Sustainability Procedures and supporting tools and training materials were rolled out to improve awareness and overall performance;
- We have continued our transition to a 'paper-light office' by supporting the use of electronic document management and collaboration as well as digital and mobile technology solutions for many field staff;
- Pursuing environment initiatives relating to carbon reduction, waste management, water recycling and conservation; and
- Land rehabilitation and native vegetation planting on our projects.

Infrastructure Sustainability

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

Decmil is a proud member of ISCA and has two projects undergoing an IS Rating; Mordialloc Freeway seeking an independent IS Rating V1.2 through ISCA, and Reid Highway seeking an equivalent IS Rating V2.0 through Main Roads WA.

To support the integration of sustainability practices within the organisation and increase capability amongst our personnel, Decmil supported 17 people across the business to become IS Accredited Professionals during the financial year.

Furthermore, there has been a strong focus on supply chain engagement to influence our suppliers and subcontractors with our approach towards sustainability and stimulate innovation within the industry. The 2021 financial year will see many new partnerships and opportunities for local businesses to foster meaningful, long-term relationships with Decmil.

Indigenous Participation

Decmil aims to provide a work culture that fosters inclusion, respect and equality for all people. We embrace diversity and understand the significant positive influence that Indigenous peoples have in our teams and in our communities.

With this, we recognise the need for reconciliation and that we can influence positive changes within our industry to enhance future opportunities for Aboriginal and Torres Strait Islander people. As such, Decmil has drafted our first Reconciliation Action Plan which will be launched next year.

Decmil is proud to be a long-standing member of Supply Nation - Australia's leading database of verified Indigenous businesses. Decmil's membership of Supply Nation embodies our commitment to diversity both in our workforce and procurement process.

SUSTAINABILITY CONTINUED

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

Other key achievements include:
- Cultural awareness training and inductions on projects;
- Setting targets for Indigenous employment, participation and/or business spend on key projects;
- Undertaking an archaeological dig with support from the Traditional Custodians to salvage and protect Aboriginal artefacts; and
- Celebrating National Reconciliation Week and other significant events.

Social Inclusion and Investment

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

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

Our key areas of focus are:
- Mental Health
- Indigenous
- Environment

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

1. Decmil partnered with Head Start on the Drysdale Bypass project, a program which helps students to develop skills and experience through paid, on-the-job training whilst completing their VCE or VCAL at school. The project sponsored two Head Start students who are studying Civil Construction.
2. A once-in-a-lifetime excursion was offered to local schools during cultural heritage recovery work for the Drysdale Bypass project. Tools used for hunting, cutting and scraping were just some of the unique Aboriginal artefacts found by 500 students from four schools in Drysdale. In addition to searching for Aboriginal artefacts in a pit with an archaeologist, the cultural heritage excursion included Aboriginal storytelling by a Wadawurrung Elder.
3. The Plenty Road Upgrade team had the chance to visit the bright and energetic kids at Goodstart Early Learning in Mill Park Centenary Drive. The kids were eager to participate in discussions about building roads, dressing up in high vis and checking out construction works
4. The Plenty Road Upgrade Decmil team propagated hundreds of trees for replanting on the project. We also joined forces with our client and some special little helpers from Mill Park Primary School to help plant trees. This contribution helped us reach our impressive end goal of 19,000 new trees, plants and groundcover.
5. Twenty lucky Colac East Primary students experienced a thrilling ride on a monster profiler, a piece of machinery helping to build the new road surface on Princes Highway West and the largest of its kind in Australia.
6. Veterans in Construction is a social enterprise that helps Australian Defence Force veterans secure work in the civil construction industry. Launched in 2018, Veterans in Construction now focuses on employing veterans on major rail and road infrastructure projects. Seven full-time veterans work on the Mordialloc Freeway Project.

At the end of the financial year, Decmil established a sustainability reporting programme with the aim of measuring overall sustainability performance, as defined by the Global Reporting Initiative (GRI) Sustainability Reporting Standards.

Over the next 12 months the programme will be implemented in stages to support our overall goal of sustainable growth through effective governance and management of economic, environmental and social issues.


VETERANS
IN
CONSTRUCTION

BOARD OF DIRECTORS & EXECUTIVE TEAM

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

ANDREW BARCLAY

CHAIRMAN

Andrew was appointed Chairman of the Board in July 2020. Andrew is a former partner of Mallesons Stephen Jacques (now King and Wood Mallesons) with over 30 years experience in major projects, mining, banking and finance and insolvency matters.

DICKIE DIQUE

CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

Dickie was appointed as Managing Director and Chief Executive Officer in May 2020. Prior to this, Dickie held the position of Executive General Manager, overseeing our Western and Northern Regions. Dickie has over 25 years' industry experience covering the mining, modular, civil and residential sectors.

PETER THOMAS

CHIEF FINANCIAL OFFICER & EXECUTIVE DIRECTOR

Peter was appointed Chief Financial Officer in February 2020, and was appointed to the Board in July 2020. He is an experienced executive in the construction and resources industry with a proven track record in delivering large construction projects, and leading commercial, financial and corporate affairs.

ALISON THOMPSON
COMPANY SECRETARY

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 her time with PwC and international construction firm Balfour Beatty based in the United Kingdom.

DAMIAN KELLIHER
CHIEF COMMERCIAL OFFICER

Damian was appointed Chief Commercial Officer in May 2020 after joining Decmil in October 2018 as the Executive General Manager – Commercial, Risk and Strategy. He is an experienced commercial leader with a construction industry background and a proven track record in delivering and supporting major projects across various market sectors and contracting models.

LANCE VAN DRUNICK
GENERAL MANAGER

Lance was appointed as General Manager in September 2019. Prior to joining Decmil, Lance held the role of General Manager at Doric Construction for five years. Lance has over 25 years of experience in the construction industry including five years with Decmil in senior operational roles from 2008 to 2013.

With proven expertise and experience across the construction, engineering, maintenance and service sectors, our Board and Executive team are well placed to help strengthen and lead Decmil.

Principal Activities

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

Infrastructure

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

Transport

- Passenger and freight rail projects.

Resources

- Construction of non-process infrastructure, including industrial buildings, workshops and storage facilities; and
- Civil work on brown and greenfield projects including site preparation, excavation and bulk earthworks in regional and remote areas.

Energy

- Coal Seam Gas wellhead installation with associated pipelines and facilities; and
- EPC and balance of plant works for remote wind and select solar projects.

Operating Results

The consolidated entity reported a statutory loss after providing for income tax expense of $140,424,000 (2019: profit of $14,018,000).

AASB 16 'Leases' had an impact on the current period. The current profit before income tax expense was reduced by $856,000. This included an increased depreciation and amortisation expense of $2,574,000 and increased finance costs of $1,215,000, offset by a reduction in other expenses (reclassification of lease expenses) of $2,933,000. As at 30 June 2020, net current assets were reduced by $1,329,000 (attributable to current lease liabilities) and net assets were reduced by $112,000 (attributable to right-of-use assets, lease liabilities and deferred tax assets).

COVID-19

The global economic outlook is highly uncertain due to the current COVID-19 pandemic. The COVID-19 pandemic is having a significant impact on global capital markets and has already had an impact on the Company's operations.

The Company's projects have been impacted by international supply issues. For example, transformers and electrical switch gear for the Yandin Wind Farm and the Warradarge Wind Farm projects and traffic signal posts and public lighting poles for the Drysdale and Plenty Road projects have been delayed or cancelled as a result of restricted international trade in light of COVID-19. In these cases, the Company has been required to source alternative suppliers in Australia which can create delays and additional costs.

In addition, the Company has experienced mobility issues with its workforce, in particular labour moving between South Australia and Western Australia, and workers from Victoria and New South Wales seeking to travel to site in Queensland. In many cases the Company has asked employees and subcontractors to remain in the State that they work, at additional cost to the Company, due to the COVID-19 quarantine restrictions that have been in place.

Operating Results (Cont'd)

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

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

Dividends Paid or Recommended

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

Overview of the Activities of the Group

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

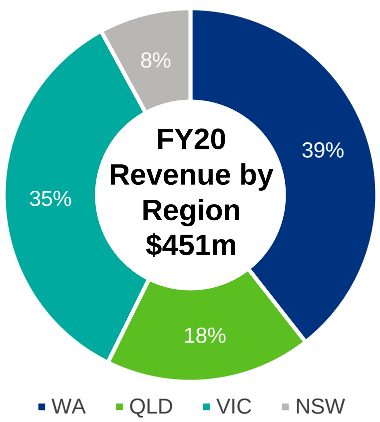
The business has four key sector pillars that form the base of the business:

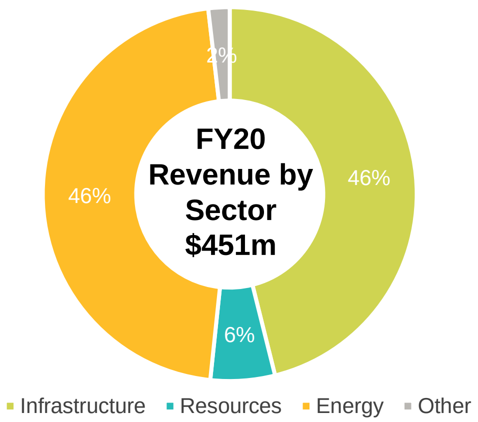
Infrastructure	Transport	Resources	Energy
Roads and Bridges	Freight Rail	Iron Ore (civil, NPI)	LNG (civil, NPI, maintenance)
Education	Passenger Rail	Coal and Coal Seam Gas	Solar PV (EPC)
Defence			Wind (balance of plant)
Corrections			Hybrid (including storage)
Immigration			
Health			

Operations

Operations reflected the diversity of the Group, with project activity spanning public sector infrastructure projects across Australia, non-process infrastructure for the WA iron ore sector, Queensland coal infrastructure and coal seam gas maintenance; and in renewable energy.

The Group's revenue from continuing operations for the financial year ended 30 June 2020 by sector and geography is presented below:





Operations (Cont'd)

Operational highlights include:

- Strong safety performance with year on year improvement across all leading and lagging safety indicator measures;
- Successful navigation and management of COVID-19 restrictions on personnel movement, offshore manufacture and border restrictions to ensure minimal effect on projects;
- The combined $151 million Yandin and Warradarge Wind Farm Balance of Plant projects being delivered on program with energisation on both sites in July 2020;
- Main Roads WA Reid Highway Project, valued at $47 million approaching practical completion;
- High levels of client satisfaction on the Reid Highway project contributed to Decmil being shortlisted to tender the $175 million Main Roads WA Albany Ring Road project, and subsequently being announced as preferred tenderer;
- Successful practical completion of $194 million of Major Roads Projects Victoria (MRPV) major transport infrastructure contracts including Princes Highway, Plenty Road Stage 1 and Drysdale projects;
- Successful practical completion of $8 million of Department of Environment, Land, Water and Planning projects and extension of relationship with award of 3 further bridge packages;
- Successfully commenced the ~$400 million Mordialloc Bypass Project for MRPV with JV partner McConnell Dowell, now approximately 30% complete in line with contract program;
- Commenced the $90 million Plenty Road Upgrade Stage 2 project for MRPV, now approximately 50% complete in line with contract program;
- Continued successful delivery of the Warrego Highway Upgrade project for the Queensland Department of Transport and Main Roads (TMR), leading to further award by TMR of the $11 million Bruce Highway 10E Calliope to Mt Alma contract;
- Quality and Safety recognition awards from Shell for outstanding performance in execution of QGC operational works;
- Construction of $40 million of accommodation infrastructure for Carmichael Rail Network project proceeding ahead of contract program; and
- Award of Mayne Yard Upgrade project for Queensland Rail.

