APPENDIX 4E

DURATEC LIMITED

ABN 94 141 614 075

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The current reporting period is the year ended 30 June 2022 and the prior reporting period is the year ended 30 June 2021.

	FY22 $'000	FY21 $'000		%
Revenue from ordinary activities	310,003	235,709	↑	31.5%
Profit after income tax expense for the year attributable to members	7,761	7,131	↑	8.8%

Net tangible assets per share

NTA Backing	30 June 2021 cents per share	30 June 2022 cents per share
Net tangible asset backing per ordinary share	12.87	10.92

Dividends

During the year, the 2021 final dividend of 1.50 cents per share (fully franked) totalling $3,561,672 was paid on 21 September 2021. $3,367,080 was paid in cash with the remainder reinvested via the Duratec Dividend Reinvestment Plan.

The board resolved to pay a 2022 interim dividend of 0.5 cents per share (fully franked) totalling $1,201,750 with a payment date of 10 May 2022. $1,116,822 of this total was paid in cash whilst the remainder was reinvested via the Duratec Dividend Reinvestment Plan.

Since the end of the reporting period, the Directors have declared an final dividend for 2022 of 1.5 cents per share (fully franked), to be paid on 5 October 2022. The ex-dividend date will be 12 September 2022 and the record date for determining entitlements to the dividend will be 13 September 2022.

Dividend Reinvestment Plan

The DRP is optional and offers ordinary shareholders in Australia the opportunity to acquire fully paid ordinary shares without transactions costs. Shares issued under the DRP will be derived from new issued ordinary shares. The shares will rank equally with other ordinary shares already on issue. The new shares will be issued at a price equal to the average of the daily volume weighted average market price of Duratec Ltd shares sold in the ordinary course of trading on the ASX over a period of 10 trading days beginning on the day after the relevant dividend record date, discounted by 5%, rounded to 4 decimal places. The last date for the receipt of an election notice for participation in the DRP in relation to the final 2022 dividend is 14 September 2022.

To elect to participate in the DRP, visit https://www.computershare.com.au/easyupdate/dur

Explanation of results

This information is contained in the 30 June 2022 Results Announcement and 30 June 2022 Results Presentation.

Control gained or lost over entities during the period

There have been no gains or losses of control over entities in the year ended 30 June 2022.

Details of associates & JV arrangements

Name	Relationship	Reporting entity's percentage holding		Contribution to profit / (loss) (where material)	
		Reporting period %	Previous period %	Reporting period $'000	Previous period $'000
Fortec Australia Pty Ltd [1]	Associate	-	-	-	149
DDR Australia Pty Ltd	Associate	49	49	1,873	621
Duratec Ertech JV [2]	Joint Arrangement	50	50	880	1,999

[1] On 31 August 2020 Duratec Limited disposed of its 40% interest in Fortec Australia Pty Ltd by way of a dividend in-specie to its shareholders.

[2] The joint arrangement listed above is classified as a joint operation and is not a separate legal entity. Duratec Ertech JV is a contractual arrangement between participants for the sharing of costs and outputs and Duratec Limited's share is proportionately consolidated in its financial accounts.

Audit report

This report is based on the annual financial report which has been independently audited and is not subject to qualifications.

Authorised for release to the ASX by the Board of Directors of Duratec Limited.

Investor Contact

Duratec Limited

Dennis Wilkins

+ 61 417 945 049

About Duratec Limited

Duratec Limited (ASX: DUR) is a leading Australian contractor providing assessment, protection, remediation, and refurbishment services to a broad range of assets and infrastructure. The Company's multi-disciplined capabilities combine engineering experience with project delivery expertise and use a range of in-house assessment technologies, including 3D capture and modelling technology with predictive analysis tools. Headquartered in Wangara, Western Australia, Duratec has fifteen branches around the country in capital cities and regional centres, delivering services across multiple sectors including Defecne, Commerical Buildings & Facades, Infrastructure (Water, Transport & Marine), Mining & Industrial, Power and Energy.

Please visit www.duratec.com.au for further information.

2022 Annual Report

Duratec Limited
ACN: 141 614 075 ASX: DUR

Annual Report for the Financial Year
Ending 30 June 2022

Today's success supports tomorrow's opportunity

Contents

Corporate Directory

Registered Office & Principal Place of Business

108 Motivation Drive,
Wangara
Western Australia 6065

Contact Details

Phone:
+61 (8) 9206 6900

Email:
info@duratecaustralia.com.au

Website:
www.duratec.com.au

Directors

Martin Brydon:
Non-Executive Director, Chairman

Robert (Phil) Harcourt:
Executive Director, Managing Director

Chris Oates:
Executive Director, General Manager

Gavin Miller:
Non-Executive Director

Company Secretary

Dennis Wilkins

Share Registry

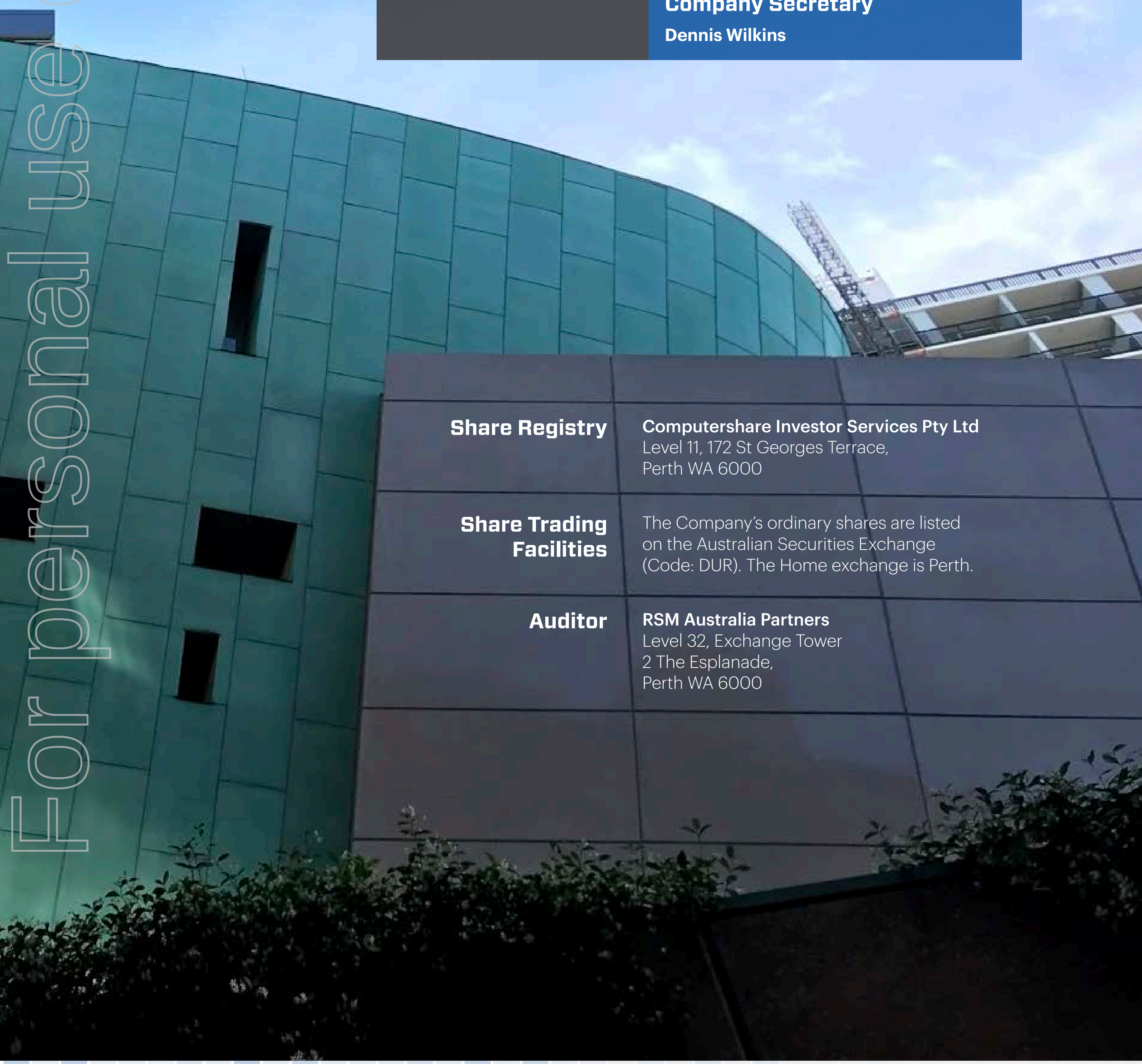
Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace,
Perth WA 6000

Share Trading Facilities

The Company's ordinary shares are listed on the Australian Securities Exchange (Code: DUR). The Home exchange is Perth.

Auditor

RSM Australia Partners
Level 32, Exchange Tower
2 The Esplanade,
Perth WA 6000



Next: Chairman's Report

Then: 2022 Highlights

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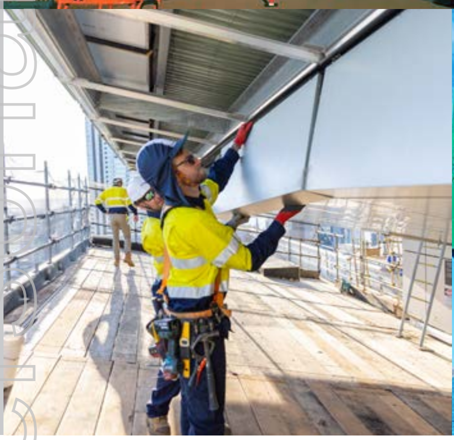


About Duratec

Our Purpose

We are a national market leader in protecting, refurbishing and extending the life of client assets.

Our Vision

Our vision is to sustainably grow our business and become the most respected specialist contractor, providing technological and innovative solutions.

Our Business Model

End-to-end specialist Early Contractor Involvement (ECI), condition assessment, technical services, and asset refurbishment. We cater to every stage of the lifecycle of asset maintenance.

Markets & Industries Serviced

Defence – Maintaining Defence capability.

Buildings and Facades – Delivering client value from better project outcomes through ECI.

Mining and Industrial – Partnering with mining clients to maximise the operational life of their fixed assets. Delivering quality tailored solutions which focus on successful outcomes, remediating and refurbishing critical assets, enabling industry to function optimally.

Other Infrastructure – Remediating critical infrastructure, including ports and wharves, to ensure these marine assets are able to withstand harsh conditions and meet expected lifespans. Refurbishing infrastructure that is critical to our communities, such as road and rail bridges, as well as water and wastewater assets.

Chairman's Report

Fellow shareholders,

It gives me great pleasure to present the 2022 Annual Report for Duratec Limited (ASX: DUR) as we reflect on our business' achievements over the past 12 months.

While COVID-19 restrictions affected our operations heavily in 1HFY22, our ability to bounce back in 2H to post record revenue was incredibly pleasing. This result shows the breadth of our experience and depth of our capabilities, all backed by a hard-working, determined and resilient team.

Our FY22 full-year revenue of $310 million with normalised EBITDA of $19.3 million – a result achieved when 1HFY22 returned $5 million EBITDA – demonstrates a strong recovery in 2H, which was largely brought about by more stable operating conditions. Encouragingly, our Eastern States operations returned to performing strongly and the Company is confident that this, along with continued momentum in Western Australia, will continue into FY23.

Business Model

Duratec's business model has proven successful, as demonstrated by our strong 2HFY22 performance and positive outlook for the year ahead. We operate in several sectors that not only have different business cycles but also are geographically spread across all states and territories in Australia. This diversity provides greater consistency in year-to-year earnings, while also reducing the risk of adverse outcomes.

Partnering is another one of Duratec's strengths. We operate several joint ventures (JVs), including a 50/50 partnership with civil construction business Ertech (DEJV), as well as our investment entity DDR Australia. DEJV was formed in 2019 and is currently delivering the $53 million Oxley Wharf extension at HMAS Stirling on Garden Island, Western Australia. Due for completion in September 2023, the project demonstrates the continued success of this partnership.

Duratec's clients receive added value thanks to the Company's technical capabilities, which include spatial integration – a technology that combines inspection data with progress reporting to form a managed 3D platform. Duratec was the first contractor in Australia to use a variety of new, internationally sourced products and continues to make advances in low-impact remediation techniques. Our specialised technical team continues to be in demand as asset owners seek a greater understanding of the condition of their facilities.

Our commitment to early contractor involvement (ECI) allows clients to benefit from our skills and expertise early in the delivery cycle, enabling a positive impact on cost, quality and deadline delivery.

The performance of Duratec during the recent pandemic is proof of our ability to provide leading technology and expertise, both of which are highly valued even within challenging operating environments. While heavily affected by numerous and protracted shutdowns in various markets and the consequent supply chain challenges, Duratec has emerged from the pandemic with a strong balance sheet and a comprehensive order book. It means our business is remarkably well positioned to accelerate its growth aspirations over the coming years.

Operational Performance

Our full-year performance in 2022 was impressive given the market conditions. The Company demonstrated its ability to bounce back from unprecedented worldwide events and move forward with greater confidence and a positive outlook.

In terms of operational performance, the business has placed a keen focus on profit margin. In bidding for work, we are of the belief that simply winning work to keep busy is not the objective. We are selective in choosing which projects we tender for, in an effort to improve the Company's overall operating margins, profitability and cash generation. This discerning approach will remain a key focus throughout 2023.

Duratec finished FY22 with a strong balance sheet. We achieved this through our commitment to operating a capital-light business with solid, reliable cash generation, which allows for the consistent delivery of dividends while providing the option for growth from targeted synergistic, bolt-on and complementary acquisitions.

Outlook and Pipeline

As outlined above, the outlook for Duratec is overwhelmingly positive. This is underlined by our recent award of a $16.5 million contract with the Department of Defence to deliver facilities and infrastructure works, over four stages, for offshore marine vessels at HMAS Coonawarra in Darwin. This project supports our expectation of continued revenue growth in FY23, which already has an order book of $458 million and tenders of $701 million within an overall $1.72 billion pipeline of tangible opportunities.

The year ahead looks to be a period of significant growth for the Company given current work on hand and the pipeline of work to be tendered. On behalf of the Duratec Limited Board, I sincerely thank Managing Director, Phil Harcourt, the leadership team and all employees for their dedication over what has been an unusual and challenging period. The commitment and professionalism shown by our people is a credit to them and a great asset to the Company. I also thank our shareholders, clients and suppliers for their valuable support over the last 12 months and throughout the pandemic.

I am very optimistic about the year ahead as we continue to deliver on a strong pipeline in improved conditions. I look forward to sharing the journey with you in 2023.

Yours faithfully,

Martin Brydon
Non-Executive Chairman - Duratec Limited

Date: 19 August 2022

FY22 Highlights

Financial Highlights

Revenue[1]	EBITDA[2]	NPAT
$310m	$19.3m	$7.8m
Up from $235.7m in FY21	Margin 6.2%	Up from $7.1m in FY21

Dividend[3]	EPS	Cash
2.0¢	3.2¢	$58.3m
Per share, fully franked	per share	Net cash position of $43.5m

1 Revenue excludes DDR Australia Pty Ltd (49% share).
2 Normalisation of EBITDA accounts for tax affect from Duratec Limited's 49% investment in DDR Australia Pty Ltd.
3 Interim dividend of 0.5 cents per share and final dividend of 1.5 cents per share fully franked.

Pipeline of Work

Order Book	Tenders[5]	Pipeline[4]
$458.0m	$701.0m	$1.72b
Up from $236.2m in FY21	Up from $657.2m in FY21	Down from $2.2b in FY21

4 Pipeline includes 49% share of DDR Australia Pty Ltd revenue.
5 Tenders includes submitted and currently being tendered opportunities.

Our People Highlights

Total Employees
857
Up from 725 in FY21

Women in Workforce
16.9%

Indigenous Workforce
6%

Operational Highlights

Projects
1,664
Undertaken in FY22

Client Base
235

Repeat Clients
83%

Industry Sectors
11

Offices
20
Nationwide

Employee Training
913
Courses delivered in FY22

Managing Director's Report

People and Culture

Duratec's employees are integral to our success. We aim to provide interesting and varied project opportunities, while cultivating a supportive environment and a workplace culture that acknowledges and appreciates its employees.

Attracting and retaining a diverse workforce is also important to our productivity, and providing opportunities for women in construction has been a focus in FY22. Duratec supports the theme of this year's International Women's Day, "Break the Bias". We are working to change the perception of women in construction and looking to improve the ways in which we can attract and retain more women in the business. Duratec has a highly skilled and qualified workforce of women who are employed in a variety of different roles. We continue to work on promoting, supporting and increasing the representation of women within the business each year. Duratec recognises that having more women in construction positively affects performance, profitability, productivity, innovation, mental health and inclusivity.

We are proud to announce the introduction of paid parental and partner leave to all Duratec employees, commencing May 2022. Duratec recognises the importance of parental and family responsibilities, and aims to encourage work-life balance. The introduction of this leave is a major step forward towards improving conditions for working parents.

The wellbeing of our staff is paramount, which is why we have continued to focus on mental health over the past 12 months. We recognise the importance of taking care of ourselves and each other, and have run a variety of training sessions to assist in the prioritisation of the issue. It is particularly relevant in light of the significant life changes that many people have experienced over the past two years as a result of the pandemic. Duratec participated in the Blue Tree Project as part of National Mental Health Month in October, and encouraged staff to check in on their friends and colleagues.

As part of our commitment to environmental sustainability, Duratec facilitates the recycling of non-compliant cladding that is removed during facade refurbishment projects. In WA, we have partnered with one of the world's largest recycling service providers, Remondis, which aims to operate within a circular economy and promote sustainable materials management. Remondis recently commissioned custom-built machinery to recycle material that no longer complies with Australian Building Codes. This means cladding is diverted from landfill and recycled via a process of separating panels into their components and repurposing them into sustainable products that can be used in building and industry. Duratec also ensures the recycling of any materials left behind from demolition projects.

The first project on which we partnered with Remondis was the facade refurbishment of the iconic Central Park tower in the Perth CBD. Duratec is removing 26,000sqm of panels, as well as making structural and aesthetic improvements, as part of a project, the scale of which has never before been seen in Australia. The delivery of this project will be a significant achievement for Duratec and the partnership with Remondis one we hope to continue.

Safety remains a key focus in all our operations. Duratec always seeks to ensure the provision of a safe workplace, the use of sound practices and procedures, the employment of experienced front-line supervision and the necessary resources to ensure all Duratec employees – as well as those who operate in the vicinity of our works – return home in the same condition as when they arrived. Our continuous improvement practices are supported by open and honest reporting in relation to incidents and potential incidents. We maintain focus on lead indicator safety observations and task inspections to promote safety awareness and support our project delivery teams..

Operational Overview

Duratec's FY22 operational and financial results reflect a year of two distinctly contrasting halves. The first half was impacted heavily by east coast COVID-19 outbreaks with state and territory governments shutting down key projects in New South Wales, the ACT and Victoria for up to four months, while we still had to maintain our project operational overheads.

Pleasingly, the second half saw a return to more stable operating conditions for the delivery of projects with minimal COVID-19 impacts other than the short-term absenteeism of some employees. These improved conditions resulted in strong revenue growth, an improvement in overall gross margin achieved and underlying profit contributions relative to H1FY22.

We commenced four major projects in FY22, namely, Central Park cladding replacement ($63 million), RAAF Base Tindal aviation fuel farm ($110 million), Western Sydney International Airport fuel hydrant main ($50 million) and HMAS Stirling Oxley Wharf extension ($27 million). These projects, all set for completion in FY24, are performing well and in line with expectations in terms of safety, program and financial contributions.

Throughout the year, Duratec secured other major projects as a result of soundly considered professional bids, building a historically high, solid, work-on-hand position of $458 million (inclusive of 49% relating to DDR, but excluding master service agreements, which represent $30–$40 million annually) – circumstances, which support an extremely positive outlook for FY23 and beyond.

Duratec closed the year with a total revenue of $310 million (excluding $73 million from DDR), up 31% from the FY21 revenue of $235.7 million.

Earnings before interest, tax depreciation and amortisation (EBITDA) in FY22 were $19.3 million (i.e. 6.2% of revenue), up 2.7% from FY21's EBITDA of $18.8 million.

Earnings before interest and tax (EBIT) were $10.2 million, up from $10 million.

Consolidated net profit after tax (NPAT) (inclusive of contribution from associates) was $7.8 million compared to $7.1 million in FY21.

Defence

In FY22, the Defence services sector delivered revenue of $135 million, up from $98.8 million in FY21; and a gross profit of $18.1 million, up from $16.9 million in FY21.

The Defence sector revenue growth was much stronger in 2H than 1H, which was adversely affected by four months of COVID-19 shutdowns in New South Wales, the ACT and Victoria. Encouragingly, by early November 2021, all projects were functioning normally. This continued for the remainder of the financial year, resulting in an overall improved financial performance.

Defence estate is responsible for more than 330 properties and 25,000 existing built assets. Refurbishment, repair and building of important assets, such as accommodation building upgrades, fuel infrastructure supply and installation, electrical asset upgrades and wharf extensions, in all Australian states and territories, continued to be Duratec's focus, with 100-plus multi-discipline projects delivered via an established presence on 70-plus bases.

Duratec's Defence team has grown to more than 175 employees and become a market leader thanks to its national coverage, base experience, strong relationships and thorough understanding of client requirements. Accordingly, Duratec has achieved a solid Defence work-on-hand position thanks to multiple contract awards, including the aforementioned $110 million aviation refuelling facility at RAAF Base Tindal and the $53 million design-and-construct wharf project at HMAS Stirling on Garden Island in WA, both of which are due for completion in FY24.

The Federal Government continues to be committed to significant expansion of Australia's Defence capability and FY23 spend is expected to increase. The volume of tendering has increased significantly and the pipeline of tangible, identified opportunities is very strong, which provides confidence for Duratec's continued growth in this sector.

Mining & Industrial

In FY22, the Mining & Industrial sector performed strongly, generating revenue of $75 million, up from $52.9 million in FY21, and a gross profit of $18.1 million, up from $10.4 million in FY21. Strong commodity prices and demand for precious and industrial metals, such as iron ore, nickel, lithium, alumina, gold and zinc, have reinforced the need for clients to maintain their infrastructure and avoid disruptions to production output. This has led to multiple contract awards, involving structural integrity upgrades to mining assets both on project sites and at port load-out facilities, in the North West of WA, the Northern Territory, Northern Queensland and Tasmania. Projects have generally been awarded on purchase orders and delivered via master services rates-based agreements.

During the year, we increased our geographical presence by establishing offices in Gladstone, Queensland, and Hobart, Tasmania, to meet the service needs of key clients. Prospects in the Mining & Industrial sector remain strong and we are well positioned with local resources to deliver up-and-coming projects.

Building & Facade

Our Building & Facade services sector delivered revenue of $64.7 million in FY22, up from $39.9 million in FY21, and a gross profit of $10.2 million, up from $9.8 million in FY21.

The revenue from Building & Facade works in New South Wales and Victoria was adversely affected by the previously mentioned four months of COVID-19-related shutdowns, during which Duratec carried the cost of project overheads. In November 2021, however, all projects returned to normal operating conditions.

During the year, we worked on six mid-sized projects in the Eastern States, while in WA, there were four larger projects, including the $63 million Central Park tower. Our Central Park team had completed all temporary site establishment works by January 2022 and cladding replacement, using mast climber access systems, is currently underway. This project is due for completion in FY24.

Building facade issues related to combustible cladding continue to become more prevalent as pressure is applied by insurers and building code compliance regulators. This has resulted in an increased demand for Duratec's paid ECI technical services. As well as conducting due-diligence investigations on existing building facades, we have been actively involved in full-scale fire test modelling for key clients. The focus is very much on important public building infrastructure, such as schools, hospitals and offices, but there is also increasing demand from the private sector.

Our dedicated team is well positioned to secure and deliver more works in this market sector and as part of Duratec's commitment to environmental sustainability, all recladding projects include the recycling of non-compliant cladding materials, using custom manufactured machinery.

Other (including Energy, Ports, Transport and Water/Wastewater infrastructure)

For FY22, Other projects contributed revenue of $35.5 million, down from $44.1 million in FY21, and a gross profit of $2 million, down from $8.7 million in FY21. This segment includes a diverse range of infrastructure, from fuel infrastructure facilities, power station infrastructure and reinforced concrete-and-steel wharf and jetty structures to road and rail bridges, potable water reservoirs and wastewater facilities.

Since 2018, Duratec has been strategically focusing on Australian fuel infrastructure upgrade opportunities and our dedicated team has successfully delivered 18 projects. Leveraging off this proven capability, it was exciting to be awarded the previously mentioned $50 million Western Sydney International Airport (WSIA) fuel hydrant main project in November 2021. Works are progressing in line with expectations and will continue throughout FY23 with completion expected in FY24. Despite being a new-construction and long-duration project, the WSIA works were rigorously considered during the tender phase and have been designed to mitigate risk. The well-resourced project will contribute strongly to FY23 revenue.

Technical

Demand for Duratec's technical services has continued to grow throughout FY22, and the team of engineers now has a diverse range of clients from all market sectors. Increasingly, clients wish to understand the condition of their infrastructure and obtain an appreciation of future operational expenditure. To meet this demand, Duratec has invested in technology to capture and report data in an efficient and reliable manner.

Data capture techniques include the use of drones to take high-resolution images of concrete-and-steel structures. This can then be combined with precise survey data, laser scanning and thermal imaging to accurately reconstruct the asset into a 3D model. These techniques, along with in-house sampling and destructive laboratory testing, allow for the reliable analysis of a structure and an accurate condition assessment. This information is then presented to the client in a detailed report, complete with commercial options, enabling asset owners to make well informed decisions.

This ECI model has enabled Duratec to secure many opportunities in FY22, including our first $13 million managing contractor project to manage the rehabilitation of former Defence and other Commonwealth infrastructure on six Sydney Harbour Federation Trust properties.

Duratec's technical work-on-hand position and pipeline of opportunities support an outlook of ongoing growth in asset remediation and rehabilitation.

DDR Australia

Duratec's Aboriginal and Torres Strait Islander associate business, DDR Australia, continued to perform strongly throughout FY22, with revenue of $73 million, up from $45.9 million in FY21. This is primarily a result of delivering Supply Nation-certified works for Defence in regions which have largely not been impacted by COVID-19. The DDR business provides genuine long-term opportunities for Aboriginal and Torres Strait Islander peoples in an environment which is welcoming, respectful and embracing of their culture. Since its incorporation in 2017, the business has grown to be one of the most respected in its segment of operation, with solid prospects associated with increased Government spend expected from Indigenous procurement policies. Our outlook for DDR is for a very good performance in FY23.

Outlook

The outlook for FY23 and beyond is overwhelmingly positive, thanks to:

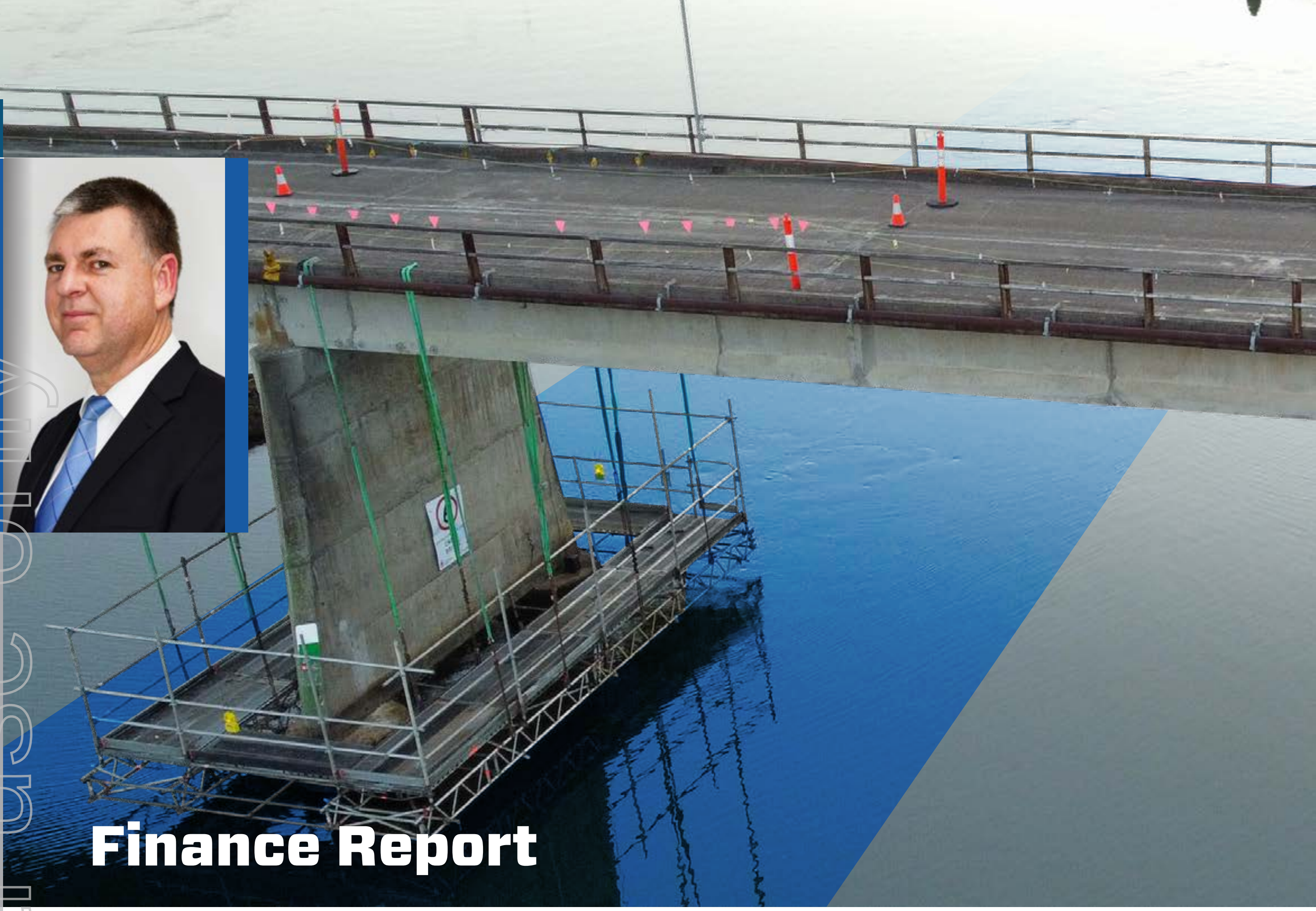
- A return to more stable operating conditions after two years of COVID-19 disruptions
- A historically strong order book of $458 million (excluding $30–$40 million in MSAs per annum)
- Key business demand drivers now active in all market sectors nationally
- Overall strength in Duratec's operational capacity

This view is further supported by increased investment in the market sectors which Duratec services, where we are seeing clients upgrading, refurbishing and extending the life of existing infrastructure. Duratec's geographical footprint, diversity of clients and $1.72 billion pipeline of opportunities put the Company in an ideal position to secure work, deliver projects and meet the needs of our clients. Our organic growth strategies will continue, as will the disciplined evaluation of potential acquisition opportunities, specifically those that are a good cultural fit and provide complementary service offerings in existing market sectors.

Duratec has budgeted for a very solid performance in FY23, based upon the current volume of work on hand, which includes four major projects, with a total contract value of $222 million, all performing in line with expectations. We have a strong pipeline of opportunities and confidence we can deliver revenue, underlying profit growth and strong cash generation with the improved operating conditions. We expect a return to historical year-on-year growth, with the overall outlook for FY23 and continuing into FY24 very favourable.

Robert (Phil) Harcourt
Managing Director

Date: 19 August 2022



Finance Report

Revenue & Profitability

Duratec recorded strong improvement in performance over the second half of FY22, which saw the full year revenue end at $310.0m, a substantial increase of $74.3m (31.5%) compared to FY21. Net profit after tax (NPAT) for the year was down by $0.8m (9.3%) to $7.8m (FY21: $8.6m), which had been normalised to remove the impact of the Company's Initial Public Offering (IPO) and its disposal of associate business Fortec Australia Pty Ltd, in FY21. FY22's second half contributed $7.0m (90.6%) of the full-year NPAT, reflecting the significant turnaround in financial performance compared to the first half.

Duratec achieved very strong levels of revenue growth in each of its significant operating segments of Defence (up by 36.6%), Mining & Industrial (41.6%) and Buildings & Facades (62.3%), although this was partly offset by reduced activity in Other operating segments (down by 19.7%). From a regional perspective, Duratec recorded higher revenues in all states and territories compared to FY21.

FY22 total gross profit was $48.4m, which was $2.6m (5.7%) higher than in FY21. Gross profit increased at a much lower rate than revenue due to the overall average gross margin dropping to 15.6% over FY22, down from 19.4% in FY21 and from 15.8% in the first half of the year. This reduction in average gross margins can be attributed to multiple factors, including the higher proportion of historically lower margin Defence sector work performed, increased costs of doing business, greater competition to secure new work and the one-off adverse impact of a small number of challenging jobs performed in FY22.