Financial Performance & Position

Revenue from continuing operations for the financial year ended 30 June 2020 was $451 million compared to $551 million in the prior year. The decline was largely the result of a reduction in the number of new contract awards during the financial year. The Company has a renewed focus on work winning with the award of several new contracts in the past few months and obtaining preferred status on the $175 million Albany Ring Road project.

Administration expenses from continuing operations grew from $31.3 million to $40.2 million in the past financial year. This included significant one-off bid costs and restructuring costs to get the overhead run-rate to a more sustainable level in future periods.

The operating cash outflow of $101.6 million was predominantly attributable to margin erosion and delayed payments on disputed contracts, and the unwinding of advance payments on other projects.

In June 2020 the Company raised $52.4 million of new equity capital to provide working capital to pursue profitable new contract opportunities. The capital raising assisted the Group's balance sheet to reflect an overall net cash position of $18.7 million at 30 June 2020 and net assets of $140.8 million.

Significant Changes in State of Affairs

On 16 April 2020 Decmil announced that its New Zealand subsidiary, Decmil Construction NZ Limited (Decmil NZ), would cease trading with immediate effect. Decmil NZ suffered significant losses as a result of termination of a major contract by the NZ Department of Corrections, following a dispute the parties have agreed to take to arbitration for financial settlement. Avior Consulting was appointed to formalise the winding up of Decmil NZ. Consequently, Decmil NZ is shown within this report as a discontinued operation.

Apart from the above matters, 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 Outlook

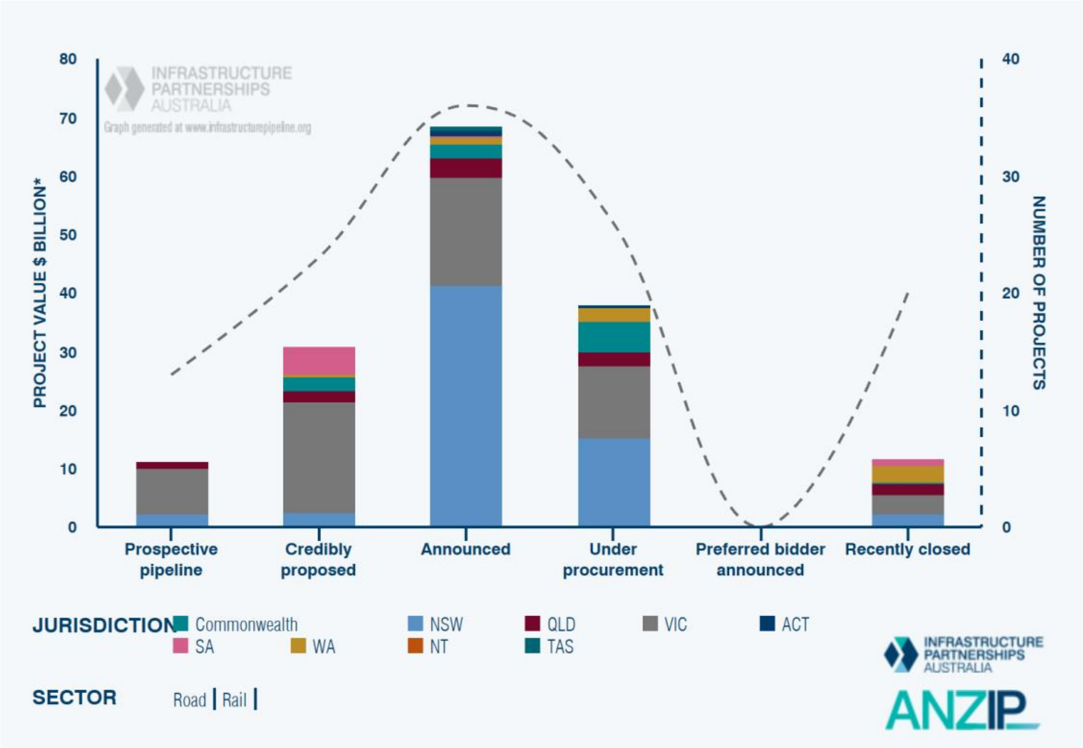
Several of Decmil's key sectors are experiencing strong market conditions.

These sectors and their drivers are summarised below:

- **Infrastructure (WA, Vic and Qld):** a significant spend in transport infrastructure (road and rail) over the coming 3-4 years has been announced by all state governments. Decmil continues to build its position in road and rail projects and has won contracts in both road and rail in Victoria, Queensland and WA recently. In addition to Decmil's existing capability in road and bridge construction, there are also opportunities to expand further into rail construction;
- **Iron Ore (WA):** the iron price has remained very strong allowing Pilbara iron ore producers to generate significant cashflows. All four major producers (BHP, Rio, Fortescue, Roy Hill) are each completing projects (South Flank, Koodaideri, Ironbridge, Eliwana) and are investing in significant operational upgrade projects that are expected to continue over the next several years;
- **Other Mining (WA and Qld):** the buoyant iron ore price coupled with strong prices in other mining commodities (gold, copper) are also stimulating investment in several other large projects (e.g. Winu copper project by Rio Tinto); and
- **Energy (National):** high levels of capital spend on renewable energy projects with the shift towards a decarbonised economy. Decmil has now established a presence in both solar (Gullen and Sunraysia) and wind (Warradarge and Yandin). Decmil's focus on renewable projects is on balance of plant contracts and Decmil will avoid contracts with interconnection risk.

Likely Developments and Outlook (Cont'd)

Road/Rail investment by state ($ billion)



Source: Infrastructure Partnerships Australia 2020

As at the date of this report the Company has approximately $446 million of work in hand (contracted and preferred extending to FY23). Accordingly, the Company expects revenue to dip in FY21 and grow again in FY22.

Material Business Risks

The key challenges for the Group going into the 2021 financial year are:

- Maintaining and building balance sheet strength;
- Delivering profitability within the suite of projects; and
- Selecting projects that can deliver acceptable returns for commensurate risk.

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

- **Outcome of RDP and Sunraysia disputes:** the Company is a party to disputes arising out of the Rapid Deployment of Prisons (RDP) contract for the Department of Corrections and Sunraysia Solar Farm contract. Some of these disputes may be resolved on a commercial basis and others through formal dispute proceedings. The Company has made an assessment about how these disputes will unfold and the likely outcomes. The timing and the outcome of these disputes is uncertain and may result in the Company not receiving amounts which it has forecast or making payments which it has not forecast. This may result in significant financial loss to the Company or lower than anticipated project realisation.

Material Business Risks (Cont'd)

- **Profitability of lump sum contracts:** 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. From time to time variations to the planned scope occur or issues arise during the construction phase of a project, not anticipated at the time of bid. This may give rise to claims under the contract with the principal in the ordinary course of business. Where such claims are not resolved in the ordinary course of business they may enter formal dispute and the outcome upon resolution of these claims may be materially different to the position taken by Company.
- **Impact of COVID-19 and associated market risk on the Company:** The global economic outlook is highly uncertain due to the current COVID-19 pandemic. The COVID-19 pandemic had, and will likely continue to have, a significant impact on global capital markets. In addition, the Company's Australian projects may be impacted by international supply issues and the inability for the Company's workforce to move between states. The delivery of key supplies and construction components have all been either delayed or cancelled as a result of restricted international trade in light of COVID-19. The Company has also experienced issues with its workforce, in particular labour moving between South Australia and Western Australia, and workers from Victoria and New South Wales being unable to attend sites in Queensland.
- **Continuing support from bank and surety bond providers:** The Company has agreed a standstill arrangement with both National Australia Bank as its main debt provider and its four main surety bond providers. The standstill arrangement ensures that while Decmil is potentially in breach of certain covenants within those facilities, the bank and surety providers commit to maintaining facilities. If the Company is unable to repay or refinance its debt facilities upon the expiry of these standstill arrangements, the Company may have to seek further equity funding, dispose of its assets, or enter into new debt facilities on less favourable terms and there is no guarantee it will be able to do so. These factors could materially affect the Company's ability to operate its business and its financial performance.
- **Decmil's exposure to economic cycles:** The Company is exposed to the impact of economic cycles and, in particular, how these cycles increase or decrease future capital expenditure by State and Federal governments and by energy and resources companies. These economic cycles are in turn impacted by a number of factors including: the fiscal conditions of the economy; government policies on capital expenditure; and commodity prices.
- **Homeground occupancy:** Any abatement in economic activity in the Gladstone region will result in a short-term diminution in the occupancy levels at the Homeground Village and lower levels of revenue and profit than historically generated. 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 the operational and maintenance stages; however, the risk of volatility in the short term remains present.
- **Labour supply:** Decmil's ability to remain productive, profitable and competitive and to affect its planned growth initiatives, depends on its ability to attract and retain skilled labour. Tightening of the labour market in key regions due to a shortage of skilled labour, combined with a high industry turnover rate and growing number of competing employers for skilled labour, may inhibit Decmil's ability to hire and retain employees. Decmil is exposed to increased labour costs in markets where the demand for labour is strong. A shortage of skilled labour could limit Decmil's ability to grow its business or lead to a decline in productivity and an increase in training costs and adversely affect its safety record. Each of these factors could materially adversely impact its revenue and, if costs increase or productivity declines, its operating margins.

Material Business Risks (Cont'd)

During the 2020 financial year the Company made many changes to address many of the risks above.

These changes have included:

- Organisation restructure which included a change of CEO, change of Board, and streamlining of the internal organisational structure to bring the Board and executive team much closer to project delivery and project contracting. The restructure removed several layers of management;
- Strengthened contracting strategy which has seen a comprehensive red flag filter applied to all potential new projects. The Company has also improved its targeting of potential projects through a more strategic view of business development efforts;
- Balance sheet strengthening via an equity offering, expansion of the institutional share register, the agreement of standstill agreements with the Company's bank (NAB) and surety bond providers; and
- Maintenance of dedicated state based workforces in Queensland, Victoria and Western Australia to support projects in those states so as to minimise the need for interstate travel.

Environmental Regulation

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

There was one event that was reported to Environment Protection Authority (Victoria) relating to a 400L sewerage spill. The ground was remediated, and no fines or infringement notices were received from the Regulator.