Business overheads were higher in FY22, partly due to growth in regional-based administrative support to assist with the delivery of more work in those regional areas. Employee benefits expenses also came under pressure during the year due to increasing labour shortages in most areas.

Other income was similar to the prior period, with Duratec again receiving fully franked dividends of $1.5m from its 49% owned associate business, DDR Australia Pty Ltd (DDR).

Duratec's effective tax rate was 23.0% for the year (24.0% when including prior year adjustments). This was lower than the statutory corporate tax rate, predominantly due to the nature of equity accounting for associates, which requires recognition of the after-tax movement in Duratec's investment in DDR for the year in its NPAT, whereas the tax-paid nature of the dividends received from that entity come with imputation credits to be applied to Duratec's own income tax position.

Overall results for the year reflected the continued impacts of COVID-19 in the first half, with ongoing delays in award of projects, changes in client priorities and operating inefficiencies, before more normal trading conditions returned in the second half. Labour shortage issues increased over the year. With several large projects underway, strong growth in revenues achieved in the second half led to a significant turnaround in profitability.

Balance Sheet & Cash Flow

Duratec's balance sheet strengthened further over the year and ended FY22 with a very strong cash on hand balance of $58.3m, with net cash position of $43.5m (cash less borrowings and right-of-use liabilities). Net assets ended the year at $31.0m, up $5.0m (19.4%) compared to FY21. Borrowings remained low and Duratec has used these to purchase fixed assets via asset finance facilities, predominantly plant and equipment for use on projects. Trade debtors have continued to be well-managed, with Duratec's clients generally being high quality and predominantly trading within agreed payment terms, with minimal bad debts being experienced since the company's inception.

Net operating cash flow for FY22 was very strong at $26.5m, compared to $10.7m, excluding IPO-related costs, in FY21, driven by significantly increased receipts from clients, particularly in the last few months of the year, largely because of revenue growth in the second half. Capital expenditure during the year was $7.4m, which was $3.5m lower than in FY21, mainly due to some significant one-off costs being incurred in FY21. In contrast, purchases in FY22 were almost exclusively focused on motor vehicles and equipment required to deliver projects. Duratec paid $4.8 million in dividends in FY22.

Shareholder Returns

The Duratec Board resolved to pay a fully franked final dividend of 1.5 cents per share, bringing the total dividend for the year to 2.0 cents per share. Although this is higher than the Board-approved policy range of between 30% to 50% of after-tax profits, the Board believes that this still strikes a prudent balance between the desire to provide returns directly to shareholders as dividends and the business' need to retain funds for future growth opportunities.

Paul Ryan
Chief Financial Officer

Date: 19 August 2022

Finance Report
Next: Risk Management
Then: People & Quality Management
Then: Outlook

Figure 1. FY21 Revenue by Operating Segment

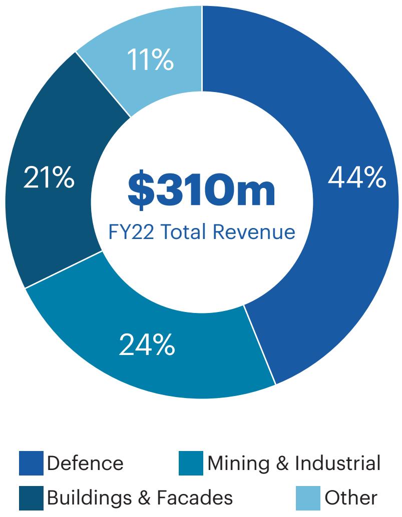


Figure 2. Annual Revenue by Operating Segment

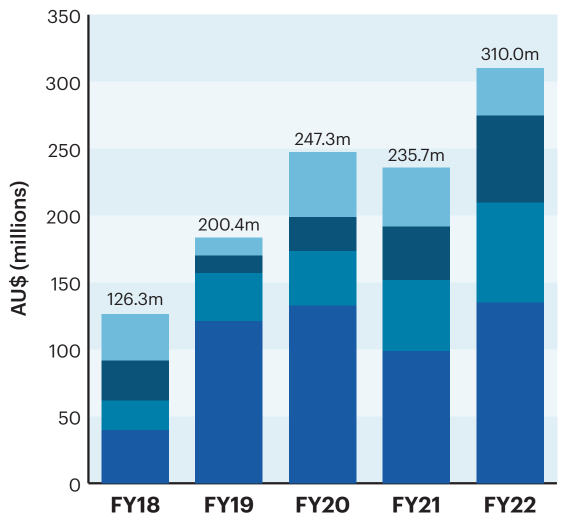
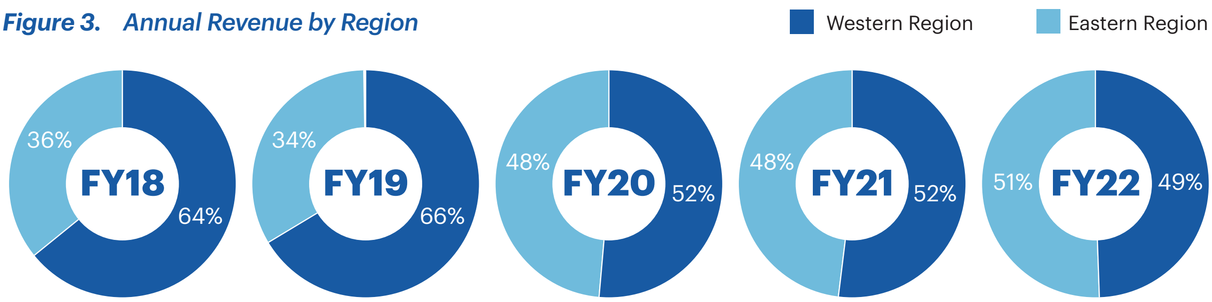
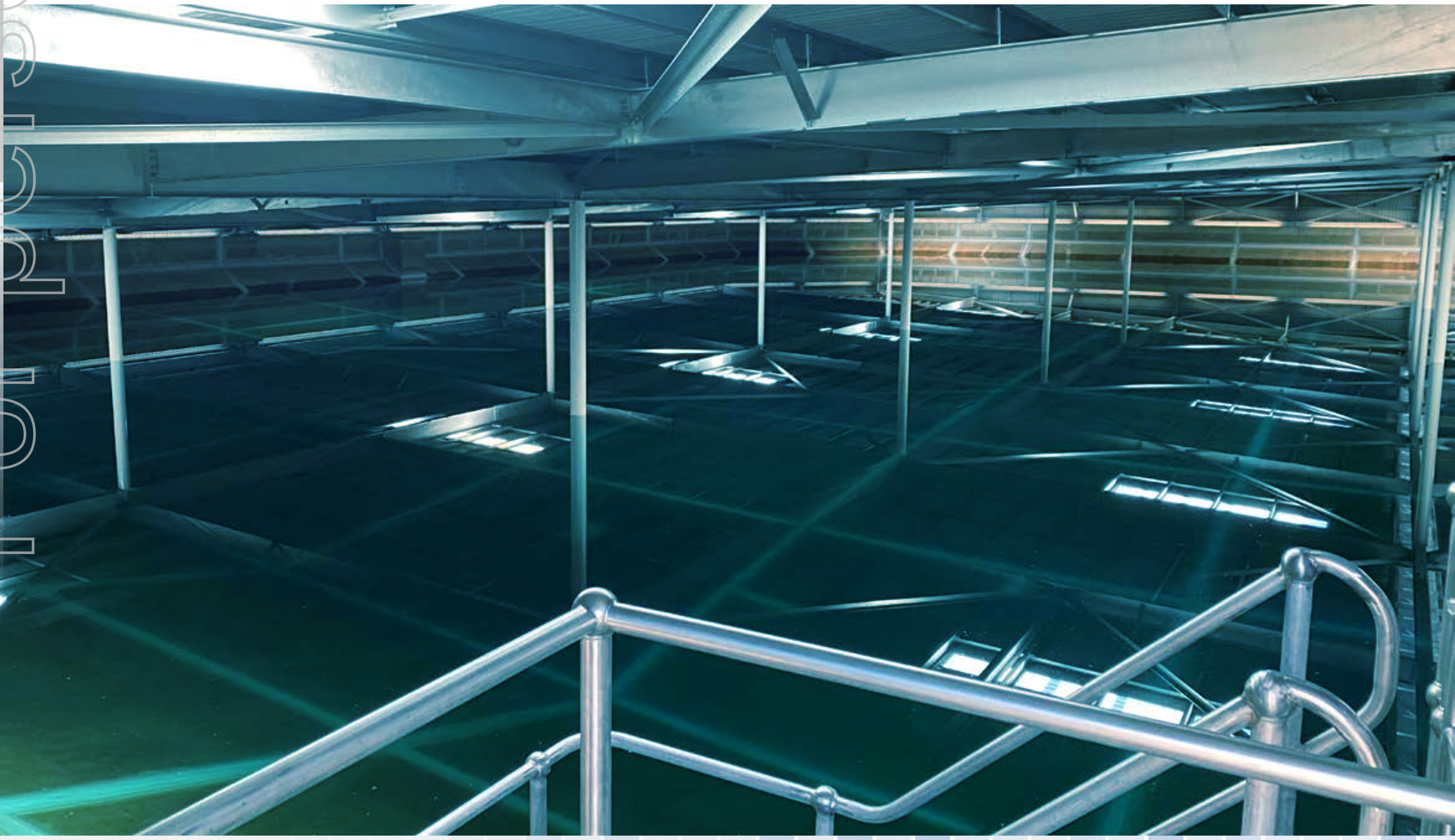


Figure 3. Annual Revenue by Region





Risk Management

Duratec's risk management framework, as outlined in the Corporate Governance Statement, incorporates effective risk management. The Audit and Risk Committee, a Board sub-committee, oversees risk. The risks outlined below represent a summary of the more significant risks that the Company is exposed to and is not presented in any particular order.

Safety Incidents

Employee and contractor workplace incidents that could lead to serious injury or death could materially impact the operations and financial results of the Company.

Mitigation Strategies

The safety function reports to the Managing Director and all key activities are risk assessed. The Company has a safety team that supports the business at the operational level. The Company actively monitors lead, lag and other safety related KPI's. Systems and processes have been updated during FY22 to further streamline and support these objectives. The Company actively monitors employee and contractor qualifications to ensure they meet or exceed requirements.

Safety Regulation

The Company operates in a highly regulated environment and is required to hold relevant certifications and approvals to operate. Failure to maintain these approvals could result in fines and interrupt the business operations.

Mitigation Strategies

The Company maintains registers of its certifications and regularly reviews key policies, procedures and legislation to ensure it remains compliant.

COVID-19

The impact of the COVID-19 pandemic has created uncertainty across supply chains, customers, and the community in general. The Company has seen some delays in the award of projects and operational issues in H1 FY22 due to COVID-19.

Mitigation Strategies

The Company has implemented a COVID-19 management plan. The Company remains agile with respect to potential operational impacts that could arise from a reassessment of risk by the Company and in response to any changes to government policies.

Human Resources

Inability of the Company to retain and attract key personnel whose technical expertise is important in securing projects and effectively delivering against contracted project commitments.

Mitigation Strategies

The Company has many long term and loyal employees. It offers employees rewarding careers and stimulating work in an environment where they have development opportunities. The Company has a Human Resources function that actively manages programs designed to develop talent and embraces a diverse and inclusive culture.

Customers Reliance

Reliance on key clients, specifically the Department of Defence.

Mitigation Strategies

The Company has dedicated resources to manage the Department of Defence related projects. Resources manage risks associated with each contract and are overseen by management along with other business support functions. Contract specifications are reviewed and agreed with clients to reduce the risk of incorrectly specified projects. Separate contracts are negotiated for each project engagement and there are no contractual linkages between the separate Department of Defence contracts.

Poor Quality Project Delivery

Project issues, including scope and delivery, compromising the quality of project outcomes.

Mitigation Strategies

The Company has a dedicated tendering and quality team and is led by experienced personnel who invest time in understanding client requirements. Lessons learned on previous projects are documented and shared which assists with a process of continuous improvement. In addition, the Company utilises the Early Contractor Involvement (ECI) client engagement model on many larger projects where the first stage of the project is a discrete activity designed to confirm the project specification and further reduce risk of an incorrectly specified solution.

Competition

Competition in the markets the Company operates could result in reduced margins, lost market share and lower growth.

Mitigation Strategies

The Company maintains a disciplined and risk-based approach to identifying opportunities, tendering and project execution. It also reviews lessons learned from key projects to ensure there is a process of continuous improvement in this cycle.

Contract Termination

Termination for convenience could result in the loss of a contract and impose unplanned costs on the Company

Mitigation Strategies

This risk exists in Department of Defence contracts and in limited examples of other commercial engagements. It would typically arise due to poor performance by the Company. The Company seeks to mitigate this risk through its superior performance, conduct and flexibility to deliver at or above expectations.

Supply Chain Risk

Supply chain risk associated with over reliance on key suppliers and unexpected cost increases.

Mitigation Strategies

The Company has a procurement function that reviews key supplier exposure with typically more than one supplier for individual items procured. In relation to commodity related items, which the use varies from project to project, costs are influenced by prevailing commodity prices. Current estimates are utilised in tendering processes to minimise risk to the Company. The Company reviewed potential exposure to Modern Slavery under the Modern Slavery Act 2018 with no issues noted.

Subcontractor Risk

Subcontractors are engaged on many projects and as a result they need to be carefully managed to ensure they are effective, that they understand and follow the Company's policies and procedures in all relevant respects including safety.

Mitigation Strategies

The Company inducts subcontractors so that they understand Duratec expectations, they are supervised and are assessed on a regular basis for suitability for involvement on Duratec projects.

Legal Risk

The Company regularly executes customer, supplier and employment contracts. There is an inherent risk of contractual issues that could result in financial loss.

Mitigation Strategies

The Company has a commercial team that works closely with operational leaders in the review and negotiation of contracts. There is a formal contract review and approval process to help mitigate this exposure. Employment risks are managed by Human Resources policies and procedures. To limit potential losses, the Company maintains various insurance policies.

Information Technology and Cyber Risk

Continuity of business systems and risk of financial loss resulting from cyber penetration.

Mitigation Strategies

The Company has in place policies and protocols for managing system access, data storage and data recovery. These processes are tested and reviewed periodically with third party auditors engaged to assist as required.

Reputation

Loss of confidence in the Company because of an event that falls short of community and stakeholder expectations.

Mitigation Strategies

Employees are trained on the requirements of key policies including; Code of Conduct, health and safety, bullying and harassment, anti-bribery and competition.

Increased Competition

Excessive competitive pressure may drive down project margins, take market share and slow business growth.

Mitigation Strategies

The Company welcomes competition but adopts a disciplined approach to tendering and will only participate if the reward is appropriate to the level of risk involved.

Access to Finance

Access to funds for business sustaining and growth activities.

Mitigation Strategies

The Company has in place facilities for project guarantees and asset financing that are appropriate to current and future needs.

Bad Debt

Counterparty risk involving the risk of a customer failing to pay its debts and the consequential adverse financial impact on the Company.

Mitigation Strategies

The Company has thorough credit assessment processes that are applied before a project is accepted, active monitoring and follow up of debtor payments, and, rapid escalation if issues are identified. These strategies have seen low credit losses in recent years. The Company remains vigilant to the risk of credit losses particularly in the context of an uncertain market.

Our People

Human Resources

As at 30 June 2022, Duratec had a workforce of 857 employees, with the skills and talent to deliver a wide range of projects nationally.

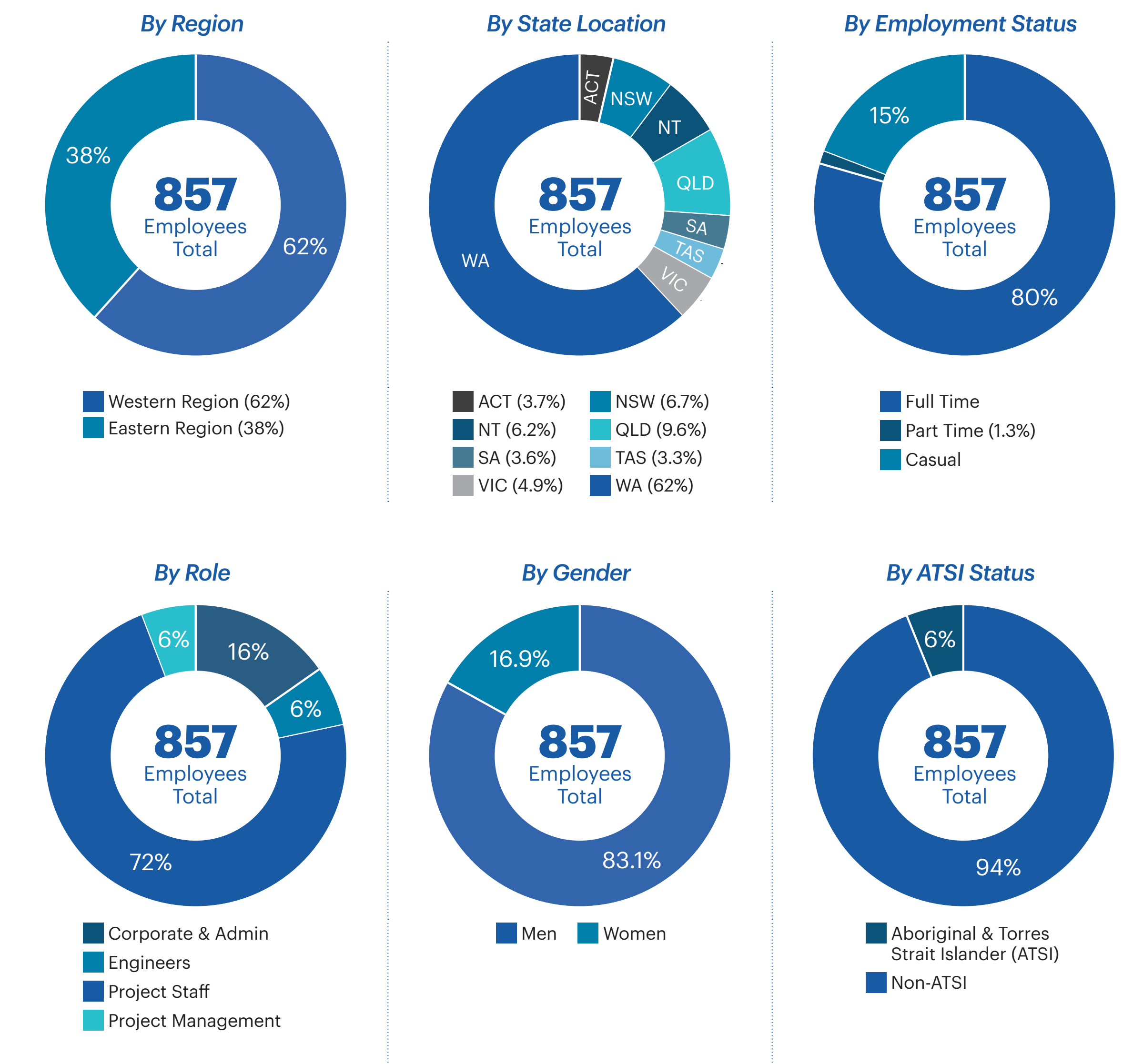
The labour market in FY22 was particularly challenging. As the constraints of COVID-19 lifted, and project activity increased, competition to attract talent was magnified in a favourable market for candidates. Recruitment activity in November – December 2021 was 50% higher and doubled in January – February 2022 compared to our typical recruitment activity.

Response rates from female candidates improved over the past 12 months, aided by initiatives to promote employee value propositions in advertising campaigns, including flexibility in work arrangements and working from home.

Duratec has an employee referral program that recognises and rewards existing employees who recommend a colleague from their professional network, who aligns with Duratec's values and is successfully hired. The Company significantly increased this reward, which reinvigorated the referral program to the mutual benefit of employees and the Company.

There has been significant pressure on remuneration in both job offers and in retaining existing staff in the current tight labour market. Duratec recognises this as a factor in employee retention and turnover that has increased recruitment activity. Consequently, retention initiatives became an area of focus in the later part of FY22 as the constraints of COVID-19 eased and more external career opportunities became available.

Figure 4. Employee Breakdown as at 30 June 2022



Graduates and Trainees

Duratec currently has 16 graduates undertaking a formal program, rotating through areas of the business to gain experience in end-to-end project delivery and across industries.

There are currently 37 trainees at Duratec attaining formal qualifications in various disciplines.

Throughout 2021, Duratec successfully developed and implemented a Surface Preparation Certificate to recognise the unique and existing skills of our employees and improve capability. This has proved to be a popular certificate recognised and sought after by clients and a significant addition to our employee value proposition.

People and Culture

Duratec continued to identify new opportunities to enhance our employee value proposition with the introduction of Paid Parental Leave. Significantly, the leave recognises the diversity of family units including same sex couples and paid leave benefits available for both primary and secondary carers.

Mental Health remained a focus with the continued expansion of a network of internal accredited mental health first aiders trained in supporting employees across the business, enabling awareness and open conversations for the mental wellbeing of our employees.

New employee surveys were added to the employee onboarding process, providing a valuable feedback loop for the HR team to coach managers to engage with new employees, setting up for a successful orientation to Duratec.

After an extensive search, Duratec identified new software in 2021 to provide an efficient HR information and administration tool for the efficient management of our employees. Duratec will implement this in the current calendar year.

Learning and Development

The Company's learning management software continues to play a vital role in delivering inductions and internal training solution. The Company has rapidly expanded the courses available updated many training modules to reflect new content and refreshed expiry dates to ensure employees refresh their learning.

Making inductions accessible prior to mobilisation to client projects has been a significant efficiency that Duratec is now rolling out to subcontractors.

Duratec accessed the additional funding opportunities available due to COVID-19 to offer additional traineeship opportunities to both new and existing employees. Business units have engaged on this with a proactive approach to address skilled labour requirements in the future.

Learning and development opportunities continued to be important for employee retention in FY22, with paid leave and financial assistance accessed by more employees to pursue graduate qualifications or new career pathways.

Duratec has recently purchased a virtual reality (VR) blast and paint system called VirtualPaint for the training and development of new and experienced painters. VR is rapidly changing the way in which inductions and training is completed around the world. Advancements in virtual reality technologies have created exciting opportunities to transform the value of workforce training. VirtualPaint is an educational VR training system developed to engage safe classroom learning, build self-confidence, display immediate feedback, motivate performance improvement and eliminate resource consumption. This is the first VirtualPaint unit to be brought into Australia.

In FY22, Duratec delivered 913 individual courses, workshops and bespoke training solutions to broaden the skills and capability of our teams.

Safety

Duratec continue to invest in HSEQ resourcing, safety initiatives, training, and technology to provide greater coverage, capability and building of safety culture across the business.

There was significant HSEQ recruitment in the Eastern States corresponding to the growth experienced in those areas of operations.

Duratec instigated and implemented a number of health and safety initiatives, including the engagement of a psychologist specialising in Safety Leadership and Culture development to strengthen our safety culture. The Company is in partnership with a training institute to provide customised leadership training for supervisors which complements the recently reviewed Supervisor Reference Guide.

Systems and Process Improvements

As a business, Duratec constantly looks at ways to improve systems and processes to mitigate risk to the business and create operating efficiencies.

Duratec aims to strengthen risk management processes with a re-focus on task-based hazard identification and risk assessment by reverting to Job Hazard Analysis (JHA) for non-high-risk activities and support Safe Work Method Statements (SWMS) for high-risk activities.

Complementing the JHA and SWMS, Duratec introduced a personal risk assessment called a Safe Start to engage the workforce and provide efficiencies in hazard identification and risk management.

These improvements have been trialed across a variety of projects to provide a representative cross section of the business. Feedback has been gathered from the workforce which has been positive and encouraging that this improvement initiative will bring benefits to the Duratec's risk management process.

Sustainability

Duratec is committed to sustainable development of work practices to contribute positively on the environment and minimise its environmental impact.

The Company recently completed a project to remove approximately 136 tonnes of toughened glass, of which almost 100% was recycled, with only a small amount of laminate material going to waste. The end-use for the glass was a combination of insulation manufacture, bottle manufacture, blasting aggregate and pool filtration media. In addition, we removed almost 7.8t of aluminium, which was also recycled. With Duratec entering into new markets in the building cladding space, it is forming partnerships with recycling service providers to maximise recycling of ACP panels removed from buildings.

COVID-19 Response

Duratec has remained agile and responsive to ensure prioritisation of the health, safety and welfare of our employees regarding COVID-19 . The Company introduced a Vaccination Policy to reinforce Duratec's commitment to stopping the spread of the virus and support the implementation of the numerous and varied mandated requirements in each state. Processes remain in place to respond to any changes and accommodate client requests for vaccination records.

Tangible opportunities of $1.72b on 30 June 2022 provides exciting outlook prospects

Outlook

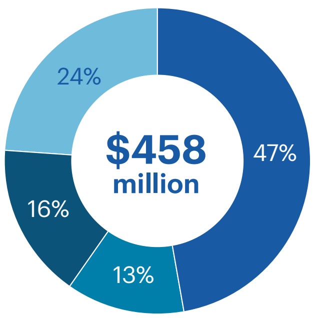
During the second half of FY22 Duratec' s performance has improved significantly, as evidenced by the revenue and operating profit achieved, with more normal operating conditions now the risk of State Government restrictions from COVID-19 have substantially eased. Our business drivers are active in all market segments and geographical areas serviced by Duratec. This has resulted in good quality opportunities to tender and secure. Encouragingly, we have had considerable success in tendering such that the order book is at an historical high level, $458.0m, and tangible opportunities of $1.6b on 30 June 2022 provide exciting outlook prospects.

Duratec is currently delivering 366 projects, including four major projects, (Central Park recladding, $63m, Oxley Wharf Extension, $53m, Western Sydney International Airport aviation fuel infrastructure, $50m, and RAAF Base Tindal aviation refueling facility, $110m), which are well underway and all performing well in line with expectations. Accordingly, Duratec has budgeted for strong growth in FY23 reflective of pre-COVID-19 historical year on year growth. Duratec has very good operational leverage to support the budgeted growth with strong focus upon disciplined growth of revenue, underlying profit, and cash generation.

Growing and Diversified Pipeline

Diversified across industry sector and geographies (54% Eastern Region and 46% Western Region).

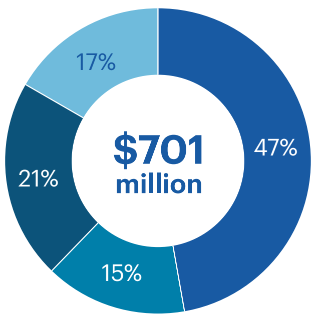
Figure 5. Order Book



▲ from $236.2m

at 31 July 2021

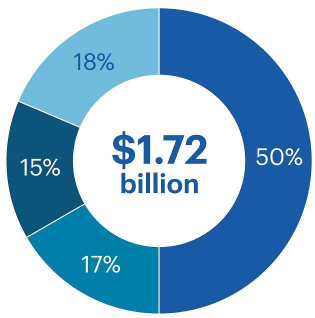
Figure 6. Tenders



▲ from $657.2m

at 31 July 2021

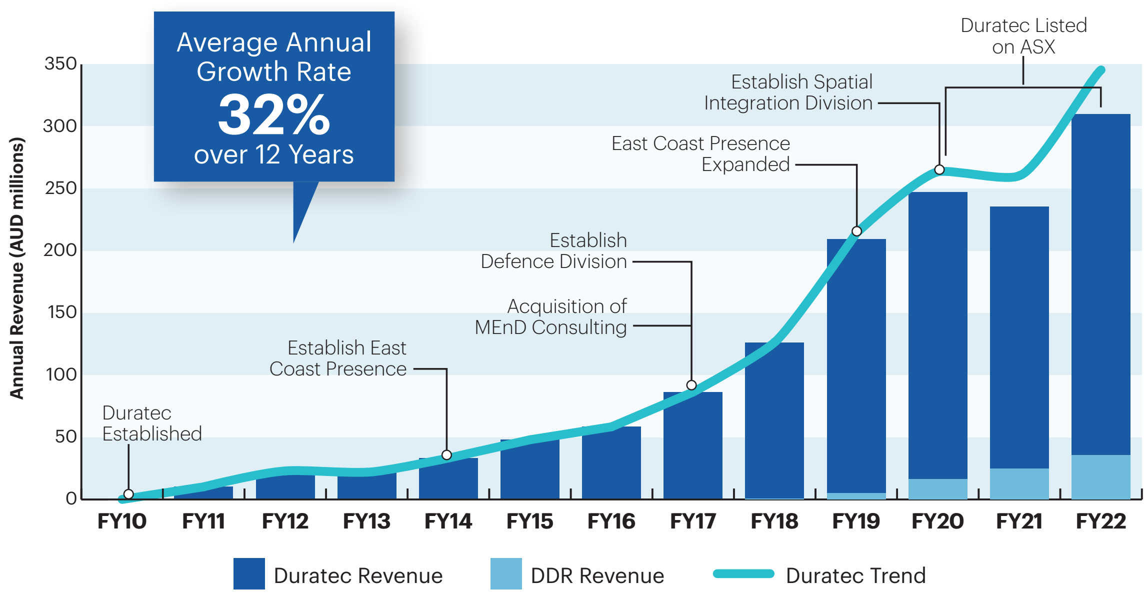
Figure 7. Pipeline



▼ from $2.2b

at 31 July 2021

Defence | Buildings & Facades | Mining & Industrial | Other



Duratec has very good operational leverage to support the budgeted growth

Directors' Report

The Directors of Duratec Limited present their report, together with the consolidated financial statements of Duratec Limited ABN 94 141 614 075 ("the Company" or "Duratec") and the entities it controlled (together referred to as "the Group" or the "consolidated entity") at the end of, or during, the year ended 30 June 2022.

Directors and Company Secretary

Name	Position	Period of Directorship
Robert (Phil) Harcourt	Managing Director	Appointed 26 August 2010
Martin Brydon	Non-Executive Chairman	Appointed 1 September 2020
Christopher Oates	Executive Director – General Manager	Appointed 26 August 2010
Gavin Miller	Non-Executive Director	Appointed 14 April 2010
Dennis Wilkins	Company Secretary	Appointed 1 September 2020

Information on Directors and Company Secretary

The experience, other directorships or special responsibilities of the directors in office at the date of this report are as follows:

Martin Brydon

Non-Executive Chairman
(Appointed 1 September 2020)

Mr Brydon is currently a Non-Executive Director of the New Zealand and Australian listed company Fletcher Building Limited and resides in Perth. Mr Brydon has more than 30 years' experience in the Australian construction materials and building product industries commencing as an electrical engineer at Cockburn Cement Limited (CCL) in WA before moving into roles in operations management, sales & marketing and general management before ultimately becoming Chief Executive Officer. When CCL was merged into Adelaide Brighton Limited (ABL) in 1999, Mr Brydon became Executive General Manager - Strategy and Business Development and worked closely with the Managing Director in formulating and executing strategy. This included ABL entering the downstream businesses of concrete and concrete aggregates and masonry products through a series of acquisitions. Mr Brydon was appointed Chief Executive Officer of ABL in May 2014 and was appointed to the ABL Board as Managing Director in November 2015. He retired from ABL in January 2019. During his tenure, ABL grew to have a market capitalisation of over $4 billion and was included in the S&P ASX100 index.

Mr Brydon is an independent Director as in the Board's view he is free from any business or other relationship that could materially interfere with or reasonably be perceived to materially interfere with the independent exercise of his judgement.

Other Listed Company Directorships in last 3 years

- Fletcher Building Limited

Special Responsibilities

- Chair of the Nominations and Remuneration Committee
- Member of the Audit and Risk Committee

Interests in shares of Duratec Limited

52,758

Robert (Phil) Harcourt BEng (Civil), CPEng.

Executive Director - Managing Director

Mr Harcourt has over 48 years of experience in the civil and structural engineering industry. During this time Mr Harcourt has held numerous roles including; Senior Project Engineer and CEO of Savcor Finn Pty Ltd, and Chief Operations Officer of the publicly listed company Savcor Group. Mr Harcourt along with two trusted colleagues established Duratec in 2010 and in his role of Managing Director has led the Company through a period of rapid growth to become a highly recognised and reputable specialist civil remediation contracting company. As Managing Director, Mr Harcourt is responsible for the overall management of the Company, Health, Safety, Environment and Quality, strategic planning, new business opportunities and risks and business development.