The Company 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, 13 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
Don Argent	7	7	2	2	1	1
Scott Criddle	13	13	-	-	-	-
Dickie Dique	13	13	-	-	-	-
Bill Healy	13	13	4	4	3	3
David Saxelby	13	13	4	4	3	3

Remuneration Report – Audited

This Remuneration Report for the year ended 30 June 2020 details the nature and amount of remuneration for directors and specified executives of Decmil Group Limited in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report is presented under the following sections:

1. Remuneration governance
   1.1. Remuneration committee
   1.2. Use of remuneration consultants
2. Executive remuneration approach and structure
   2.1. Remuneration philosophy
   2.2. Executive remuneration structure
   2.3. Remuneration practices
   2.4. Short term incentive plan
   2.5. Long term incentive plan
3. Link between Company performance and executive remuneration
4. Employment contracts of directors and senior executives
5. Non-Executive Director fee arrangements
6. Details of remuneration

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

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

Role	
Non-Executive Directors (NEDs)	
Mr Andrew Barclay – Chairman of the Board	Appointed on 28 July 2020
Mr David Saxelby	Resigned on 28 July 2020
Mr Bill Healy	Resigned on 28 July 2020
Mr Don Argent	Resigned on 21 February 2020
Executive Directors	
Mr Dickie Dique – Managing Director and CEO	Appointed as Director on 1 July 2018 and appointed as Managing Director and CEO on 19 May 2020
Mr Peter Thomas	Appointed Chief Financial Officer on 28 February 2020 and appointed as Executive Director on 28 July 2020
Mr Scott Criddle	Resigned on 26 June 2020
Executives (Other KMP)	
Mr Damian Kelliher	Appointed Chief Commercial Officer on 19 May 2020
Mr Craig Amos	Resigned on 20 December 2019

Remuneration Report (Cont'd)

1. Remuneration governance

1.1 Remuneration committee

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

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

1.2 Use of remuneration consultants

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

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

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

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

2. Executive remuneration approach and structure

2.1 Remuneration philosophy

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

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

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

2.2 Executive remuneration structure

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

Remuneration Report (Cont'd)

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

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

Remuneration Report (Cont'd)

2.3 Remuneration practices

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

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

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

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

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

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

2.4 Short term incentive plan

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

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

Remuneration Report (Cont'd)

2.5 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.

General Terms of the LTI Plan	
How is it paid?	The Company uses performance rights and restricted shares in its long term incentive plan.
How much can be earned (i.e. maximum opportunity)?	The CEO and executives can earn up to 100% of total fixed remuneration converted into performance rights at the 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?	If an employee resigns, or his or her employment is terminated due to misconduct or performance related reasons, all performance rights and restricted shares are immediately forfeited. If an employee retires or an employee's employment terminates for redundancy prior to performance rights or restricted shares vesting, the Board may use its discretion to vest the performance rights or restricted shares. Where a change of control event occurs in respect to the Company, the Board, in its absolute discretion, may determine the treatment of any unvested performance rights or restricted shares and the timing of such treatment. Only where the Board does not exercise its discretion to determine a particular treatment, will all unvested performance rights and restricted shares vest on change of control.
Are executives eligible for dividends?	Performance rights do not accrue dividends.

Remuneration Report (Cont'd)

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.

Performance hurdles

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

Below is a summary of the vesting conditions that relate to unvested performance rights as at 30 June 2020:

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%

Remuneration Report (Cont'd)

3. 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.

4. Employment contracts of directors and senior executives

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

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

Notice Period	Three 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.

Remuneration Report (Cont'd)

5. 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 2020 (inclusive of superannuation):

Board fees		**$000**
Chairman		117
Non-Executive Director		66
Committee fees		**$000**
Audit & Risk and Remuneration	Chair	7
	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.

6. Details of remuneration

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

NEDs ($)	Year	Salary and Fees	Superannuation	STI Paid in Relation to Prior Year	Fair Value of Incentive Securities Awarded	Other	Total	Total Performance Related %	Total Fixed Remuneration %
David Saxelby	2020	126,360	-	-	-	-	**126,360**	-	100.0
	2019	129,600	-	-	-	-	**129,600**	-	100.0
Don Argent[1]	2020	44,384	4,216	-	-	-	**48,600**	-	100.0
	2019	66,575	6,325	-	-	-	**72,900**	-	100.0
Denis Criddle[2]	2020	-	-	-	-	-	**-**	-	-
	2019	22,192	2,108	-	-	-	**24,300**	-	100.0
Dickie Dique[3]	2020	-	-	-	-	-	**-**	-	-
	2019	42,525	-	-	-	-	**42,525**	-	100.0
Bill Healy	2020	80,692	7,666	-	-	-	**88,358**	-	100.0
	2019	81,370	7,730	-	-	-	**89,100**	-	100.0
Total	**2020**	**251,436**	**11,882**	**-**	**-**	**-**	**263,318**	**-**	**100.0**
	2019	**342,262**	**16,163**	**-**	**-**	**-**	**358,425**	**-**	**100.0**

Executive Directors ($)	Year	Salary and Fees	Superannuation	STI Paid in Relation to Prior Year	Fair Value of Incentive Securities Awarded	Other	Total	Total Performance Related %	Total Fixed Remuneration %
Scott Criddle[4]	2020	681,329	21,003	330,000	216,567	-	**1,248,899**	43.8	56.2
	2019	604,734	20,531	-	192,727	-	**817,992**	23.6	76.4
Dickie Dique[3]	2020	494,699	21,003	120,000	19,364	-	**655,066**	21.3	78.7
	2019	189,718	10,266	-	-	-	**199,984**	-	100.0
Total	**2020**	**1,176,028**	**42,006**	**450,000**	**235,931**	**-**	**1,903,965**	**36.0**	**64.0**
	2019	**794,452**	**30,797**	**-**	**192,727**	**-**	**1,017,976**	**18.9**	**81.1**

Other Executives ($)	Year	Salary and Fees	Superannuation	STI Paid in relation to Prior Year	Fair Value of Incentive Securities Awarded	Other	Total	Total Performance Related %	Total Fixed Remuneration %
Peter Thomas[5]	2020	215,000	-	-	-	-	**215,000**	-	100.0
Damian Kelliher[6]	2020	55,686	1,890	-	-	-	**57,576**	-	100.0
Craig Amos[7]	2020	380,227	15,752	160,000	47,467	-	**603,446**	34.4	65.6
	2019	429,738	20,531	-	70,830	-	**521,099**	13.6	86.4
Tony Radalj[8]	2020	-	-	-	-	-	**-**	-	-
	2019	364,519	10,266	-	-	-	**374,785**	-	100.0
Total	**2020**	**650,913**	**17,642**	**160,000**	**47,467**	**-**	**876,022**	**23.7**	**76.3**
	2019	**794,257**	**30,797**	**-**	**70,830**	**-**	**895,884**	**7.9**	**92.1**

[1] Don Argent resigned on 21 February 2020
[2] Denis Criddle retired from the Board of Directors on 31 October 2018
[3] Dickie Dique became an Executive Director on 1 February 2019
[4] Scott Criddle resigned from the Board of Directors on 26 June 2020
[5] Peter Thomas was appointed Chief Financial Officer on 28 February 2020
[6] Damian Kelliher was appointed Chief Commercial Officer on 19 May 2020
[7] Craig Amos resigned on 20 December 2020
[8] Tony Radalj left the Executive Leadership Team on 18 December 2018

Remuneration Report (Cont'd)

Options issued as part of remuneration for the year ended 30 June 2020

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 2020, the following performance rights were granted.

Grant Date	Number of Rights Granted	Fair Value of Rights Granted
1 July 2019	2,074,748	$369,305

During the year ended 30 June 2020, 798,020 performance rights were vested.

During the year ended 30 June 2020, 1,072,538 of performance rights lapsed due to their vesting criteria not being met.

The following rights have been granted but remain unvested at 30 June 2020:

Grant Date	Number of Unvested Rights	Fair Value of Unvested Rights
1 July 2016	983,980	$150,057
1 July 2017	1,225,676	$227,976
1 July 2018	1,014,352	$192,727
1 July 2019	1,531,141	$272,543
	4,755,149	**$843,303**

Additional Information

The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

	2020 $000	2019 $000	2018 $000	2017 $000	2016 $000
Revenue	478,607	663,276	349,255	305,124	301,644
EBITDA	(86,851)	24,100	(1,722)	(31,240)	(75,926)
EBIT	(92,713)	21,439	(4,736)	(36,867)	(82,902)
Profit/(loss) after income tax	(140,424)	14,018	(6,131)	(28,347)	(58,236)

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

	2020	2019	2018	2017	2016
Share price at financial year end ($)	0.06	0.91	0.97	0.93	0.72
Total dividends paid (cents per share)	2.0	1.0	-	4.0	10.5
Basic earnings per share (cents per share)	(48.43)	6.27	(0.10)[1]	(2.65)[2]	6.10[2]

[1] Based on continuing operations
[2] Based on adjusted earnings

Remuneration Report (Cont'd)

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 2020	Balance 1.07.2019	Received as Part of Remuneration	Additions	Disposals/ Other[1]	Balance 30.06.2020
Directors:					
Don Argent[2]	-	-	-	-	-
Scott Criddle[3]	4,945,982	606,122	-	(5,552,104)	-
Dickie Dique	158,721	-	3,901,629	-	4,060,350
Bill Healy	625,190	-	674,810	-	1,300,000
David Saxelby	87,500	-	679,500	-	767,000
Key management personnel:					
Peter Thomas[4]	-	-	4,224,746	50,000	4,274,746
Damian Kelliher[5]	-	-	-	4,502	4,502
Craig Amos[6]	194,597	208,827	-	(403,424)	-
	6,011,990	**814,949**	**9,480,685**	**(5,901,026)**	**10,406,598**

Option holdings

There were no options held by directors or KMP at 30 June 2020.

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 2020	Balance 1.07.2019	Granted as Remuneration	Vested During the Period	Expired/ Other[1]	Balance 30.06.2020
Directors:					
Scott Criddle[3]	4,753,713	1,216,667	(606,122)	(5,364,258)	-
Dickie Dique	-	108,789	-	-	108,789
Key management personnel:					
Damian Kelliher[5]	-	205,685	-	-	205,685
Craig Amos[6]	1,367,517	266,667	(158,827)	(1,475,357)	-
	6,121,230	**1,797,808**	**(764,949)**	**(6,839,615)**	**314,474**

[1] Other includes shares included upon appointment or excluded upon resignation
[2] Don Argent resigned on 21 February 2020
[3] Scott Criddle resigned on 26 June 2020
[4] Peter Thomas was appointed Chief Financial Officer on 28 February 2020
[5] Damian Kelliher was appointed Chief Commercial Officer on 19 May 2020
[6] Craig Amos resigned on 20 December 2020

Remuneration Report (Cont'd)

Incentive Share holdings

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

30 June 2020	Balance 1.07.2019	Granted as Remuneration	Vested During the Period	Expired/ Other[1]	Balance 30.06.2020
Key management personnel:					
Damian Kelliher[1]	-	-	-	300,000	300,000
Craig Amos[2]	50,000	-	(50,000)	-	-
	50,000	**-**	**(50,000)**	**300,000**	**300,000**

Other transactions with directors, KMP and their related parties:

	2020 $000
(a) Director Related Transactions[3]	
Consulting and directors' fees for Saxelby Associates Pty Ltd, an entity in which Mr David Saxelby has a beneficial interest	326
Consulting fees for C1 Energy Pty Ltd, an entity in which Mr Peter Thomas has a beneficial interest	316
(b) Director Related Balances	
Amounts owing to Saxelby Associates Pty Ltd, an entity in which Mr David Saxelby has a beneficial interest, for directors' fees and consulting fees	26

[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 2020 and up to the date of this report.