Other Listed Company Directorships in last 3 years

None

Special Responsibilities

- Member of the Audit and Risk Committee
- Member of the Nominations and Remuneration Committee

Interests in shares of Duratec Limited

26,653,389

Christopher Oates

BAppSc (Construction Management)

Executive Director – General Manager

Mr Oates holds a Bachelor of Science in Construction Management and Economics and has over 25 years' experience in the construction and remediation industries. As General Manager and Executive Director of Duratec, Mr Oates is responsible for the general management of the Company in Western Australia and the Northern Territory and has been involved in securing and delivering a wide range of projects across numerous sectors, including mining & resources, oil & gas, water & wastewater, transport infrastructure, marine as well as direct engagement with projects on Department of Defence bases across Australia. Mr Oates is a registered builder across the business in several states and territories.

Other Listed Company Directorships in last 3 years

None

Special Responsibilities

- Member of the Audit and Risk Committee
- Member of the Nominations and Remuneration Committee

Interests in shares of Duratec Limited

26,653,389

Gavin Miller

Non-Executive Director

Mr Miller is a Certified Practising Accountant, Chartered Secretary and graduate of the Australian Institute of Company Directors. He has over 30 years of financial and commercial management experience in various industries, including manufacturing, utilities and civil construction.

Other Listed Company Directorships in last 3 years

None

Special Responsibilities

- Chair of the Audit and Risk Committee
- Member of the Nominations and Remuneration Committee

Interests in shares of Duratec Limited

20,000

Dennis Wilkins

Company Secretary

Mr Wilkins is the founder and principal of DWCorporate Pty Ltd, a privately held corporate advisory firm providing governance, compliance and capital raising services. Since 1994 he has been a director of, and involved in the executive management of, several publicly listed companies with operations in Australia, PNG, Scandinavia and Africa. Mr Wilkins is currently a Director of Key Petroleum Limited, and an alternate Director of Middle Island Resources Limited.

Directors' Meetings

The number of Directors' meetings and the numbers of meetings attended by each Director of the Group during the financial year were:

	Bard Meetings		Audit & Risk		Nomination & Remuneration	
	Attended	Held	Attended	Held	Attended	Held
Martin Brydon	11	11	2	2	1	1
Robert (Phil) Harcourt	11	11	2	2	0	1
Christopher Oates	11	11	2	2	0	1
Gavin Miller	11	11	2	2	1	1

The principal activities of the consolidated entity during the period were the provision of assessment, protection, remediation and refurbishment services to a broad range of assets, in particular steel and concrete infrastructure. No significant change in the nature of these activities occurred during the period.

For personal use only

Review of Operations

For the year ended 30 June 2022, the consolidated entity generated revenues of $310,002,563, an increase of 31.5% on the previous year. Profit after income tax for the year was $7,760,739, an increase of 8.8% on the previous year.

	Jun-22 $'000	Jun-21 $'000
Revenue from contracts with customers	310,003	235,709
Profit after income tax	7,761	7,131

Significant Changes in State of Affairs

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

Matters Subsequent to the End of the Financial Year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Federal and State Governments such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Dividends

Dividends paid or declared since the start of the financial year were $4,763,000 (2021: $26,843,000).

Since the end of the financial year, the Directors have recommended the payment of a final ordinary dividend for 2022 of 1.5 cents per fully paid share, franked to 100%, to be paid on 5 October 2022.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Options

No options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Non-audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in "Note 26" to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in "Note 26" to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Next: Remuneration Report (audited)
Next: Auditor's Independence Dec...
Next: Financial...

Indemnity and Insurance of Officers

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

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives 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.

Indemnity and Insurance of Auditor

To the extent permitted by law, the Company has agreed to indemnify it's auditors, RSM, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify RSM during the financial year, or since the financial year end.

Corporate Governance Statement

The board of Duratec Limited is responsible for corporate governance. The Board has prepared the Corporate Governance Statement in accordance with the third edition of the Corporate Governance Council's Principles and Recommendations, which is available on the Company's website at www.duratec.com.au under the 'Investors' section.

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.

Auditor's Independence Declaration

As required under section 907C of the Corporations Act 2001, please see "Auditor's Independence Declaration" on page 37

On behalf of the directors,

Robert (Phil) Harcourt
Managing Director

Date: 19 August 2022

Remuneration Report (Audited)

The Directors present the Duratec Limited 2022 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

Voting and comments made at the Duratec Limited's 2021 Annual General Meeting ('AGM')

At the 2021 AGM, 99.95% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

The report is structured as follows:

(a) Key management personnel (KMP) covered in this report
(b) Remuneration policy and link to performance
(c) Elements of remuneration
(d) Link between remuneration and performance
(e) Remuneration expenses
(f) Contractual arrangements with executive KMPs
(g) Non-executive director arrangements
(h) Additional statutory information

(a) Key Management Personnel Covered in this Report

Non-executive and executive directors
(for details see "Information on Directors and Company Secretary" on page 25).

- **Martin Brydon**
  Non-Executive Chairman
  (Appointed 1 September 2020)
- **Gavin Miller**
  Non-Executive Director
- **Robert (Phil) Harcourt**
  Executive Director
- **Christopher Oates**
  Executive Director
- **Paul Ryan**
  Chief Financial Officer
- **Deane Diprose**
  Executive Director
  (Resigned as Executive Director on 31 August 2020, continued as KMP from 1 September 2020)
- **Oliver McKeon**
  Executive Director
  (Resigned as Executive Director on 31 August 2020, continued as KMP from 1 September 2020)
- **James Giumelli**
  Non-Executive Director
  (Resigned 31 August 2020)
- **Michael Best**
  Non-Executive Director
  (Resigned 31 August 2020)

(b) Remuneration Policy and Link to Performance

Any review of remuneration is determined by the Nomination and Remuneration and approved by the Board. In the 2021 year, the Board directly undertook the review and approval function. The Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent,
- aligned to the Company's strategic and business objectives and the creation of shareholder value, transparent and easily understood, and
- acceptable to shareholders.

Assessing Performance

The Nomination and Remuneration Committee is responsible for assessing performance against KPIs and determining the STI and LTI to be paid. To assist in this assessment, the committee receives detailed reports on performance from management which are based on independently verifiably data.

Element	Purpose	Performance Metrics	Potential Value
Fixed Remuneration (FR)	Provide competitive market salary including superannuation and non-monetary benefits	Nil	Positioned at the market rate
STI	Reward for in-year performance and retention	Adjusted Net Profit Before Tax excluding (DDR), shareholder returns, non financial metrics and KPI's including safety performance.	**CEO:** up to maximum of $150,000 **Execs:** ranges up to maximum of $150,000
LTI	Alignment of employees including directors to long-term shareholder value creation	Employee Equity Plan (EEP) rules contain two components and vesting conditions; achievement of Total Shareholder Return (TSR) and absolute returns.	At the discretion of the Board

(c) Elements of Remuneration

(i) Fixed Annual Remuneration (FR)

Key management personnel may receive their fixed remuneration as cash, or cash with non-monetary benefits such as motor vehicle allowances. FR is reviewed annually and is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation.

The Board aims to position executives at or near the median, with flexibility to take into account capability, experience, value to the organisation and performance of the individual.

(ii) Short-Term Incentives (STI)

Certain employees are entitled to participate in a short-term incentive scheme as part of their total remuneration. The STI requires the achievement of certain Key Performance Indicators (KPI's). KPI's are set by the Board and Executives for eligible employees, depending on the role. The STI is payable in cash and is calculated with reference to financial and non financial KPI's and is capped.

(iii) Long-Term Incentives (LTI)

LTI targets are set by the Board. Achievement of the LTI targets involves the offer of Awards that may comprise Rights, Options or Restricted Shares with vesting conditions subject to the Company's Total Shareholder Return (TSR) and Earnings Per Share (EPS). The vesting conditions provide employees and directors with close alignment with shareholder interests. The Board has the discretion to cancel or vary LTI's, including the claw back of remuneration paid in previous financial years.

(d) Link Between Remuneration and Performance

Statutory Performance Indicators

The Company aligns Executive remuneration to its strategic and business objectives and the creation of shareholder wealth. The table below shows the Group's financial performance over the last two years. The Board and Nomination & Remuneration Committee takes into account financial and non financial issues when making remuneration decisions. As a consequence, there is not a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2022	2021
	$'000	$'000
Sales revenue	310,003	235,709
Profit before income tax	10,202	10,032
Profit after income tax	7,761	7,131
EBITDA	17,769	15,918

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

	2022	2021
Share price at financial year end ($)	0.4	0.4
Total dividends declared (cents per share)	2.0	1.5
Diluted earnings per share (cents per share)	3.1	3.1

Duratec was admitted to the Official List of ASX Limited on Tuesday, 3 November 2020. As a result, information for the previous five years has not been provided.

(e) Remuneration Expenses

The following table shows details of the remuneration expense recognised for the Group's key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

		Short term benefits			Post employment benefits	Long term benefits	Share-based payments	
	Year	Cash salary and fees	Cash bonus	Annual leave	Superannuation	Long service leave	Rights to deferred shares	Total
Non-Executive Directors								
Martin Brydon [1]	2022	113,636	-	-	11,364	-	-	125,000
	2021	95,129	-	-	9,037	-	-	104,166
Gavin Miller [2]	2022	63,636	-	-	6,363	-	-	69,999
	2021	47,945	-	-	4,555	-	-	52,500
James Patrick Giumelli [3]	2022	-	-	-	-	-	-	-
	2021	-	-	-	-	-	-	-
Michael Best [4]	2022	-	-	-	-	-	-	-
	2021	-	-	-	-	-	-	-
Executive Directors								
Robert (Phil) Harcourt	2022	422,502	46,154	29,594	27,500	7,796	-	533,546
	2021	413,944	-	43,642	25,721	23,178	-	506,485
Christopher Oates	2022	372,499	46,154	26,083	27,500	6,822	-	479,058
	2021	366,711	-	30,473	25,650	20,575	-	443,409
Other KMP								
Deane Diprose [5]	2022	372,499	18,100	3,594	27,500	7,056	-	428,749
	2021	359,711	-	31,165	25,721	12,639	-	429,236
Oliver McKeon [6]	2022	306,902	18,100	19,430	27,500	5,514	98,845	476,291
	2021	289,776	-	32,116	27,427	21,810	56,205	427,334
Paul Ryan	2022	239,016	18,100	20,242	27,500	5,056	120,556	430,470
	2021	221,538	9,132	24,422	22,548	3,132	114,670	395,442
Total executive directors & other KMPs	**2022**	**1,713,418**	**146,608**	**98,943**	**137,500**	**32,244**	**219,401**	**2,348,114**
	2021	**1,651,680**	**9,1 32**	**161,818**	**127,067**	**81,334**	**170,875**	**2,201,906**
Total NED	**2022**	**177,272**	**-**	**-**	**17,727**	**-**	**-**	**194,999**
	2021	**143,074**	**-**	**-**	**13,592**	**-**	**-**	**156,666**
Total KMP remuneration expensed	**2022**	**1,890,690**	**146,608**	**98,943**	**155,227**	**32,244**	**219,401**	**2,543,113**
	2021	**1,794,754**	**9,132**	**161,818**	**140,659**	**81,334**	**170,875**	**2,358,572**

1 *Martin Brydon was appointed Non-Executive Chairman on 1 September 2020.*
2 *Gavin Miller received Non-Executive Director fees from 1 October 2020.*
3 *James Patrick Giumelli resigned as Non-Executive Director on 31 August 2020 and did not derive Directors Fees from Duratec Limited.*
4 *Michael Best resigned as Non-Executive Director on 31 August 2020 and did not derive Directors Fees from Duratec Limited.*
5 *Deane Diprose resigned as Executive Director on 31 August 2020 and transferred to Other KMP on 1 September 2020.*
6 *Oliver McKeon resigned as Executive Director on 31 August and transferred to Other KMP on 1 September 2020.*

(f) Contractual Arrangements with Executive KMPs

Name	Position	Contract Duration	Notice Period	Fixed Remuneration
Mr Robert (Phil) Harcourt	Executive Director - Managing Director	Unspecified	6 months by either party	For the year ended 30 June 2023: $500,000 per annum, inclusive of superannuation and motor vehicle allowance
Mr Christopher Oates	Executive Director – General Manager	Unspecified	3 months by either party	For the year ended 30 June 2023: $450,000 per annum, inclusive of superannuation and motor vehicle allowance
Mr Deane Diprose	Executive Manager	Unspecified	5 weeks by either party	For the year ended 30 June 2023: $425,000 per annum, inclusive of superannuation and motor vehicle allowance
Mr Oliver McKeon	General Manager (Eastern Region)	Unspecified	3 months by either party	For the year ended 30 June 2023: $350,671 per annum, inclusive of superannuation and motor vehicle allowance
Mr Paul Ryan	Chief Financial Officer	Unspecified	4 weeks by either party	For the year ended 30 June 2023: $278,460 per annum, inclusive of superannuation

(g) Non-executive Director Arrangements

Non-executive directors receive a Board fee as outlined below. They do not receive performance-based pay or retirement allowances. The fees are inclusive of superannuation. The Board Chair receives a higher base fee compared to the other non-executive director, reflective of the additional demands and responsibilities of this role.

Fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration adviser.

The non-executive directors' fees approved as part of the initial public offering of Duratec Limited were as follows:

	$
Base fees	131,350
Other Non-executive directors	73,500
Fees included discharging responsibilities to:	
Audit Committee - Chair	
Audit Committee - Member	
Nomination & Remuneration Committee - Chair	
Nomination & Remuneration Committee - Member	

All non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

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(h) Additional Statutory Information

(i) Relative Proportions of Fixed vs Variable Remuneration Expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense as shown in "(e) Remuneration Expenses" on page 57.

	Fixed		At Risk - STI		At Risk - LTI	
	2022	2021	2022	2021	2022	2021
	%	%	%	%	%	%
Non-Executive Directors						
Martin Brydon	100	100	-	-	-	-
Gavin Miller	100	100	-	-	-	-
Executive Directors						
Robert (Phil) Harcourt	91	100	9	-	-	-
Christopher Oates	90	100	10	-	-	-
Other KMP						
Deane Diprose	96	100	4	-	-	-
Oliver McKeon	75	87	4	-	21	13
Paul Ryan	68	69	4	2	28	29

Reconciliation of Options and Ordinary Shares Held by KMP Shareholdings

The movement during the financial year in the number of ordinary shares in the Company held directly, indirectly or beneficially by each KMP, including their related parties, is as follows:

2022	Balance at start of the year	Received as part of remuneration	Additions	Disposals	Balance at end of the year
Martin Brydon[1]	70,132	-	2,758	-	72,890
Gavin Miller	20,000	-	-	-	20,000
Robert (Phil) Harcourt	26,553,389	-	100,000	-	26,653,389
Christopher Oates	26,553,389	-	100,000	-	26,653,389
Deane Diprose [2]	26,553,389	-	55,133	-	26,608,522
Oliver McKeon [3]	4,586,120	-	-	-	4,586,120
Paul Ryan	200,000	200,000	231,536	-	631,536
Total	**84,536,419**	**200,000**	**489,427**	**-**	**85,225,846**

1 Restated to include shareholdings of personally related parties

2 Deane Diprose resigned as Executive Director on 31 August 2020 and transferred to Other KMP on 1 September 2020.

3 Oliver McKeon resigned as Executive Director on 31 August and transferred to Other KMP on 1 September 2020.

Rights

This table shows Rights granted, vested and forfeited during the year:

2022	Balance at start of the year	Granted during year	Vested	Forfeited	Balance at end of the year
Martin Brydon	-	-	-	-	-
Gavin Miller	-	-	-	-	-
Robert (Phil) Harcourt	-	-	-	-	-
Christopher Oates	-	-	-	-	-
Deane Diprose	-	-	-	-	-
Oliver McKeon	500,000	200,000	-	-	700,000
Paul Ryan	550,000	200,000	200,000	-	550,000
Total	**1,050,000**	**400,000**	**200,000**	**-**	**1,250,000**

Remuneration Report (audited)
Next: Auditor's Independence Dec...
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Share-based payments: Performance Rights

During the year 400,000 unlisted performance rights, subject to vesting conditions and performance criteria were issued to Key Management Personnel.

Grant date	26-Nov-21
Expiry Date	28-Sep-26
Number of Performance Rights	400,000
Share Price at Valuation Date	$0.31
Expected Volatility	43.50%
Dividend yield	4.10%
Risk Free Interest Rate	0.93%
Fair Value at Valuation Date:	
Subject to Total Shareholder Return (TSR) performance condition	$0.10
Subject to Earnings Per Share (EPS) performance condition	$0.31

No options have been granted over unissued fully paid ordinary shares in the Company.

[This concludes the remuneration report, which has been audited]

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,

Robert (Phil) Harcourt
Managing Director

Auditor's Independence Declaration

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Duratec Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Date: 19 August 2022

J A KOMNINOS
Partner

Duratec's Buildings & Facades division achieved very strong revenue growth (62.3%)

Consolidated Statement of

Profit & Loss

and Other Comprehensive Income

For the year ended 30 June 2022

	Note	Consolidated Entity 2022 $'000	Consolidated Entity 2021 $'000
Continuing Operations			
Revenue from contracts with customers	4	310,003	235,709
Contracting cost of sales	5	(261,598)	(189,901)
		48,405	**45,808**
Other income	4	2,332	2,361
Employee benefits expense	5	(27,760)	(24,739)
Administration expense		(5,940)	(4,879)
Occupancy expense		(1,141)	(1,081)
Depreciation and amortisation expense		(6,779)	(5,227)
Gain on disposal of associate	7	-	151
Initial Public Offering expense	5	-	(2,472)
Finance costs	5	(788)	(659)
Equity accounted investment results	6	1,873	769
Profit before income tax expense from continuing operations		**10,202**	**10,032**
Income tax expense	8	(2,441)	(2,901)
Profit for the year from continuing operations		**7,761**	**7,131**
Profit for the year is attributable to:			
Owners of Duratec Limited		7,761	7,131
Profit for the year		**7,761**	**7,131**
Total comprehensive income for the year, net of tax		**7,761**	**7,131**
Earnings per share attributable to the owners of Duratec Limited:		cents	cents
Basic earnings per share (cents)	9	3.24	3.23
Diluted earnings per share (cents)	9	3.12	3.10
Earnings per share from continuing operations attributable to the owners of Duratec Limited:			
Basic earnings per share (cents)	9	3.24	3.23
Diluted earnings per share (cents)	9	3.12	3.10

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of
Financial Position

As at 30 June 2022

		Consolidated Entity	
		2022	2021
	Note	$'000	$'000
ASSETS			
Current Assets			
Cash and cash equivalents	10	58,263	41,249
Trade and other receivables	11	29,998	29,139
Contract assets	4	16,661	7,576
Inventories	12	317	376
Current tax receivable	14	208	538
Other current assets	13	1,380	1,139
Total Current Assets		**106,827**	**80,017**
Non-Current Assets			
Trade and other receivables	11	1,998	146
Property, plant and equipment	15	18,823	16,846
Right-of-use assets	16	2,525	3,105
Investments accounted for using the equity method	17	3,901	2,027
Other non-current assets	13	121	90
Deferred tax assets	14	3,428	2,991
Total Non-Current Assets		**30,796**	**25,205**
Total Assets		**137,623**	**105,222**
LIABILITIES			
Current Liabilities			
Trade and other payables	18	39,426	38,992
Borrowings	19	3,571	2,735
Property lease liabilities	16	1,557	1,299
Contract liabilities	4	41,690	19,356
Provisions	20	6,824	4,792
Total Current Liabilities		**93,068**	**67,174**
Non-Current Liabilities			
Borrowings	19	8,451	7,383
Property lease liabilities	16	1,229	1,998
Deferred tax liabilities	14	3,186	1,936
Provisions	20	732	812
Total Non-Current Liabilities		**13,598**	**12,129**
Total Liabilities		**106,666**	**79,303**
Net Assets		**30,957**	**25,919**
EQUITY			
Issued capital	21	25,167	23,703
Reserves	22	1,965	1,389
Retained earnings	23	3,825	827
Total Equity		**30,957**	**25,919**

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of
Changes in Equity

For the year ended 30 June 2022

Consolidated Entity	Note	Issued Capital $'000	Retained Earnings $'000	Reserves $'000	Total Equity $'000
Balance at 1 July 2020		500	20,539	(231)	20,808
Comprehensive income					
Profit for the year		-	7,131	-	7,131
Total comprehensive income for the year		**-**	**7,131**	**-**	**7,131**
Transactions With Owners					
Share based payments	30	-	-	1,620	1,620
Issue of ordinary shares (net of costs)		23,203	-	-	23,203
Dividends paid	24	-	(26,843)	-	(26,843)
Balance at 30 June 2021		**23,703**	**827**	**1,389**	**25,919**
Balance at 1 July 2021		**23,703**	**827**	**1,389**	**25,919**
Comprehensive income					
Profit for the year		-	7,761	-	7,761
Total comprehensive income for the year		-	7,761	-	7,761
Transactions With Owners					
Share-based payments	30	-	-	1,760	1,760
Transfer from share-based payments reserve	21	1,184	-	(1,184)	-
Dividend Reinvestment Plan	21	280	-	-	280
Dividends paid	24	-	(4,763)	-	(4,763)
Balance at 30 June 2022		**25,167**	**3,825**	**1,965**	**30,957**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

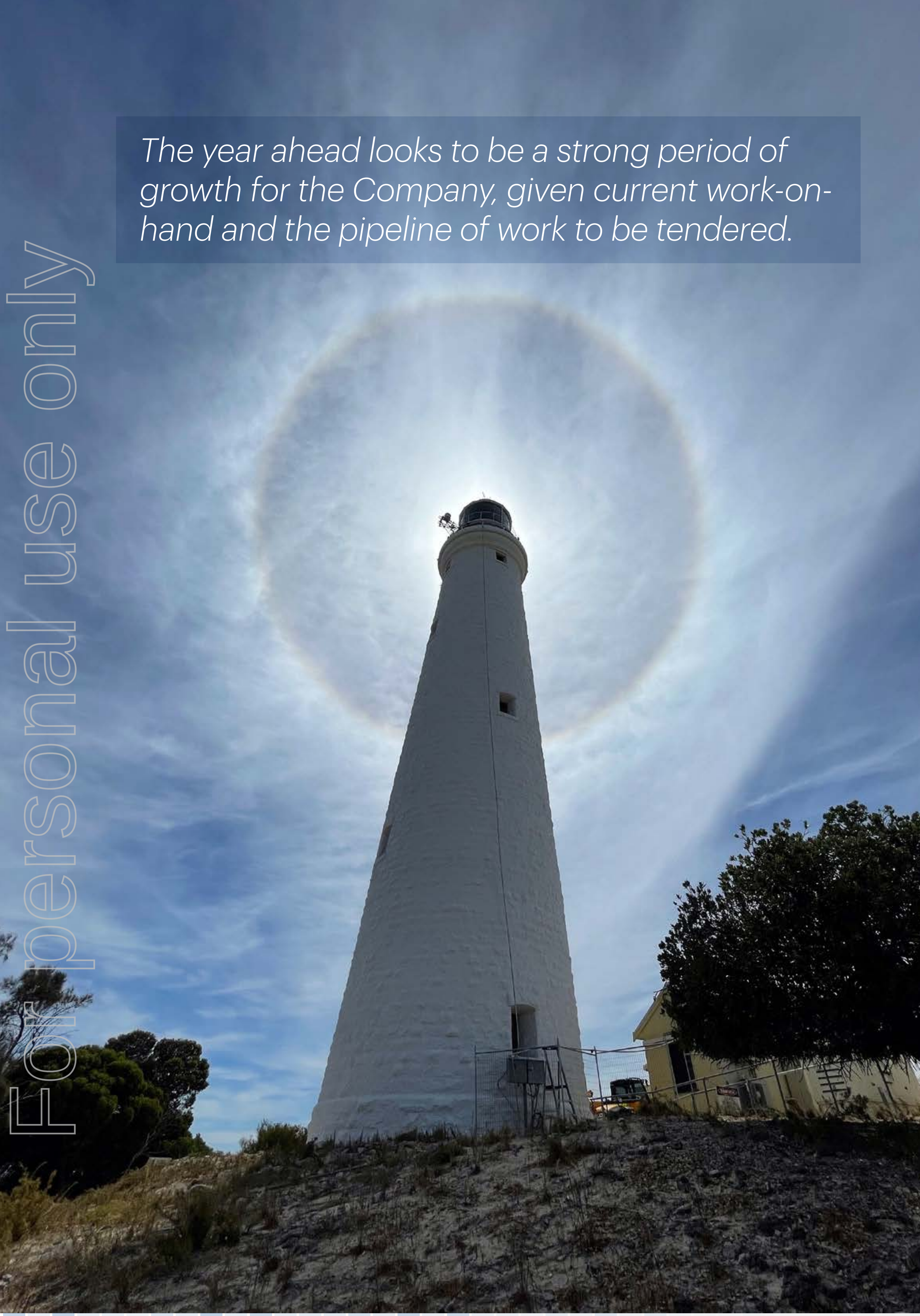
Consolidated Statement of
Cash Flows

For the year ended 30 June 2022

	Note	Consolidated Entity 2022 $'000	Consolidated Entity 2021 $'000
Cash flows from operating activities			
Receipts from customers		352,512	252,226
Payments to suppliers and employees		(324,150)	(238,134)
Income tax paid		(1,299)	(2,942)
Interest and finance costs paid		(637)	(513)
Interest received	4	95	109
Cashflows from operating activities (excluding IPO payments)		**26,521**	**10,746**
Payments for IPO		-	(4,079)
Net cashflows from operating activities	34	**26,521**	**6,667**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		842	519
Purchase of property, plant and equipment	15	(7,441)	(10,539)
Dividends received	4	1,510	1,505
Net cashflows used in investing activities		**(5,089)**	**(8,515)**
Cash flows from financing activities			
Dividend paid	24	(4,484)	(25,200)
Proceeds from share issue		-	24,000
Proceeds from borrowings		5,552	7,516
Repayment of borrowings		(3,649)	(2,973)
Repayment lease liabilities		(1,838)	(1,527)
Loans payments from related parties		-	5
Net cashflows (used in) / from financing activities		**(4,419)**	**1,821**
Net increase/ (decrease) in cash and cash equivalents		17,014	(27)
Cash and cash equivalents at beginning of period		41,249	41,276
Cash and cash equivalents at the end of the financial year	10	**58,263**	**41,249**

The above statement of cash flows should be read in conjunction with the accompanying notes.

The year ahead looks to be a strong period of growth for the Company, given current work-on-hand and the pipeline of work to be tendered.



Notes to the Financial Statements

Contents

Note 1: 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.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity: Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

Basis of Preparation

Duratec Limited is a for-profit company limited by shares, incorporated and domiciled in Australia. The Company's registered address is 108 Motivation Drive, Wangara, WA 6065. The consolidated financial statements of the Company as at and for the financial year ended 30 June 2022 comprises the Company and its subsidiaries (together referred to as the "Group" or the "consolidated entity"). The Group provides assessment, protection, remediation and refurbishment services to a broad range of assets, in particular steel and concrete infrastructure.

The consolidated financial report is presented in Australian dollars, which is Duratec Limited's functional and presentation currency. All values are rounded to the nearest thousand, except when otherwise indicated, under the option available to the Company under ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

These general-purpose financial statements for the year ended 30 June 2022 have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001.

Historical Cost Convention

The financial report has been prepared on a historical cost basis, except for derivative financial instruments, debt and equity financial assets, and contingent consideration that have been measured at fair value.

Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

A. New or Amended Accounting Standards and Interpretations Adopted by the Group

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.

B. Revenue Recognition

The Group is in the business of providing construction and maintenance services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

i. Construction Services

Construction contracts are assessed to identify the performance obligations contained in the contract. The total transaction price is allocated to each individual performance obligation. Typically, the Group's construction contracts contain a single performance obligation.

Work is performed on assets that are controlled by the customer or on assets that have no alternative use to the Group, with the Group having right to payment for performance to date. As performance obligations are satisfied over time, revenue is recognised over time using an input method based on costs incurred to date relative to forecasts to cost to complete.

Fundamental to this calculation is a reliable estimate of the transaction price (total contract revenue). In determining the transaction price, variable consideration including claims and certain contract variations are only included to the extent it is highly probable that a significant reversal in revenue will not occur in the future. Where a variation in scope has been agreed with the customer but the corresponding change in the transaction price has not been agreed the variation is accounted for as variable consideration. The estimate of variable consideration is determined using the expected value approach taking into account the facts and circumstances of each individual contract and the historical experience of the Group and is reassessed throughout the life of the contract.

When it is probable that total contract costs will exceed total contract revenue, the contract is considered onerous and the present obligation under the contract is recognised immediately as a provision. Key assumptions regarding costs to complete contracts include estimation of labour, technical costs, impact of delays and productivity.

Customers are typically invoiced on a monthly basis and invoices are paid on normal commercial terms.

ii. Services Contracts

Contracts for performance of maintenance activities cover servicing of assets and involve various activities. These activities tend to be substantively the same with the same pattern of transfer to the customer. Where this is the case, which is the majority of the services contracts, these services are taken to be one performance obligation and the total transaction price is allocated to the performance obligation identified.

Performance obligations are fulfilled over time as the Group largely enhances assets which the customer controls. For these contracts, the transaction price is determined as an estimate of this variable consideration.

iii. Variable Consideration

If the consideration in the contract includes a variable amount, the Group estimates the amount of the consideration to which it is entitled in exchange for transferring the goods and services to the customer. The Group includes some or all of this variable consideration in the transaction price only to the extent it is highly probable that a significant reversal of the cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Certain contracts are subject to claims which are enforceable under the contract. If the claim does not result in any additional goods or services, the transaction price is updated, and the claim accounted for as variable consideration.

iv. Significant Financing Component

Using the practical expedient in AASB 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer or the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

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

v. Interest

Interest Revenue is recognised on a proportional basis taking into account the interest rates applicable to financial assets.

C. Government Rebates

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

D. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted at statement of financial position date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited direct to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

Duratec Limited and its wholly-owned Australian subsidiaries have formed an income-tax consolidated group under the tax consolidation regime. Duratec Limited and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has been applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

E. Operating Segments

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

F. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months of less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

G. Trade and Other Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies in "Financial Assets" on page 47.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses ('ECL').

H. Contract Assets and Contract Liabilities

A Contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is owing) from the customer. If a customer is invoiced before the Group transfers goods or services to the customer, a contract liability is recognised when the invoice is raised. Contract liabilities are recognised as revenue when the Group performs under the contract.

I. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for at purchase cost on a first-in/first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

J. Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

i. Subsequent Measurement - Financial Assets at Amortised Cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 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.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

ii. Impairment of Financial Assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

K. Plant and Equipment

Plant & equipment are measured on the cost basis less, where applicable, any accumulated depreciation and impairment losses. Assets previously measured at valuation are now carried at deemed cost less, where applicable, any accumulated depreciation.

i. Depreciation

The depreciable amount of all plant and equipment including capitalised lease assets, is depreciated over the asset's useful life commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Plant and Equipment	Depreciation Rate
Capital Work in Progress	0%
Plant & Machinery	4 – 50%
Leasehold Improvements	10 – 50%
Land & Buildings	0 – 8%
Motor Vehicles	16 – 50%
Computers & Office Equipment	20 – 100%

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 that 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 comprehensive income.

ii. Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash- generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the statement of comprehensive income.

iii. Derecognition and Disposal

An item of plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss in the year the asset is derecognised.

L. Right-of-use Assets

The Group's right-of-use asset policy is described in "Note 16: Leases" on page 61.

M. Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

N. Borrowings – Lease Liabilities

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss. A leased fixed asset is depreciated over the useful life of the asset.

Borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

O. Provisions - Employee Benefits

Provisions are recognised when the Company 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 at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

The amounts expected to be paid to employees for their pro-rata entitlement to annual leave and long service leave is accrued annually at current pay rates, having regard to experience of employees' departures and period of service. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred. The Company has no legal obligation to provide benefits to employees on retirement.

P. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position. Cash Flows are stated with the amount of GST included.

Q. Comparatives

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

R. Investment in Associates and Joint Arrangements

An associate is an entity, including an unincorporated entity, in which the reporting entity has significant influence and that is neither a subsidiary, nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with the financial reporting standard on business combinations. However the entire carrying amount of the investment is tested under the impairment financial reporting standard by comparing the carrying amount of the investment with its recoverable amount (higher of value in use and fair value) whenever application of the financial instruments reporting standard indicates the investment may be impaired.

In the consolidated financial statements, the Group's investment in associates is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associates' net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss includes its share of the associate's profit or loss. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. Losses of an associate in excess of the Group's interest in the associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the Group and the associate are recognised in the financial statements only to the extent of unrelated reporting entity's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When necessary, accounting policies of associates are changed to ensure consistency with the policies adopted by the Group.