Employee Share Program

At the 2018 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, 155,874 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.

[1] Damian Kelliher was appointed Chief Commercial Officer on 19 May 2020
[2] Craig Amos resigned on 20 December 2020
[3] Transactions relating to directors' fees are included in the Directors' Report details of remuneration

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

Decmil is currently engaged in contractual disputes in relation to a number of projects, including the Rapid Deployment Prisons project with the New Zealand Department of Corrections, the Sunraysia Solar Farm with Sunraysia Solar Project Pty Ltd, the Hastings project with United Petroleum Pty Ltd and the Amrun project with Southern Cross Electrical Engineering Limited. Whilst the Company expects a favourable outcome on these disputes, in the event that it is unsuccessful in its claims, it may be required to pay liquidated damages and/or other amounts to the customer.

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 2020:

	$
Taxation compliance services	42,200
Investigating accountant's report	73,750
	115,950

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 reported against the ASX Corporate Governance Principles and Recommendations as detailed in Decmil Corporate Governance Statement which can be found at http://www.decmil.com.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

Andrew Barclay

Chairman

24 August 2020

RSM Australia Partners

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GPO Box R1253 Perth WA 6844

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F +61 (0) 8 9261 9111

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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 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 24 August 2020

TUTU PHONG
Partner

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated Entity	
	Note	2020 $000	Restated 2019 $000
Continuing Operations			
Revenue from continuing operations	4	**451,308**	551,432
Cost of sales		**(452,433)**	(503,870)
Gross (loss)/profit		**(1,125)**	47,562
Administration expenses		**(40,179)**	(31,290)
Equity based payments		**(1,006)**	(1,539)
Earnings from continuing operations before interest, tax, depreciation, amortisation and impairments		**(42,310)**	14,733
Interest received	4(a)	**58**	249
Borrowing costs	5	**(3,399)**	(2,415)
Depreciation and amortisation expense	5, 19, 20	**(5,713)**	(2,551)
Non-current asset held for sale fair value adjustment	16	**(35,831)**	-
(Loss)/profit before income tax expense		**(87,195)**	10,016
Income tax expense	6	**(8,471)**	(3,743)
Net (loss)/profit from continuing operations		**(95,666)**	6,273
Discontinued Operations			
(Loss)/profit after tax from discontinued operations	7	**(44,758)**	7,745
Net (loss)/profit for the year		**(140,424)**	14,018
Other comprehensive income			
Other comprehensive income		**-**	-
Total comprehensive income for the year		**(140,424)**	14,018
Overall Operations			
Basic earnings per share (cents per share)	10a	**(48.43)**	6.27
Diluted earnings per share (cents per share)	10a	**(48.43)**	6.27
Continuing Operations			
Basic earnings per share (cents per share)	10b	**(32.99)**	2.81
Diluted earnings per share (cents per share)	10b	**(32.99)**	2.81
Discontinuing Operations			
Basic earnings per share (cents per share)	10c	**(15.44)**	3.46
Diluted earnings per share (cents per share)	10c	**(15.44)**	3.46

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated Entity	
		2020	2019
	Note	$000	$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**12**	**43,930**	83,481
Trade and other receivables	**13**	**36,762**	74,272
Contract assets	**14**	**18,781**	65,102
Non-current asset held for sale	**16**	**56,644**	-
Other current assets	**17**	**4,496**	6,648
TOTAL CURRENT ASSETS		**160,613**	229,503
NON-CURRENT ASSETS			
Investment property	**18**	**-**	92,449
Property, plant and equipment	**19**	**8,884**	9,994
Right-of-use assets	**20**	**16,098**	-
Deferred tax assets	**27**	**22,590**	30,771
Intangible assets	**21**	**75,482**	75,482
TOTAL NON-CURRENT ASSETS		**123,054**	208,696
TOTAL ASSETS		**283,667**	438,199
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**22**	**53,995**	154,732
Contract liabilities	**15**	**18,801**	35,462
Current tax payable	**23**	**-**	1,698
Borrowings	**24**	**25,232**	212
Lease liabilities	**25**	**3,459**	1,399
Provisions	**26**	**23,487**	6,150
TOTAL CURRENT LIABILITIES		**124,974**	199,653
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**27**	**19**	191
Lease liabilities	**25**	**17,751**	2,845
Provisions	**26**	**163**	380
TOTAL NON-CURRENT LIABILITIES		**17,933**	3,416
TOTAL LIABILITIES		**142,907**	203,069
NET ASSETS		**140,760**	235,130
EQUITY			
Issued capital	**28**	**267,694**	216,858
Retained earnings/(accumulated losses)		**(126,934)**	18,272
TOTAL EQUITY		**140,760**	235,130

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

Consolidated Entity	Note	Issued Capital $000	Retained Earnings/ (Accumulated Losses) $000	Total $000
Balance at 30 June 2018		**165,832**	**40,481**	**206,313**
Opening balance adjustment on application of AASB15		-	(33,846)	(33,846)
Balance at 1 July 2018		**165,832**	**6,635**	**172,467**
Net profit for the year		-	14,018	14,018
Total comprehensive income for the year		**-**	**14,018**	**14,018**
Shares issued for the period		51,465	-	51,465
Transaction costs net of tax benefit		(1,512)	-	(1,512)
Equity based payments		1,539	-	1,539
Dividends paid	**11**	-	(2,381)	(2,381)
Performance rights converted to shares		(466)	-	(466)
Balance at 30 June 2019		**216,858**	**18,272**	**235,130**
Balance at 1 July 2019		**216,858**	**18,272**	**235,130**
Net loss for the year		-	(140,424)	(140,424)
Total comprehensive loss for the year		**-**	**(140,424)**	**(140,424)**
Shares issued for the period		52,955	-	52,955
Transaction costs net of tax benefit		(2,635)	-	(2,635)
Equity based payments		1,006	-	1,006
Dividends paid	**11**	-	(4,782)	(4,782)
Performance rights converted to shares		(490)	-	(490)
Balance at 30 June 2020		**267,694**	**(126,934)**	**140,760**

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

Consolidated Entity

	Note	2020 $000	Restated 2019 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**544,900**	564,656
Payments to suppliers and employees		**(640,869)**	(535,556)
Interest received		**108**	428
Finance costs paid		**(3,658)**	(2,338)
Income taxes paid		**(2,065)**	(5,521)
Net cash (used in)/provided by operating activities	**33(a)**	**(101,584)**	21,669
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(532)**	(1,283)
Proceeds from sale of non-current assets		**247**	257
Subsidiary exit from the group	**7(c)**	**(3,144)**	-
Net cash used in investing activities		**(3,429)**	(1,026)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**25,000**	-
Repayment of borrowings		**(145)**	-
Repayment of lease liabilities		**(3,825)**	(339)
Net proceeds from share issue		**49,214**	48,803
Dividends paid	**11**	**(4,782)**	(2,381)
Net cash provided by in financing activities		**65,462**	46,083
Net (decrease)/increase in cash held		**(39,551)**	66,726
Cash at beginning of the financial year		**83,481**	16,755
Cash at end of the financial year	**12**	**43,930**	83,481

The accompanying notes form part of these financial statements

The financial statements of Decmil Group Limited ('the Company') for the year ended 30 June 2020 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 24 August 2020.

NOTE 1: Summary of Significant Accounting Policies

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

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

AASB 16 Leases

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

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

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

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

When adopting AASB 16 from 1 July 2019, the consolidated entity has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

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.

Historical cost convention

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

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 3.

Going concern

For the year ended 30 June 2020, the consolidated entity incurred a loss after tax of $140.4 million after recognising an impairment loss associated with the contract with the Department of Corrections of $49.4 million and a revaluation of its investment property of $35.8 million, and had net cash outflows from operating activities of $101.6 million.

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

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

The ability of the consolidated entity to continue as a going concern is dependent on the continued support of its banker and surety providers. Decmil entered into standstill agreements with both NAB and its surety providers in May 2020, which confirmed facilities, and provided that there would be no demand or action to seek to recover monies owed by Decmil until 31 January 2021. Decmil has commenced discussions with NAB to negotiate a fresh debt facility. As Decmil has not yet agreed a fresh debt facility as at the date of this report, this creates a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The consolidated entity also recapitalised the business in June 2020 by way of a $52.4 million capital raise. The capital raise strengthened the consolidated entities balance sheet and provides working capital to pursue profitable new contract opportunities.

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

(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.

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

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

(b) Income Tax

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

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

When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

When the taxable temporary difference is associated with interests in controlled entities, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax consolidation

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

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

(c) Contract Assets and Liabilities

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

(d) Interests in Joint Arrangements

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

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

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

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

(e) Property, Plant and Equipment

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

The carrying amount of property, plant and equipment is reviewed annually 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
Owned plant and equipment	5% to 33%
Leased plant and equipment	12.5% to 20%

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

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

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

(f) Non-Current Assets Held for Sale

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

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

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

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

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

(g) Right-of-use Assets

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

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

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

(h) Lease Liabilities

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

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

(i) Impairment of Assets

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

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

(j) Goodwill

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

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

(k) Employee Benefits

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

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

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.

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

(l) Provisions

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

(m) Trade and Other Payables

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

(n) Cash and Cash Equivalents

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

(o) Revenue and Other Income

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

Revenue from Construction Activities:

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

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

Services:

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

Interest income:

Interest income is recognised using the effective interest method.

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

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

(p) Financing Costs

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

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

(q) Earnings Per Share

Basic earnings per share

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

Diluted earnings per share

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

(r) Issued Capital

Ordinary shares are classified as equity.

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

(s) Dividends

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

(t) Goods and Services Tax (GST)

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

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

(u) Financial Instruments

Recognition and derecognition of financial instruments:

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

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

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

Classification and measurement of financial assets:

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

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

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

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

Classification and measurement of financial liabilities:

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

(v) Trade and Other Receivables

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

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

(w) Discontinued Operations

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

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

(x) Current and Non-current Classification

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

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

(y) Foreign Currency Transactions and Balances

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

(z) 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.

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

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.

(aa) 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.

(ab) Comparative Figures

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

(ac) Critical Accounting Estimates and Judgements

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

Impairment of goodwill and intangibles

The amount of goodwill is tested annually for impairment. This annual impairment test is based on assumptions that are affected by expected future market or economic conditions. As a result, judgement is required in evaluating the assumptions and methodologies used by management, in particular those relating to the forecasted revenue growth and profit margins. The disclosures about goodwill are included in note 21, which explains that small changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future. Actual outcomes could vary from these estimates.

Equity-based payment transactions

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

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

Revenue recognised over time:

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

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

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

Contract modifications:

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

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the consolidated entity can access at the measurement date; level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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

Income tax

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

Recovery of deferred tax assets

The deferred tax relating to an asset is recognised when the entity expects to recover the carrying amount of the asset through use or sale. Judgement is required for assessment of whether recovery will be through use or through sale when the asset is measured using the fair value model for investment property or when the revaluation model is required or permitted by a financial reporting standard for a non-financial asset. Management has taken the view that as there is clear evidence that the entity will consume the relevant asset economic benefits throughout its economic life. The amount is detailed in note 27.

NOTE 2: New Accounting Standards for Application in Future Periods

New, revised or amending Accounting Standards and Interpretations adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

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

NOTE 3: Parent Entity Information

	Parent Entity	
	2020 $000	2019 $000
Statement of profit or loss and other comprehensive income		
Loss for the year	**(32,100)**	(24,111)
Total comprehensive income for the year	**(32,100)**	(24,111)
Statement of financial position		
ASSETS		
Current assets	**79,146**	100,682
Non-current assets	**91,293**	86,099
TOTAL ASSETS	**170,439**	186,781
LIABILITIES		
Current liabilities	**108,214**	148,096
Non-current liabilities	**11,467**	271
TOTAL LIABILITIES	**119,681**	148,367
EQUITY		
Issued capital	**267,778**	218,552
Accumulated losses	**(217,020)**	(180,138)
TOTAL EQUITY	**50,758**	38,414

a) Guarantees

Cross guarantees have been provided by Decmil Group Limited and its controlled entities as listed in note 29(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 38.

c) Significant accounting policies

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

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

NOTE 4: Revenue

	Consolidated Entity	
	2020 $000	Restated 2019 $000
From continuing operations		
Construction and engineering revenue	**443,181**	547,274
Accommodation revenue	**5,698**	4,158
Other revenue		
- grant income	**2,232**	-
- rentals	**197**	-
Total revenue from continuing operations	**451,308**	551,432
(a) Interest revenue		
Interest revenue from:		
- other persons	**58**	249
Total interest revenue	**58**	249

Disaggregation of revenue

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

	Consolidated Entity	
	2020 $000	Restated 2019 $000
From continuing operations		
Sectors		
Infrastructure	**212,563**	140,723
Resources	**20,598**	125,995
Energy	**209,837**	280,356
Accommodation	**5,698**	4,158
Other	**2,612**	200
	451,308	551,432
Geographical regions		
Australia	**451,308**	551,432
	451,308	551,432

NOTE 5: Expenses

	Consolidated Entity	
	2020 $000	**Restated 2019 $000**
From continuing operations		
(Loss)/profit before income tax includes the following specific expenses:		
Employee benefits costs	**83,585**	82,420
Finance costs:		
- plant and equipment leased	**222**	109
- buildings leased	**1,049**	-
- software leased	**142**	-
- from other parties	**1,986**	2,306
Total finance costs	**3,399**	2,415
Depreciation and amortisation of non-current assets:		
- plant and equipment owned	**1,998**	2,071
- plant and equipment leased	**1,216**	480
- buildings right-of-use assets	**1,790**	-
- software right-of-use assets	**709**	-
Total depreciation	**5,713**	2,551

NOTE 6: Income Tax Expense

	Note	Consolidated Entity 2020 $000	Restated 2019 $000
Income tax (expense)/benefit is attributable to:			
Profit or loss from continuing operations		**(8,471)**	(3,743)
Profit or loss from discontinued operations	7	**142**	(1,768)
		(8,329)	(5,511)
The components of income tax (expense)/benefit comprise:			
Current tax		**115**	(5,622)
Deferred tax	27	**(8,405)**	234
Under provision for tax in prior year		**(39)**	(123)
		(8,329)	(5,511)
The prima facie tax benefit on profit/loss before income tax is reconciled to the income tax benefit as follows:			
Prima facie tax benefit/(expense) on profit/loss before income tax at 29% (2019: 29%)		**38,724**	(5,744)
Adjusted by the tax effect of:			
- equity based payments		**36**	(160)
- deductible capital raising costs		**983**	659
- (non-deductible)/non-assessable items		**(14,258)**	8,063
- research and development tax offset (non-refundable)		**-**	(3,602)
- under provision for tax in prior year		**(39)**	(123)
- derecognition of deferred tax assets		**(33,775)**	(4,604)
Income tax expense attributable to profit/loss before income tax		**(8,329)**	(5,511)
The applicable weighted average effective tax rates are as follows:		**(6%)**	28%

NOTE 7: Discontinued Operations

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

(a) Financial performance information

	Note	2020 $000	Restated 2019 $000
Construction and engineering revenue		**27,299**	111,844
Interest received		**49**	178
Total revenue		**27,348**	112,022
Cost of sales		**(67,818)**	(100,090)
Administration expenses		**(4,021)**	(2,386)
Borrowing costs		**(260)**	77
Depreciation and amortisation expense		**(149)**	(110)
Total expenses		**(72,248)**	(102,509)
(Loss)/profit before income tax expense		**(44,900)**	9,513
Income tax benefit/(expense)	6	**142**	(1,768)
(Loss)/profit after income tax expense from discontinued operations		**(44,758)**	7,745

(b) Financial position information

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

NOTE 7: Discontinued Operations (Cont'd)

(c) Cash flow information

	2020 $000	Restated 2019 $000
Net cash (used in)/provided by operating activities	**(32,299)**	12,092
Net cash used in investing activities	**(14)**	(280)
Net cash provided by financing activities	**19,410**	-
Exit from the group	**(3,144)**	-
Net decrease in cash and cash equivalents from discontinued operations	**(16,047)**	11,812

(d) Details of the deconsolidation

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

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

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

NOTE 8: Key Management Personnel Disclosures

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

Parent Entity Directors

Don Argent (resigned 21 February 2020)

Scott Criddle (resigned 26 June 2020)

Dickie Dique

Bill Healy (resigned 28 July 2020)

David Saxelby (resigned 28 July 2020)

Key Management Personnel

Craig Amos: Chief Financial Officer (resigned 20 December 2019)

Damian Kelliher: Chief Commercial Officer (appointed 19 May 2020)

Peter Thomas: Chief Financial Officer (appointed 28 February 2020)

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:

	2020 $000	2019 $000
Short-term employee benefits	**2,760**	2,009
Equity-based payments	**283**	264
	3,043	2,273

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 35.

NOTE 9: Auditors' Remuneration

	Consolidated Entity	
	2020 $000	2019 $000
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report	**323**	275
- taxation services	**42**	22
- investigating accountant's report	**74**	15
	439	312

NOTE 10: Earnings Per Share

		Consolidated Entity	
		2020 $000	**Restated 2019 $000**
(a)	**Reconciliation of earnings to profit or loss from overall operations**		
	(Loss)/profit after income tax	**(140,424)**	14,018
	Earnings used to calculate basic and dilutive EPS	**(140,424)**	14,018
(b)	**Reconciliation of earnings to profit or loss from continuing operations**		
	(Loss)/profit after income tax	**(95,666)**	6,273
	Earnings used to calculate basic and dilutive EPS	**(95,666)**	6,273
(c)	**Reconciliation of earnings to profit or loss from discontinuing operations**		
	(Loss)/profit after income tax	**(44,758)**	7,745
	Earnings used to calculate basic and dilutive EPS	**(44,758)**	7,745

		No.	No.
(d)	**Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS**	**289,950,600**	223,473,242
	Weighted average number of dilutive options outstanding	**-**	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**289,950,600**	223,473,242

NOTE 11: Dividends

	Consolidated Entity	
	2020 $000	**2019 $000**
Distributions Paid		
Final dividend for the year ended 30 June 2019 of 2 cents (2018: nil cents)	**4,782**	-
Interim dividend for the year ended 30 June 2020 of nil cents (2019: 1 cent) per share fully franked at the tax rate of 30%	**-**	2,381
	4,782	2,381
Balance of Australian franking account at year end	**54,776**	56,825

NOTE 12: Cash and Cash Equivalents

	Consolidated Entity 2020 $000	2019 $000
Cash at bank and in hand	**43,930**	83,481
	43,930	83,481
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	**43,930**	83,481

NOTE 13: Trade and Other Receivables

	Consolidated Entity 2020 $000	2019 $000
CURRENT		
Trade receivables	**36,762**	74,272
Less: Allowance for expected credit losses	**-**	-
	36,762	74,272

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.

			Past due but not impaired (days overdue)				
	Gross amount $000	Within initial trade terms $000	31-60 $000	61-90 $000	91-120 $000	>120[1] $000	Past due and impaired $000
2020							
Trade receivables	36,762	30,944	3,941	1,191	2	684	-
Total	**36,762**	**30,944**	**3,941**	**1,191**	**2**	**684**	**-**
2019							
Trade receivables	74,272	65,491	6,621	16	633	1,511	-
Total	**74,272**	**65,491**	**6,621**	**16**	**633**	**1,511**	**-**

Allowance for expected credit loss:

There is no allowance for expected credit losses recognised as at 30 June 2020.

[1] Includes contractor's retention withheld by customers of $603,000 (2019: $612,000)

NOTE 14: Contract Assets

	Consolidated Entity	
	2020 $000	2019 $000
Contract assets	**18,781**	65,102

NOTE 15: Contract Liabilities

	Consolidated Entity	
	2020 $000	2019 $000
Contract liabilities	**18,801**	35,462

NOTE 16: Non-Current Asset Held for Sale

	Consolidated Entity	
	2020 $000	2019 $000
Balance at beginning of year	**-**	-
Additions – transfer from investment property	**92,475**	-
Fair value adjustment	**(35,831)**	-
Balance at the end of the year	**56,644**	-

The non-current asset held for sale is an investment property comprising the Homeground Gladstone Accommodation Village located in Gladstone, Queensland. It is on the market for sale and is expected to be sold within the next ten months. The 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 37.

NOTE 17: Other Current Assets

	Consolidated Entity	
	2020 $000	2019 $000
CURRENT		
Prepayments	**1,174**	870
Others	**3,322**	5,778
	4,496	6,648

NOTE 18: Investment Property

	Consolidated Entity	
	2020 $000	2019 $000
Balance at beginning of year	**92,449**	92,410
Additions	**26**	39
Disposals – transfer to non-current asset held for sale	**(92,475)**	-
Balance at the end of the year	**-**	92,449

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 37. The investment property is on the market for sale and is expected to be sold within the next ten months. The investment property is now classified as a non-current asset held for sale.

NOTE 19: Property, Plant and Equipment

	Consolidated Entity	
	2020 $000	2019 $000
LAND AND BUILDINGS		
Freehold land, at cost	**406**	554
	406	554
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	**40,819**	41,060
Accumulated depreciation	**(37,220)**	(35,605)
	3,599	5,455
Leased plant and equipment (secured)	**6,629**	5,164
Accumulated depreciation	**(1,750)**	(1,179)
	4,879	3,985
Total property, plant and equipment	**8,884**	9,994

NOTE 19: Property, Plant and Equipment (Cont'd)

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

	Land and Building $000	Owned Plant and Equipment $000	Leased Plant and Equipment $000	Total $000
Balance at 1 July 2018	554	6,408	603	7,565
Additions	-	1,243	3,937	5,180
Transfer between categories	-	75	(75)	-
Disposals	-	(90)	-	(90)
Depreciation expense	-	(2,181)	(480)	(2,661)
Balance at 30 June 2019	**554**	**5,455**	**3,985**	**9,994**

NOTE 20: Right-of-use Assets

	Consolidated Entity 2020 $000	Consolidated Entity 2019 $000
LAND AND BUILDINGS		
Right-of-use	**15,429**	-
Accumulated depreciation	**(1,790)**	-
	13,639	-
SOFTWARE		
Right-of-use	**3,168**	-
Accumulated depreciation	**(709)**	-
	2,459	-
Total right-of-use assets	**16,098**	-

Additions to the right-of-use assets during the year were $19,057,000.