The Group discontinues the use of the equity method from the date the investment ceases to be an associate and from that date then accounts for the investment in accordance with the financial instruments financial reporting standard with any gain or loss recognised in the profit or loss statement. Any former investment retained in the former associate is measured at fair value at the date that is ceases to be an associate.

In the company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

A joint arrangement (that is either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement) is one in with the Group is party to an arrangement of which two or more parties have control. A joint arrangement exists when the parties have contractually agreed to share control of the arrangement whereby decisions about the relevant activities (that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint operation, the parties with joint control have rights to the assets, and obligations of the liabilities, relating to the arrangement. The Group recognises its share of the operation's assets, liabilities and income and expenses that are combined line by line with similar items in the reporting entity's financial statements and accounts for the assets, liabilities, revenues and expenses relating to its interest in the joint operation in accordance with the relevant financial reporting standards for each particular asset, liability, revenue and expense. When the Group enters into a

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transaction with a joint operation, such as a sale or contribution of asset, the reporting entity recognises gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

S. Share-based Payments

Equity-settled share-based compensation benefits are provided to employees. These transactions are awards of shares, or options, that are provided to employees in exchange for the rendering of services.

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

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

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

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

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

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

T. Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2022 – refer to "Note 32" on page 71. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee) Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non- controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss.

Any investment retained is recognised at fair value.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non- controlling interest in the subsidiary 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.

U. Current and Non-current Classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle; Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the All other assets are classified as non-current. A liability is current when:
- It is expected to be settled in the normal operating cycle; It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

V. Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

W. 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.

X. Dividends

Dividends are recognised when declared during the financial year and are no longer at the discretion of the Company.

Note 2: Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

A. Key Estimates

i. Revenue from Contracts with Customers

Where performance obligations are satisfied over time, revenue is recognised in the consolidated income statement by reference to the progress towards complete satisfaction of each performance obligation.

For construction contracts, revenue is recognised using an input method based on project to date cost over total expected contract cost of the contract.

Fundamental to this calculation is a reliable estimate of the transaction price (total contract revenue). In determining the transaction price, variable consideration including claims and certain contract variations are only included to the extent it is highly probable that a significant reversal in revenue will not occur in the future. Where a variation in scope has been agreed with the customer but the corresponding change in the transaction price has not been agreed the variation is accounted for as variable consideration. The estimate of variable consideration is determined using the expected value approach taking into account the facts and circumstances of each individual contract and the historical experience of the Group and is reassessed throughout the life of the contract.

When it is probable that total contract costs will exceed total contract revenue, the contract is considered onerous and the present obligation under the contract is recognised immediately as a provision. Key assumptions regarding costs to complete contracts include estimation of labour, technical costs, impact of delays and productivity.

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

iii. Allowance for Expected Credit Losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in "Note 11" on page 58 is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Note 3: Segment Reporting

The Group is organised into three operating segments based on difference in services provided; Defence, Mining & Industrial and Buildings & Facades. Other segments relate to Energy, Ports, Transport and Water. These operating segments are based on the internal reports that are reviewed and used by the Managing Director (who is identified as the Chief Operating Decision Maker, 'CODM') in assessing performance and in determining the allocation of resources.

The principal services of each of the operating segments are as follows:

- **Defence:** dedicated to the delivery of capital facilities, infrastructure and estate works program projects
- **Mining & Industrial:** provision of tailored preventative maintenance programmes
- **Buildings & Facades:** completion of facade condition assessments and facade restorations

Consolidated - June 2022	Defence	Mining & Industrial	Buildings & Facades	Other Segments	Total
	$'000	$'000	$'000	$'000	$'000
Sales to external customers	134,929	74,929	64,673	35,472	310,003
Total revenue	**134,929**	**74,929**	**64,673**	**35,472**	**310,003**
Gross profit for reportable segments	18,114	18,105	10,186	2,000	48,405
Unallocated amounts					
(including corporate overheads)					(30,636)
EBITDA					**17,769**
Depreciation and amortisation					(6,779)
Finance costs					(788)
Profit before income tax expense					**10,202**
Income tax expense					(2,441)
Profit after income tax expense					**7,761**

Consolidated - June 2021	Defence	Mining & Industrial	Buildings & Facades	Other Segments	Total
	$'000	$'000	$'000	$'000	$'000
Sales to external customers	98,768	52,923	39,852	44,166	235,709
Total revenue	**98,768**	**52,923**	**39,852**	**44,166**	**235,709**
Gross profit for reportable segments	16,890	10,401	9,847	8,670	45,808
Unallocated amounts					
(including corporate overheads)					(29,890)
EBITDA					**15,918**
Depreciation and amortisation					(5,227)
Finance costs					(659)
Profit before income tax expense					**10,032**
Income tax expense					(2,901)
Profit after income tax expense					**7,131**

Note 4: Revenue

A. Disaggregation of Revenue from Contracts with Customers

The Group derives revenue from the transfer of goods and services over time in the following major geographical regions.

	2022 $'000	2021 $'000
Revenues from contracts with customers	310,003	235,709
Disaggregation of revenue from contracts with customers by location		
Western Australia	133,243	111,528
New South Wales	58,250	43,399
Victoria	21,493	21,368
Northern Territory	20,300	11,405
South Australia	14,669	14,403
Queensland	32,151	18,237
Tasmania	3,706	2,256
Australian Capital Territory	26,191	13,113
	310,003	**235,709**

B. Other Income

	2022 $'000	2021 $'000
Dividends received from associate	1,510	1,505
Rental income	349	312
Interest received	95	109
Sundry income	90	217
Gain on disposal of plant and equipment	288	218
	2,332	**2,361**

C. Assets & Liabilities Related to Contracts with Customers

The Group has recognised the following assets and liabilities related to contracts with customers

	2022 $'000	2021 $'000
Total current contract assets	16,661	7,576
Total current contract liabilities	41,690	19,356

D. Significant Changes in Contract Assets & Liabilities

Changes in contract assets and liabilities are due to the stage of the projects in progress and the timing of invoicing.

Note 5: Expenses

Profit before income tax from continuing operations includes the following specific expenses:

	2022 $'000	2021 $'000
Expenses		
Cost of sales	**261,598**	**189,901**
Interest expense for financial liabilities not at fair value through profit or loss		
External – Interest on loans and borrowings	537	477
Interest on lease liabilities	251	182
Total finance costs	**788**	**659**
Initial Public Offering (IPO) costs		
Expensed	-	2,472
In equity:		
Before tax	-	1,138
Tax effect	-	(341)
Recognised in equity (net of tax)	-	797
Total IPO costs for the period	**-**	**3,269**
Employee Expenses		
Salaries & Wages	25,496	22,425
Share based payments	1,761	1,620
Other	503	694
	27,760	**24,739**

Note 6: Equity Accounted Investment Results

	2022 $'000	2021 $'000
Equity accounted investment results associate DDR Australia Pty Ltd	1,873	620
Equity accounted investment results associate Fortec Australia Pty Ltd	-	149
	1,873	**769**

Note 7: Disposal of Associate

On 31 August 2020 Duratec disposed of its 40% interest in Fortec Australia Pty Ltd by way of a dividend in specie to the Company's shareholders.

	2022 $'000	2021 $'000
Opening balance – Investment in Fortec Australia Pty Ltd	-	1,342
Share or profits for the period	-	149
Investment in Fortec Australia Pty Ltd	**-**	**1,491**
In specie dividend distribution	-	1,642
Gain on disposal of associate	**-**	**151**

Note 8: Income Tax Expense

	2022 $'000	2021 $'000
Current Income Tax		
Current tax expense	2,152	2,768
Adjustments in respect of previous years	90	(22)
Tax offsets	(647)	(603)
Deferred Income Tax		
(Originating) / reversing temporary differences	846	758
Adjustments in respect of previous years	-	-
Aggregate income tax expense	**2,441**	**2,901**

Numerical reconciliation of income tax expense to prima facie tax payable	2022 $'000	2021 $'000
Profit from continuing operations before income tax expense	10,202	10,032
Tax at the Australian tax rate of 30% (2021 – 30%)	3,061	3,010
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Adjustments recognised for prior periods	90	(22)
Other non-allowable items	305	528
Notional profits on associates not subject to tax	(562)	(231)
Franking credits for dividends	(453)	(422)
Disposal of investment in Fortec Australia Pty Ltd	-	38
Income tax expense	**2,441**	**2,901**

Amounts recognised directly in equity	2022 $'000	2021 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Deferred tax: share issue cost	-	341
	-	**341**

Note 9: Earnings Per Share

A. Basic and Diluted Earnings Per Share

	2022 cents	2021 cents
From continuing operations attributable to the ordinary equity holders of the company	3.24	3.23
Total basic earnings per share attributable to the ordinary equity holders of the company	3.24	3.23
Total diluted earnings per share attributable to the ordinary equity holders of the company	3.12	3.10

B. Reconciliations of Earnings Used in Calculating Earnings Per Share

	2022 $'000	2021 $'000
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	7,761	7,131
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	7,761	7,131

C. Weighted Average Number of Shares Used as the Denominator

	2022 Number	2021 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	239,397,623	220,743,430
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	249,015,123	229,718,430

Note 10: Cash and Cash Equivalents

	2022 $'000	2021 $'000
Cash at bank and on hand	43,263	32,249
Short-term deposits	15,000	9,000
Total cash and cash equivalents	**58,263**	**41,249**

Note 11: Trade and Other Receivables

	2022 $'000	2021 $'000
Current		
Trade receivables	29,583	28,692
Less: allowance for expected credit losses	(17)	(45)
	29,566	**28,647**
Other receivables	432	492
Total current trade and other receivables	**29,998**	**29,139**
Non-Current		
Trade receivables	1,998	146
Amounts receivable from related parties	-	-
Total non-current trade and other receivables	**1,998**	**146**

i. Allowance for Expected Credit Losses

These trade receivables shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The trade receivables are considered to have low credit risk individually. At the end of the reporting year a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. A loss allowance balance of $16,585 (2021: $45,455) is recognised in respect of the expected credit losses for the year ended 30 June 2022. Movements in the allowance for expected credit losses are as follows:

	2022 $'000	2021 $'000
Opening balance	45	172
Additional provisions recognised	17	29
Receivables written off during the year as uncollectable	(45)	(120)
Unused amounts reversed	-	(36)
Closing balance	**17**	**45**

Note 12: Inventories

	2022 $'000	2021 $'000
Current		
Consumable stock	317	376
Total inventories	**317**	**376**

Note 13: Other Assets

	2022 $'000	2021 $'000
Current		
Prepayments	1,380	1,139
	1,380	**1,139**
Non-current		
Security deposits	121	90
	121	**90**

Note 14: Current and Deferred Taxes

	2022 $'000	2021 $'000
Current		
Provision for income tax (refundable)	(208)	(538)
Total current (receivable)	**(208)**	**(538)**
Non-current		
Deferred tax assets	3,428	2,991
Deferred tax liabilities	(3,186)	(1,936)
Net	**242**	**1,055**

A. Deferred Tax Asset

	2022 $'000	2021 $'000
Non-current		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Provisions and accruals	2,447	1,852
Right-of-use assets	78	76
Initial Public Offering costs	720	982
Provision for expected credit loss	5	14
Work in progress	150	46
Borrowing costs	28	21
Deferred tax asset	**3,428**	**2,991**
Movements:		
Opening balance	2,991	2,142
Charged to profit or loss	437	849
Closing balance	**3,428**	**2,991**

B. Deferred Tax Liability

	2022 $'000	2021 $'000
Non-current		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Consumable stock	95	113
Plant & equipment	3,091	1,823
Deferred tax liability	**3,186**	**1,936**
Movements:		
Opening balance	1,936	432
Charged to profit of loss	1,250	1,504
Closing balance	**3,186**	**1,936**

Note 15: Plant and Equipment

	2022 $'000	2021 $'000
Land and buildings		
At cost	624	624
Accumulated depreciation	(7)	(1)
	617	**623**
Plant and machinery		
At cost	13,848	12,342
Accumulated depreciation	(6,129)	(5,377)
	7,719	**6,965**
Motor vehicles		
At cost	12,373	9,971
Accumulated depreciation	(5,042)	(4,048)
	7,331	**5,923**
Office and computer equipment		
At cost	3,568	3,069
Accumulated depreciation	(1,932)	(1,260)
	1,636	**1,809**
Leasehold improvements		
At cost	2,516	2,178
Accumulated depreciation	(1,178)	(787)
	1,338	**1,391**
Capital work in progress		
At cost	182	135
Total plant and equipment	**18,823**	**16,846**

Reconciliation of written down values at the beginning and end of the current financial year are set out below:

Consolidated	Land and Buildings $'000	Plant and Machinery $'000	Motor Vehicles $'000	Office and IT Equipment $'000	Leasehold Improvements $'000	Capital WIP $'000	Total $'000
Balance at 30 June 2020	-	4,356	3,680	1,215	547	461	10,259
Additions	624	4,139	3,721	1,273	1,108	(326)	10,539
Disposals	-	(147)	(132)	(23)	-	-	(302)
Depreciation expense	(1)	(1,383)	(1,346)	(656)	(264)	-	(3,650)
Balance at 30 June 2021	623	6,965	5,923	1,809	1,391	135	16,846
Additions	-	2,585	3,806	665	338	47	7,441
Disposals	-	(132)	(368)	(54)	-	-	(554)
Depreciation	(6)	(1,699)	(2,030)	(784)	(391)	-	(4,910)
Balance at 30 June 2022	**617**	**7,719**	**7,331**	**1,636**	**1,338**	**182**	**18,823**

Note 16: Leases

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases

	2022 $'000	2021 $'000
Land and buildings		
Right-of-use	5,224	4,950
Accumulated depreciation	(2,699)	(1,845)
	2,525	**3,105**
Property lease liabilities		
Current	1,557	1,299
Non-current	1,229	1,998
Total non-current property lease liabilities	**2,786**	**3,297**

Refer to "Note 25: Financial Instruments" on page 65 for further information on financial instruments.

Reconciliation of written down values at the beginning and end of the current financial year are set out below:

	Cost	Accumulated Depreciation	Carrying Value
Balance at 1 July 2021	4,950	(1,845)	3,105
Additions during the year	1,457	-	1,457
Leases expired during the year	(1,183)	1,015	(168)
Depreciation expense	-	(1,869)	(1,869)
Balance at 30 June 2022	**5,224**	**(2,699)**	**2,525**

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases

Depreciation charge of right-of-use assets

	2022	2021
Buildings	1,869	1,577
	1,869	**1,577**
Interest expense (included in finance cost)	251	182
Expense relating to short term leases	221	262
Expense relating to leases of low value assets not shown as short term leases	46	49

The total cash outflow for leases for 2022 was $1,838,127 (2021: $1,526,603).

The Group leases buildings for its offices under agreements of between 1 and 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated

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 Group 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.

Note 17: Investments Accounted for Using the Equity Method

	2022 $'000	2021 $'000
Non-current		
DDR Australia Pty Ltd	3,901	2,027
	3,901	**2,027**

Refer to "Note 32" on page 71 for further information on interests in associates and joint ventures.

Note 18: Trade and Other Payables

	2022 $'000	2021 $'000
Current		
Trade payables	18,056	21,554
Sundry payables and accrued expenses	16,208	12,956
Other payables	2,492	2,388
Employee entitlements	2,670	2,094
	39,426	**38,992**

Note 19: Borrowings

	2022 $'000	2021 $'000
Current		
Equipment finance	3,571	2,735
Total current borrowings	**3,571**	**2,735**
Non-current		
Equipment finance	8,451	7,383
Total non-current borrowings	**8,451**	**7,383**

Note 20: Provisions

	2022 $'000	2021 $'000
Current		
Employee benefits		
Carrying amount at the start of the year	4,792	4,934
Additional provisions recognised	5,281	2,485
Amounts used	(3,249)	(2,627)
Current carrying amount at the end of the year	**6,824**	**4,792**
Non-current		
Employee benefits		
Carrying amount at the start of the year	812	612
Additional provisions recognised	-	200
Amounts used	(80)	-
Non-current carrying amount at the end of the year	**732**	**812**

Note 21: Issued Capital

	2022 Shares	2021 Shares	2022 $'000	2021 $'000
Ordinary shares – fully paid	240,573,404	237,444,801	25,167	23,703

Movement in Ordinary Share Capital:

Details	Date	Shares	Cumulative Shares	Issue price ($)	$'000
Balance	1 Jul 2021	237,444,801	237,444,801	-	23,703
Dividend Reinvestment Plan	13 Oct 2021	537,459	237,982,260	0.36	195
IPO Rights issue	5 Nov 2021	2,367,500	240,349,760	-	1,184
Dividend Reinvestment Plan	10 May 2022	223,644	240,573,404	0.38	85
Balance	**30 Jun 2022**		**240,573,404**		**25,167**

A. Ordinary Shares

Ordinary shareholders 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.