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

NOTE 20: Right-of-use Assets (Cont'd)

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

Movements in Carrying Amounts

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

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

NOTE 21: Intangible Assets

	Consolidated Entity	
	2020 $000	2019 $000
Goodwill at cost	**75,482**	75,482
Total intangible assets	**75,482**	75,482
Movements in carrying amounts		
Goodwill		
Balance at the beginning and end of the year	**75,482**	75,482
Allocation of goodwill to CGU's		
Construction & engineering	**75,482**	75,482
Balance at the end of the year	**75,482**	75,482

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

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

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

a. 12.9% (2019: 12.9%) pre-tax discount rate;
b. 5% (2019: 5%) per annum projected revenue growth rate from FY2023 onwards;
c. 2.5% (2019: 2.5%) per annum increase in operating costs and overheads; and
d. 2.5% (2019: 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.

NOTE 21: Intangible Assets (Cont'd)

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

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

Sensitivity

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

a. Revenue for the CGU would need to decrease by more than 33.9% before goodwill would need to be impaired, with all other assumptions remaining constant.
b. Overheads for the CGU would need to increase by more than 63.0% 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 CGU's goodwill is based would not cause the carrying amount to exceed its recoverable amount.

NOTE 22: Trade and Other Payables

	Consolidated Entity	
	2020 $000	**2019 $000**
CURRENT		
Unsecured liabilities		
Trade payables	**15,517**	62,038
Sundry payables and accrued expenses	**38,478**	92,694
	53,995	154,732

NOTE 23: Current Income Tax

	Consolidated Entity	
	2020 $000	**2019 $000**
Current tax payable		
- provision for income tax	**-**	1,698
	-	1,698

NOTE 24: Borrowings

	Consolidated Entity	
	2020 $000	2019 $000
CURRENT		
Secured liabilities		
Bank loan	**25,000**	-
Insurance premium funding	**232**	212
Total current borrowings	**25,232**	212
Total borrowings	**25,232**	212

The bank market loan facility expires in January 2021. The interest charged is calculated at Bank Bill Rate plus a margin of 1.95% (2019: 1.55%) which equates to 2.05% as at 30 June 2020 (2019: 2.84%).

NOTE 25: Lease Liabilities

	Consolidated Entity	
	2020 $000	2019 $000
CURRENT		
Hire purchase liability	**2,130**	1,399
Operating leases	**1,329**	-
Total current lease liabilities	**3,459**	1,399
NON-CURRENT		
Hire purchase liability	**2,603**	2,845
Operating leases	**15,148**	-
Total non-current lease liabilities	**17,751**	2,485
Total lease liabilities	**21,210**	3,884

See note 20 for details on operating leases.

Hire purchase agreements have an average term of 3.5 years. The average interest rate implicit in the hire purchase is 4.19% (2019: 4.46%). The hire purchase liability is secured by a charge over the underlying hire purchase assets.

The following are the amounts recognised in profit or loss:

		Consolidated Entity	
	Note	2020 $000	2019 $000
Depreciation expense of right-of-use assets	**20**	**2,574**	-
Interest expense on lease liabilities		**1,215**	-
Total amount recognised in profit or loss		**3,789**	-

NOTE 26: Provisions

		Consolidated Entity	
	Note	2020 $000	2019 $000
CURRENT			
Employee entitlements	**26a**	**6,457**	6,150
Provision of litigation costs		**1,315**	-
Provision of foreseeable losses		**15,715**	-
Total current provisions		**23,487**	6,150
NON-CURRENT			
Employee entitlements	**26a**	**163**	380
Total non-current provisions		**163**	380
Total provisions		**23,650**	6,530

(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	
	2020 $000	2019 $000
Movement in provision		
Balance at beginning of year	**6,530**	6,121
Additional provision	**7,276**	7,444
Amounts used	**(7,186)**	(7,035)
Balance at the end of the year	**6,620**	6,530

NOTE 27: Other Deferred Tax

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

Consolidated Entity	1 July 2018 Opening Balance $000	Under-provision in Prior Year $000	Disposed on Disposal of Subsidiary $000	Charged to Income $000	Charged Directly to Equity $000	30 June 2019 Closing Balance $000
2019						
Deferred tax assets on:						
Transaction costs on equity issue	8	-	-	-	524	532
Provisions – employee benefits	2,136	(16)	-	520	-	2,640
Investment due diligence costs	5	-	-	16	-	21
Other provisions and accruals	464	(133)	-	355	-	686
Tax losses and carry forward tax credits	16,246	110	-	750	-	17,106
Property, plant and equipment	10,303	(9)	-	(1,525)	-	8,769
Research and development tax offset (non-refundable)	1,167	(150)	-	-	-	1,017
Total deferred tax assets	**30,329**	**(198)**	**-**	**116**	**524**	**30,771**
Deferred tax liabilities on:						
Foreign currency translation	-	-	-	9	-	9
Prepayments	17	-	-	4	-	21
Equity based payments	452	-	-	(215)	(160)	77
Accrued income	75	(75)	-	84	-	84
Total deferred tax liabilities	**544**	**(75)**	**-**	**(118)**	**(160)**	**191**

NOTE 28: Issued Capital

	Consolidated Entity	
	2020 $000	2019 $000
1,287,118,809 (2019: 238,310,204) fully paid ordinary shares	**267,694**	216,858

(a) Ordinary Shares

	2020		2019	
	No.	$000	No.	$000
At the beginning of reporting period	**238,310,204**	**216,858**	173,811,927	165,832
Shares issued during the year	**155,874**	**72**	259,036	115
Performance rights converted to shares	**798,020**	**-**	633,616	-
Issue of shares for capital raising	**1,047,854,711**	**52,393**	63,605,625	50,884
Equity based payments	**-**	**1,006**	-	1,539
Transaction costs of issue	**-**	**(2,635)**	-	(1,512)
At the end of the reporting date	**1,287,118,809**	**267,694**	238,310,204	216,858

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

During the year ended 30 June 2017, the Decmil Group Limited Employee Share Plan Trust was established. Shares allocated to employees stay in the trust and vest to employees after two years of continuous employment from the date of grant. The allocation made to employees during the year ended 30 June 2020 was made from unallocated shares already held within the trust.

Also, during the year ended 30 June 2020, 155,874 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, 798,020 shares were issued to executives upon vesting of performance rights during the year ended 30 June 2020.

(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.

NOTE 29: Controlled Entities

(a) Controlled Entities

	Country of Incorporation	Percentage Owned (%) 2020	2019
Parent Entity:			
Decmil Group Limited	Australia		
Controlled entities of Decmil Group Limited:			
Decmil Australia Pty Ltd	Australia	100%	100%
Eastcoast Development Engineering Pty Ltd	Australia	100%	100%
Homeground Villages Pty Ltd	Australia	100%	100%
Decmil Infrastructure Pty Ltd	Australia	100%	100%
Decmil Group Limited Employee Share Plan Trust	Australia	100%	100%
Controlled entities of Homeground Villages Pty Ltd:			
Homeground Gladstone Pty Ltd ATF Homeground Gladstone Unit Trust	Australia	100%	100%
Homeground Gladstone Unit Trust	Australia	100%	100%
Controlled entities of Decmil Australia Pty Ltd:			
Decmil PNG Limited	Papua New Guinea	100%	100%
Decmil Construction NZ Limited	New Zealand	-	100%
Decmil Engineering Pty Ltd	Australia	100%	100%
Decmil Southern Pty Ltd	Australia	100%	100%

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

NOTE 29: Controlled Entities (Cont'd)

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

		2020 $000	2019 $000
Financial information in relation to:			
(i)	**Statement of profit or loss and other comprehensive income:**		
	(Loss)/profit before income tax	**(79,459)**	4,080
	Income tax expense	**(8,478)**	(2,560)
	(Loss)/profit after income tax	**(87,937)**	1,520
(ii)	**Accumulated losses:**		
	Accumulated losses at the beginning of the year	**(35,138)**	(956)
	Opening balance adjustment on application of AASB15	**-**	(33,321)
	(Loss)/profit after income tax	**(87,937)**	1.520
	Dividends recognised for the period	**(4,782)**	(2,381)
	Accumulated losses at the end of the year	**(127,857)**	(35,138)

NOTE 29: Controlled Entities (Cont'd)

	2020 $000	2019 $000
(iii) Statement of Financial Position:		
CURRENT ASSETS		
Cash and cash equivalents	**15,852**	53,448
Trade and other receivables	**25,500**	51,154
Contract assets	**13,538**	53,921
Non-current asset held for sale	**56,644**	-
Other current assets	**2,520**	2,916
TOTAL CURRENT ASSETS	**114,054**	161,439
NON-CURRENT ASSETS		
Investment property	**-**	92,449
Property, plant and equipment	**4,384**	5,536
Right-of-use assets	**13,987**	-
Deferred tax assets	**21,268**	29,804
Intangible assets	**71,061**	71,061
Other financial assets	**-**	6,218
TOTAL NON-CURRENT ASSETS	**110,700**	205,068
TOTAL ASSETS	**224,754**	366,507
CURRENT LIABILITIES		
Trade and other payables	**8,408**	152,446
Contract liabilities	**13,167**	24,793
Borrowings	**25,232**	212
Lease liabilities	**2,411**	996
Provisions	**20,969**	3,885
TOTAL CURRENT LIABILITIES	**70,187**	182,332
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**19**	182
Lease liabilities	**14,567**	1,912
Provisions	**144**	361
TOTAL NON-CURRENT LIABILITIES	**14,730**	2,455
TOTAL LIABILITIES	**84,917**	184,787
NET ASSETS	**139,837**	181,720
EQUITY		
Issued capital	**267,694**	216,858
Accumulated losses	**(127,857)**	(35,138)
TOTAL EQUITY	**139,837**	181,720

NOTE 30: Joint Arrangements

Interest in Joint Operations

	Country of Incorporation	2020	2019
Mordialloc JV	Australia	40%	40%
Decmil BESIX JV	Australia	50%	50%
TCDC JV	New Zealand	-	50%
Decmil Balance JV	Australia	25%	25%
Decmil Balance JV	Australia	67%	67%
DASSH JV	Australia	-	45%

The following material Joint Operations are disclosed as follows:

Mordialloc JV

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

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

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

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

	2020 $000	2019 $000
CURRENT ASSETS		
Cash and cash equivalents	**5,584**	2,842
Trade and other receivables	**5,000**	-
Other assets	**481**	1,572
TOTAL CURRENT ASSETS	**11,065**	4,414
TOTAL ASSETS	**11,065**	4,414
CURRENT LIABILITIES		
Trade and other payables	**7,841**	2,862
Contract liabilities	**1,272**	1,305
TOTAL CURRENT LIABILITIES	**9,113**	4,167
TOTAL LIABILITES	**9,113**	4,167
Revenue	**50,512**	2,620
Expenses	**(46,807)**	(2,373)
Profit for the year	**3,705**	247

NOTE 30: Joint Arrangements (Cont'd)

Contingent Liabilities in Respect of Joint Arrangements

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

	2020 $000	2019 $000
Guarantees given for satisfactory contract performance	**10,175**	2,005

NOTE 31: Commitments

	Consolidated Entity	
	2020 $000	**2019 $000**
(a) Hire Purchase Commitments[1]		
Payable – minimum HP payments		
Not later than 1 year	**2,288**	1,560
Between 1 and 5 years	**2,688**	2,983
Minimum HP payments	**4,976**	4,543
Less future finance charges	**(242)**	(299)
Present value of minimum HP payments	**4,734**	4,244
(b) Insurance Premium Funding Commitments		
Payable – minimum payments		
Not later than 1 year	**235**	216
Minimum payments	**235**	216
Less future finance charges	**(4)**	(4)
Present value of minimum payments	**231**	212
(c) Operating Leases Payable		
Non-cancellable operating leases contracted for but not recognised as liabilities		
Payable – minimum lease payments		
Not later than 1 year	**961**	2,807
Between 1 and 5 years	**164**	6,660
	1,125	9,467
(d) Operating Leases Receivable		
Future minimum rentals receivable for operating leases at the end of the reporting period but not recognised as assets		
Receivable – minimum lease receipts		
Not later than 1 year	**-**	132
Between 1 and 5 years	**-**	-
	-	132

[1] Hire purchase commitments include contracted amounts for various plant and equipment with a written down value of $4,879,000 (2019: $3,985,000) secured under hire purchase contracts expiring within one to five years. Under the terms of the hire purchase contracts, the consolidated entity has the option to acquire the assets under finance for predetermined residual values on the expiry of the contracts.

NOTE 32: Segment Reporting

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The consolidated entity operates as three segments.

1. **Construction and Engineering**

- Decmil Australia Pty Ltd – multi-discipline design, civil engineering and construction services;
- Decmil Construction NZ Limited – discontinued construction arm of Decmil located in New Zealand;
- Decmil Southern Pty Ltd – civil engineering and infrastructure construction services;
- Decmil Infrastructure Pty Ltd – an entity used for tendering large infrastructure projects and Public Private Partnerships (PPPs);
- Eastcoast Development Engineering Pty Ltd – acquired business now integrated into the Decmil Australia Pty Ltd entity;
- Decmil Engineering Pty Ltd – acquired business now integrated into Decmil Australia Pty Ltd entity; and
- Decmil PNG Limited – dormant construction arm of Decmil located in Papua New Guinea.

2. **Accommodation**

- Homeground Villages Pty Ltd – Homeground Gladstone Accommodation Village located in Gladstone, Queensland.

3. **Other**

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

The consolidated entity is domiciled in Australia. 94% of revenue from external customers is generated from Australia.

The consolidated entity derives 33%, 28% and 10% (2019: 36%, 18% and 15%) of its revenues from the top three external customers. All of the consolidated entity's assets are located in Australia.

Basis of accounting for purposes of reporting by operating segments

a. *Accounting policies adopted*

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

b. *Intersegment transactions*

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

c. *Segment assets*

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

NOTE 32: Segment Reporting (Cont'd)

d. *Segment liabilities*

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

e. *Unallocated items*

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

- income tax expense;
- deferred tax assets and liabilities; and
- current tax liabilities.

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

Segment Performance 2019	Construction & Engineering $000	Accommodation $000	Other $000	Total $000
External sales	659,118	4,158	-	663,276
Total segment revenue	**659,118**	**4,158**	**-**	**663,276**
Segment earnings before interest, tax, depreciation and amortisation & impairments	26,504	(1,611)	(257)	24,636
Net interest	(1,915)	1	4	(1,910)
Depreciation & amortisation expense	(2,514)	(147)	-	(2,661)
Segment result	**22,075**	**(1,757)**	**(253)**	**20,065**
Other unallocated expenses				(536)
Income tax expense				(5,511)
Profit for the period				**14,018**

NOTE 32: Segment Reporting (Cont'd)

(b) Segment Assets 2020	Construction & Engineering $000	Accommodation $000	Other $000	Total $000
Current assets	101,343	57,045	-	158,388
Non-current assets	87,415	195	-	87,610
Other unallocated assets	-	-	-	37,669
Total segment assets	**188,758**	**57,240**	**-**	**283,667**
Total assets includes:				
Acquisition of non-current assets	2,598	66	-	2,664

Segment Assets 2019	Construction & Engineering $000	Accommodation $000	Other $000	Total $000
Current assets	208,949	789	6	209,744
Non-current assets	83,907	92,710	-	176,617
Other unallocated assets	-	-	-	51,838
Total segment assets	**292,856**	**93,499**	**6**	**438,199**
Total assets includes:				
Acquisition of non-current assets	5,156	62	-	5,218

(c) Segment Liabilities 2020	Construction & Engineering $000	Accommodation $000	Other $000	Total $000
Current liabilities	94,780	25,556	-	120,336
Non-current liabilities	6,466	-	-	6,466
Other unallocated liabilities	-	-	-	16,105
Total segment liabilities	**101,246**	**25,556**	**-**	**142,907**

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

NOTE 33: Cash Flow Information

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

	Consolidated Entity 2020 $000	Consolidated Entity 2019 $000
Continuing operations		
(Loss)/profit after income tax	**(95,666)**	6,273
Adjustments for:		
Depreciation and amortisation	**3,288**	2,661
Equity based payments	**1,006**	1,539
Loss/(profit) on sale of non-current assets	**38**	(167)
(Loss)/profit from discontinued operations	**(44,758)**	7,745
Cash (used in)/generated from operations before working capital changes	**(136,092)**	18,051
Changes in assets and liabilities		
Trade receivables	**38,005**	(30,598)
Other assets	**2,152**	1,913
Contract assets	**45,850**	(70,066)
Trade payables and accruals	**(74,930)**	102,653
Current tax liabilities	**(1,698)**	102
Deferred tax assets	**8,181**	(442)
Deferred tax liabilities	**(172)**	(353)
Provisions	**17,120**	409
Change in working capital balances	**34,508**	3,618
Net cash (used in)/generated from operating activities	**(101,584)**	21,669

(b) Non-cash Financing and Investing Activities

	Consolidated Entity 2020 $000	Consolidated Entity 2019 $000
Finance leases to acquire plant and equipment	**2,133**	3,936
Share based payments	**1,006**	1,539

(c) Changes in Liabilities Arising from Financing Activities

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

NOTE 33: Cash Flow Information (Cont'd)

(d) Credit Standby Facilities with Banks

	Consolidated Entity	
	2020 $000	**2019 $000**
Credit facilities	**435,854**	354,296
Amount utilised		
Bank overdraft	**-**	-
Limited recourse receivables funding	**(4,563)**	(7,959)
Loan facility	**(25,000)**	-
Equipment finance	**(4,734)**	(4,244)
Guarantees and surety bond facilities	**(96,842)**	(209,893)
Credit facilities available	**304,715**	132,200
The credit facilities are summarised as follows:		
Bank overdraft and/or limited recourse receivables funding facility	**35,000**	35,000
Loan facility	**25,000**	25,000
Equipment finance	**8,000**	8,000
Guarantee and surety bond facilities	**367,854**	286,296
Total credit facilities	**435,854**	354,296

The majority of credit facilities are provided by National Australia Bank Limited and comprise a $65 million multi-option facility and a $0.5 million corporate credit card facility. The $65 million multi-option facility encompasses a bank guarantee facility, letter of credit facility, overdraft facility of $25 million, a limited recourse receivables funding facility of $35 million and a market loan facility of $25 million.

The bank market loan facility expires in January 2020. The interest charged is calculated at Bank Bill Rate plus a margin of 1.95% (2019: 1.55%) which equates to 2.05% as at 30 June 2020 (2019: 2.84%).

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 $8 million with Toyota Finance; and
- Surety bond facilities of $100 million with Asset Insure, $35 million with Vero, $50 million with BCC Surety, $50 million with Liberty, $40 million with Berkshire Hathaway, $15 million with Euler Hermes and $72.9 million (USD$50 million) with AIG Australia.

NOTE 34: 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 2018	**6,331,142**
Granted	1,387,139
Forfeited	(103,448)
Vested	(633,616)
Lapsed	(805,574)
Performance rights outstanding as at 30 June 2019	**6,175,643**
Granted	2,074,748
Forfeited	(1,624,684)
Vested	(798,020)
Lapsed	(1,072,538)
Performance rights outstanding as at 30 June 2020	**4,755,149**

The fair value of the performance rights granted during the financial year was $369,305. 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 $0.178 (2019: $0.190). 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:	3.25%
Dividend yield	0.0%

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

	Consolidated Entity	
	2020 $000	2019 $000
Performance Rights		
Expenses	**890**	891
Written back due to forfeiting	**(121)**	(12)
Written back due to lapsing	**(140)**	(59)
	629	820

NOTE 34: 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 2018	**2,555,000**
Granted	660,000
Vested	(1,027,000)
Forfeited	(663,000)
Unvested incentive shares as at 30 June 2019	**1,525,000**
Granted	420,000
Vested	(977,511)
Forfeited	(337,489)
Unvested incentive shares as at 30 June 2020	**630,000**

The fair value of the incentive shares granted during the financial year was $285,600. Incentive shares are valued using the share price at the date of grant. The fair value has been discounted by 20% 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	
	2020 $000	2019 $000
Incentive Shares		
Expenses	**489**	1,155
Written back due to forfeiting	**(112)**	(436)
	377	719

NOTE 35: 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 29.

Key management personnel

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

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated Entity	
	2020 $000	2019 $000
(a) Director Related Transactions[1]		
Consulting fees for Saxelby Associates Pty Ltd, an entity in which Mr David Saxelby has a beneficial interest	**200**	200
Consulting fees for Cald Investments Pty Ltd, an entity in which Mr Dickie Dique has a beneficial interest	**-**	8
Consulting fees for C1 Energy Pty Ltd, an entity in which Mr Peter Thomas has a beneficial interest	**316**	-
(b) Director Related Balances		
Amounts owing to Saxelby Associates Pty Ltd, an entity in which Mr David Saxelby has a beneficial interest, for directors' fees and consulting fees	**26**	27

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

NOTE 36: Financial Instruments

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

The only derivatives used by the consolidated entity relate to forward foreign exchange contracts in relation to offshore procurement. 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

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

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

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

There are no material amounts of collateral held as security at 30 June 2020.

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

NOTE 36: Financial Instruments (Cont'd)

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

Price risk

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

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. This risk is managed predominantly through forward foreign exchange contracts.

(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
2020					
Financial Assets					
Cash and cash equivalents	0.6	-	43,930	-	43,930
Receivables	-	36,762	-	-	36,762
Contract assets	-	18,781	-	-	18,781
		55,543	**43,930**	**-**	**99,473**
Financial Liabilities					
Payables	-	(53,995)	-	-	(53,995)
Contract liabilities	-	(18,801)	-	-	(18,801)
Borrowings	2.1	-	(25,232)	-	(25,232)
Lease liabilities	6.5	-	(3,459)	(17,751)	(21,210)
		(72,796)	**(28,691)**	**(17,751)**	**(119,238)**
2019					
Financial Assets					
Cash and cash equivalents	1.5	-	83,481	-	83,481
Receivables	-	74,272	-	-	74,272
Contract assets	-	65,102	-	-	65,102
		139,374	**83,481**	**-**	**222,855**
Financial Liabilities					
Payables	-	(154,732)	-	-	(154,732)
Contract liabilities	-	(35,462)	-	-	(35,462)
Borrowings	2.0	-	(212)	-	(212)
Lease liabilities	4.5	-	(1,399)	(2,845)	(4,244)
		(190,194)	**(1,611)**	**(2,845)**	**(194,650)**

NOTE 36: Financial Instruments (Cont'd)

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.

(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 2020, 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 2020, 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	
	2020 $000	2019 $000
Change in profit		
Increase in labour costs by 5% (CPI assumption)	**(4,179)**	(4,121)
Change in equity		
Increase in labour costs by 5% (CPI assumption)	**(4,179)**	(4,121)

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.

NOTE 37: 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 2020				
Assets				
Non-current asset held for sale	-	-	56,644	56,644
Investment property	-	-	-	-
Total assets	**-**	**-**	**56,644**	**56,644**
Consolidated 2019				
Assets				
Non-current asset held for sale	-	-	-	-
Investment property	-	-	92,449	92,449
Total assets	**-**	**-**	**92,449**	**92,449**

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 and non-current asset held for sale 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	Non-Current Asset Held for Sale $000	Investment Properties $000	Total $000
Balance at 30 June 2018	**-**	**92,410**	**92,410**
Additions	-	39	39
Balance at 30 June 2019	**-**	**92,449**	**92,449**
Additions	-	26	26
Transfer	92,475	(92,475)	-
Fair value adjustment	(35,831)	-	(35,831)
Balance at 30 June 2020	**56,644**	**-**	**56,644**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 37: Fair Value Measurement (Cont'd)

In October 2019, the Group's investment property, being the Homeground accommodation village located near Gladstone, Queensland, was revalued by an independent valuer (Ernst and Young). The primary valuation method utilised by the valuer was a discounted cash flow model.

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

- Useful life of the asset is 20 years with no terminal value;
- Various occupancy assumptions over the estimated useful life based on expected future accommodation demand;
- Room rate growth of 1.0% from FY21; and
- A nominal post-tax discount rate range of 9.5% to 11.0%.

The Homeground Gladstone investment property is currently on the market and classified as a non-current asset held for sale. As a result of changing market conditions, the Homeground Gladstone investment property's value was adjusted to $56,644,000 net of selling costs.

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

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

NOTE 38: Contingent Liabilities

	Consolidated Entity	
	2020 $000	2019 $000
Guarantees given to external parties for satisfactory contract performance for the consolidated entity	**96,842**	209,893

Decmil is currently engaged in contractual disputes in relation to a number of projects, including the Rapid Deployment Prisons project with the New Zealand Department of Corrections, the Sunraysia Solar Farm with Sunraysia Solar Project Pty Ltd, the Hastings project with United Petroleum Pty Ltd and the Amrun project with Southern Cross Electrical Engineering Limited. Whilst the Company expects a favourable outcome on these disputes, in the event that it is unsuccessful in its claims, it may be required to pay liquidated damages and/or other amounts to the customer.

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

NOTE 39: 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 2020

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 2020 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 29(b) will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described.

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

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

On behalf of the directors

A Barclay.

Andrew Barclay

Chairman

24 August 2020

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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 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2020 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1, which indicates that the Group incurred a net loss of $140,424,000 and had net cash outflows from operating activities of $101,584,000 for the year ended 30 June 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	**How our audit addressed this matter**
Recognition of Revenue **Refer to Note 4 and 7 in the financial statements**	
The Group's largest source of revenue is construction and engineering from continuing and discontinuing operations. Construction and engineering revenue is recognised by management after assessing all factors relevant to each contract, including specifically assessing the following as applicable: • Determination of the stage of completion and measurement of progress towards performance obligations; • Estimation of total contract revenue and costs including the estimation of cost contingencies; • Determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims; and • Estimation of project completion date. This area is a key audit matter due to the number and type of estimation events over the course of the contract life, the unique nature of individual contract conditions, leading to complex and judgmental revenue recognition from contracts.	Our audit procedures included: • Reviewing contractual terms with customers and substantiated project revenues and costs incurred against underlying supporting documents; • Assessing management's assumptions in determining the stage of completion, total transaction price and total budgeted costs; • Checking mathematical accuracy of revenue recognised during the year based on the stage of completion; • Reviewing customers and subcontractor correspondences and discussed the progress of the projects with project managers for any potential disputes, variation order claims, known technical issues or significant events that could impact the estimated contract costs; • Discussing with project personnel and management on the rationale for revisions made to budgeted costs and checked supporting documentation; • Checking the mathematical accuracy of the revenue recognised based on the input method calculations; and • Reviewing management's assessment and assessed the reasonableness of the provision for foreseeable losses provided by management.

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Non-Current Asset Held-for-sale **Refer to Note 16 in the financial statements**	
The Group owns an investment property in the Homeground Accommodation Village in Gladstone, Queensland. During the year, the fair value of the investment property was independently re-valued by an external valuer. With reference to the valuation report, management impaired the investment property to fair value less cost to sell of $56,644,000. The primary valuation method used by the external valuer was a discounted cash flow (DCF) model. We determined this area to be a key audit matter as there are judgements involved in the preparation of the DCF model such as the useful life of the asset, estimated occupancy rates over the useful life, estimated growth rates and an appropriate post-tax discount rate.	Our audit procedures included: • Assessing management's determination of whether there are any impairment indicators; • Assessing the valuation methodology used by the external valuer; • Assessing the competency of the external valuer; • Reviewing the independent valuation and assessing the assumptions and inputs used for reasonableness; and • Reviewing whether management met the criteria to reclassify the investment property to an asset held-for-sale.
Impairment of Intangible Assets **Refer to Note 21 in the financial statements**	
The carrying amount of goodwill as at 30 June 2020 is $75,482,000. Management performs an annual impairment test on the recoverability of the goodwill as required by Australian Accounting Standards. We determined this area to be a key audit matter as management's assessment of the value-in-use of the cash generating unit (CGU) involves judgement about the future cash flow projections, expected revenue growth rates and the discount rate.	Our audit procedures included: • Assessing management's determination that the goodwill should be allocated to one CGU; • Conducting a review of the appropriateness of the value-in-use model used; • Challenging the reasonableness of key assumptions used in the value-in-use model, including the future cash flow projections, expected revenue growth rates and the discount rate; • Reviewing sensitivity analysis over the key assumptions used in the model; and • Reviewing the adequacy and accuracy of the relevant disclosures in the financial statements.
Recognition of Deferred Tax Assets **Refer to Note 27 in the financial statements**	
The Group has recognised deferred tax assets of $22,590,000 on the statement of financial position as at 30 June 2020. We determined this area to be a key audit matter as management's assessment as to whether the deferred tax assets satisfy the probability criteria that future taxable income will be available to utilise this asset involves judgement about the future profitability of the Group.	Our audit procedures included: • Reviewing the tax effect calculations; and • Reviewing management's forecast and assessing the assumptions and inputs used in the forecast for reasonableness.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Decmil Group Limited, for the year ended 30 June 2020, 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

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 24 August 2020

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 are:

	Shares	%
Thorney Investment Group	241,086,695	18.73
Franco Family Holdings	98,658,000	7.67
IFM Investors	78,686,000	6.11

The following information is made up as at 31 July 2020:

2. Distribution of shareholdings

	No. of shareholders	No. of ordinary shares	%
1 – 1,000	1,241	602,363	0.05
1,001 – 5,000	1,518	4,380,238	0.34
5,001 – 10,000	854	6,685,592	0.52
10,001 – 100,000	2,224	85,167,097	6.62
100,001 and over	975	1,190,528,654	92.47
Total	**6,812**	**1,287,363,944**	**100.00**

There are 3,344 shareholders with an unmarketable parcel totalling 8,998,609 shares.

3. Voting rights

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

4. Twenty largest shareholders

The names of the twenty largest registered shareholders of fully paid ordinary shares in the Company as at 31 July 2020 are:

	No. of Ordinary Fully Paid Shares Held	%
UBS Nominees Pty Ltd	153,101,131	11.89
HSBC Custody Nominees (Australia) Limited	151,605,559	11.78
Citicorp Nominees Pty Limited	138,684,205	10.77
Horley Pty Ltd – Metal A/c	70,000,000	5.44
Sandhurst Trustees Ltd – Collins Street Value Fund A/c	56,000,000	4.35
National Nominees Limited	39,939,127	3.10
Bond Street Custodians Limited – Salter D64848 A/c	21,000,000	1.63
Healey Nominees Pty Limited	21,000,000	1.63
National Nominees Limited – DB A/c	16,960,457	1.32
Bond Street Custodians Limited – Salter D44396 A/c	13,300,000	1.03
Broadway Pty Ltd – Decmil Australia Fund A/c	10,475,000	0.81
J P Morgan Nominees Australia Ltd	10,078,980	0.78
Block Capital Group Limited	10,000,000	0.78
Mrs Jenny Mary Baguley & Mr John Richard Baguley – Baguley Family Super Fund A/c	10,000,000	0.78
One Law Pty Ltd – Parke Super Fund A/c	10,000,000	0.78
Bond Street Custodians Limited – Salter V57322 A/c	9,200,000	0.71
Cedarfield Holdings Pty Ltd – Cedarfield A/c	9,000,000	0.70
Broadway Pty Ltd – Decmil Australia A/c	7,824,666	0.61
L, M & R Franco – The LMR Franco Unit A/c	7,000,000	0.54
Bond Street Custodians Limited – Salter V39117 A/c	6,900,000	0.54
Total	**772,069,125**	**59.97**

CORPORATE DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2020

Directors

Andrew Barclay, Chairman
Dickie Dique, Managing Director & Chief Executive Officer
Peter Thomas, Executive Director & 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

Perth
Level 6, 20 Parkland Road
Osborne Park WA 6017
Telephone: 08 9368 8877

Brisbane
Level 5, 60 Edward Street
Brisbane QLD 4000
Telephone: 07 3640 4600

Melbourne
Level 3, 850 Collins Street
Docklands VIC 3008
Telephone: 1300 332 645

Auditor

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

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone: 08 9323 2000
Email: www-au.computershare.com/Investor/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 Southern Pty Ltd
Eastcoast Development Engineering Pty Ltd
Homeground Villages Pty Ltd
Homeground Gladstone Pty Ltd ATF Homeground Gladstone Unit Trust
Decmil Infrastructure Pty Ltd
Decmil Group Limited Employee Share Plan Trust

ASX Code

DCG

DECMIL