Note 22: Reserves

	2022 $'000	2021 $'000
Acquisition Reserve		
Balance at the beginning of the financial period	(231)	(231)
Balance at end of the financial period	**(231)**	**(231)**
Share Based Payment Reserve		
Balance at the beginning of the financial period	1,620	-
Share-based payments	1,760	1,620
Transfer from share-based payments reserve	(1,184)	-
Balance at end of the financial period	**2,196**	**1,620**
Total Reserves	**1,965**	**1,389**

The acquisition reserve is used to recognise the acquisition of non-controlling interests.

Note 23: Retained Earnings

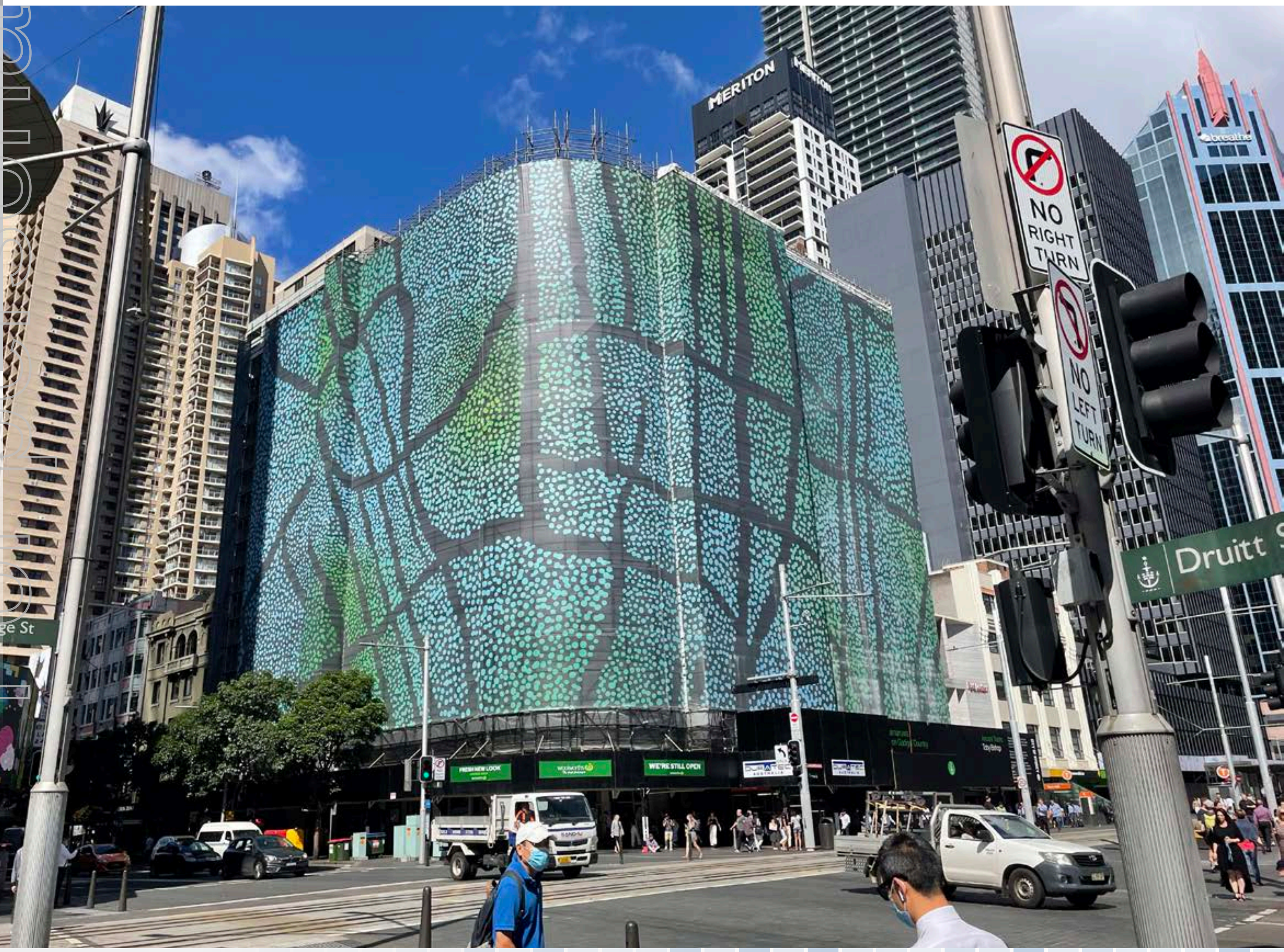
	2022 $'000	2021 $'000
Retained profits at beginning of the financial year	827	20,539
Profit after income tax expense for the year	7,761	7,131
Dividends paid	(4,763)	(26,843)
Retained profits at end of the financial year	**3,825**	**827**

Note 24: Dividends

Dividends paid during the financial year were as follows:

	2022 $'000	2021 $'000
Disposal of Fortec Australia Pty Ltd by way of a dividend in specie to the Company's shareholders	-	1,643
Other dividends (cash)	4,483	25,200
Dividend Reinvestment Plan	280	-
Declared fully franked ordinary dividends franked at 30% (2021: 30%)	**4,763**	**26,843**

Since the end of the financial year, the Directors have recommended the payment of a final ordinary dividend for 2022 of 1.5 cents per fully paid share, franked to 100%, to be paid on 5 October 2022.



Note 25: Financial Instruments

The Group's overall risk management program focuses on identifying risks and seeking to minimise any potential adverse effects on the financial performance of the Group. The Board of Directors is responsible for risk management and the approval of relevant policies, such as identification and analysis of risk exposure of the Group, and appropriate procedures, controls and risk limits.

A. Market Risk

Market risk is the risk that changes in market prices will affect the Group's income.

B. Interest Rate Risk

The consolidated entity's main interest rate risk arises from long-term borrowings.

C. Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. To mitigate the risk, the Group has a strict credit policy, including setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery.

D. Liquidity Risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The amounts are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest	Carrying amount	Contractual cashflow	1 year or less	1-2 years	2-5 years	Over 5 years
	%	$'000	$'000	$'000	$'000	$'000	$'000
2022							
Non-derivate financial liabilities							
Trade and other payables		39,426	39,426	39,426	-	-	-
Borrowings	3.76	12,022	12,890	3,958	3,613	5,319	-
Property lease liabilities	6.82	2,786	2,991	1,692	910	389	-
		54,234	**55,307**	**45,076**	**4,523**	**5,708**	**-**
2021							
Non-derivate financial liabilities							
Trade and other payables	-	38,992	38,992	38,992	-	-	-
Borrowings	3.44	10,118	10,793	3,032	2,776	4,985	-
Property lease liabilities	6.07	3,297	3,612	1,460	1,030	1,122	-
		52,407	**53,397**	**43,484**	**3,806**	**6,107**	**-**

Note 25: Financial instruments continued...

E. Capital Management

The Board's policy is to maintain a strong capital base to ensure the Group can operate on favourable terms and conditions with suppliers and customers and attract various stakeholders to the Group. The Group's approach to capital management has not changed during the year.

The Group's main funding agreement with Bankwest was negotiated in September 2020. As part of this agreement the Group is subject to terms and conditions which include financial covenants relating to; earnings and debt (leverage ratio) and current assets to current liabilities (current ratio). All covenants were complied with during the reporting period.

In relation to the Group's main funding agreement, Duratec Limited, Duratec Australia (ES) Pty Ltd and MEnD Consulting Pty Ltd each provide a guarantee and indemnity and a General Security Deed in favour of Bankwest.

The Group also has an asset finance facility with NAB and security interests are granted in favour of NAB and Bankwest in respect of goods acquired using each respective Asset Finance Facility.

The Group issues surety bonds during the course of business via its facilities with AssetInsure and Vero.

	Expiry Date	2022 $'000	2021 $'000
Total facilities			
Bankwest			
Multi option facility	No fixed term, payable on demand	25,000	25,000
Asset finance facility		10,000	7,000
Corporate MasterCard facility		300	300
NAB			
Asset finance facility	31 Oct 2022	7,000	7,000
AssetInsure			
Bond facility	30 Sept 2022	10,000	10,000
Vero			
Bond facility	31 Oct 2022	10,000	10,000
		62,300	**59,300**
Used at reporting date:			
Bankwest			
Multi option facility		21,289	22,638
Asset finance facility		8,127	5,508
Corporate MasterCard facility		107	96
NAB			
Asset finance facility		3,895	4,610
AssetInsure			
Bond facility		9,390	2,887
Vero			
Bond facility		9,266	2,623
		52,074	**38,362**
Unused at reporting date:			
Bankwest			
Multi option facility		3,711	2,362
Asset finance facility		1,873	1,492
Corporate MasterCard facility		193	204
NAB			
Asset finance facility		3,105	2,390
AssetInsure			
Bond facility		610	7,113
Vero			
Bond facility		734	7,377
		10,226	**20,938**

F. Currency Risk

The Group's receivables are all denominated in Australian dollars and accordingly no currency risk exists.

G. Fair Value of Financial Instruments

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

Note 26: Remuneration of Auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Group:

	2022 $'000	2021 $'000
Audit services – RSM Australia Partners		
Audit and review of the financial statements	225	214
Other services – RSM Australia Pty Ltd		
Tax services	28	46
Other consulting services	-	5
	253	**265**

Note 27: Contingent Liabilities

The Company uses both Bank Guarantee and Insurance Bond facilities to guarantee contract completion obligations and maintain period liabilities in respect of contracts undertaken. These guarantees and insurance bonds can be activated only in the event of a failure by the Company to meet its obligations under the contract.

	2022 $'000	2021 $'000
Bonds & Guarantees on issue at end of financial year	39,945	28,148

The consolidated entity has given bank guarantees as at 30 June 2022 of $272,704 (2021: $251,829) to various landlords.

Note 28: Capital Commitments

	2022 $'000	2021 $'000
Committed at the reporting date but not recognised as liabilities, payable:		
Plant and equipment	436	581

Note 29: Related Party Transactions

The Group's main related parties are as follows:

Key Management Personnel (KMP)

All directors (whether executive or otherwise) of the entities in the Group are considered KMP.

Entities Subject to Significant Influence by the Group

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity that holds significant influence. Significant influence may be gained by share ownership, statute or agreement. For further details of interests held in associates and joint ventures, refer to "Note 32" on page 71.

Entities, or Any Member of the Group that it is Part of, Provides Key Management Personnel Services

An entity with a director, who is also considered as Key Management Personnel of the Group.

Transactions with Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Note 29: Related Party Transactions continued...

The following transactions occurred with related parties during the year:

	Year	Sales to related parties $'000	Purchases from related parties $'000	Related party balances in Trade Receivables $'000	Related party balances in Trade Payables $'000	Dividends received	Loan balances payable to related parties $'000	Loan balances receivable from related parties $'000
Associates								
Ertech Holdings Pty Ltd	2022	-	-	-	-	-	-	-
	2021	-	560	-	-	-	-	-
DDR Australia Pty Ltd	2022	13,452	1,076	1,428	65	1,510	-	-
	2021	14,066	304	498	5	1,505	-	-
Jimann Pty Ltd	2022	-	283	-	-	-	-	-
	2021	-	262	-	-	-	-	-
Entity providing KMP services								
Fortec Australia Pty Ltd	2022	96	67	15	-	-	-	-
	2021	57	454	7	348	-	-	-
Bold Drainage Pty Ltd	2022	-	125	-	-	-	-	-
	2021	1	126	-	-	-	-	-
Total	**2022**	**13,548**	**1,551**	**1,443**	**65**	**1,510**	**-**	**-**
Total	**2021**	**14,124**	**1,706**	**505**	**353**	**1,505**	**-**	**-**

Compensation of Key Management Personnel of the Group	2022 $'000	2021 $'000
Short-term employee benefits	2,136,241	1,965,704
Post-employment benefits	155,227	140,659
Long-term benefits	32,244	81,334
Share-based payments	219,401	170,875
Total compensation paid to Key Management Personnel	**2,543,113**	**2,358,572**

Note 30: Share-based Payments

As at 30 June 2022, the Company had the following share-based payment arrangements:

A. IPO Rights Offer

On 4 November 2020, as part of the Company's IPO, an offer of 4,815,000 Rights was made to certain employees. Each Right is a right to receive one share subject to continued employment vesting conditions. On vesting, Rights will automatically convert to ordinary shares on a one for one basis. Rights that do not vest will lapse. Shares allocated to employees following vesting and automatic exercise of those Rights are subject to a Disposal Restriction which lifts on the 36-month anniversary of the Grant Date.

Number of Rights granted	Vesting Date	Lapsed	Vested	Balance
2,407,500	4 Nov 2021	40,000	2,367,500	-
2,407,500	4 Nov 2022	40,000	-	2,367,500
4,815,000		80,000	2,367,500	2,367,500

Vesting Hurdles	
50%	50%
Continued employment for 12 months to 4 Nov 2021	Continued employment for 24 months to 4 Nov 2022

B. Hurdled Performance Rights

On 24 November 2020, an offer of 3,710,000 Rights was made to senior executives and key managers, as determined by the Board of Directors. On 26 November 2021, a new offer of 3,995,000 Rights was made to senior executives and key managers, as determined by the Board of Directors.

Number of Rights granted	Vesting Date	Lapsed	Vested	Balance
1,855,000	31 Aug 2023	295,000	-	1,560,000[1]
1,997,500	6 Sep 2024	132,500	-	1,865,000[2]
1,855,000	31 Aug 2023	295,000	-	1,560,000[1]
1,997,500	6 Sep 2024	132,500	-	1,865,000[2]

Vesting Hurdles
1 Continued employment to vesting date & meeting an earnings per share (EPS) target
2 Continued employment to vesting date & meeting a total shareholder return (TSR) target

C. Non-Hurdled Performance Rights

On 24 November 2020, an offer of 450,000 Rights was made to certain employees deemed to have key roles as determined by the Board of Directors

Number of Rights granted	Vesting Date	Lapsed	Vested	Balance	Vesting Hurdles
450,000	31 Aug 2023	50,000	-	400,000	Continued employment to 31 August 2023
450,000		**50,000**	**-**	**400,000**	

The cost of equity-settled transactions is measured at fair value on their respective grant dates. Where market vesting conditions apply, fair value has been determined using a Monte Carlo simulation model. The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to the profit or loss is calculated based on the grant date fair value, the best estimate of the number of awards that are likely to vest and any expired portion of the vesting period. The amount recognised in the profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

D. Valuation Model Inputs

For the performance rights issued during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	26-Nov-21
Expiry Date	28-Sep-26
Number of Performance Rights	3,995,000
Share Price at Valuation Date	$0.31
Expected Volatility	43.50%
Dividend yield	4.10%
Risk Free Interest Rate	0.93%

Fair Value at Valuation Date:

Subject to Total Shareholder Return (TSR) performance condition	$0.10
Subject to Earnings Per Share (EPS) performance condition	$0.31

E. Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows

	2022 $'000	2021 $'000
Deferred shares issued under the long-term incentive scheme	1,760	1,620
	1,760	**1,620**

Note 31: Parent Entity Information

Set out below is the supplementary information about the parent entity.

Statement of Profit or Loss and Other Comprehensive Income

	2022 $'000	2021 $'000
Profit after income tax	5,077	6,222
Total comprehensive income	**5,077**	**6,222**

Statement of Financial Position

	2022 $'000	2021 $'000
Assets		
Current assets	106,866	80,490
Non-currentassets	26,689	22,495
Total assets	**133,555**	**102,985**
Liabilities		
Current liabilities	94,258	68,266
Non-current liabilities	13,598	12,066
Total liabilities	**107,856**	**80,332**
Equity		
Issued capital	25,167	23,703
Reserves	2,197	1,620
Retained earnings	(1,665)	(2,670)
Total equity	**25,699**	**22,653**

A. Contingent Liabilities

Other than disclosed in Note 27, the parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

B. Capital Commitments - Property, Plant and Pquipment

Other than disclosed in Note 28, the parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

C. Significant Accounting Policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in "Note 1" on page 45, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 32: Interests in Subsidiaries, Associates and Joint Arrangements

A. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in "Note 1" on page 45. The proportion of ownership interests held equals the voting rights held by the Group. Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

	Ownership interest held by the Group		
Name of entity	Principal place of business and country of incorporation	2022 %	2021 %
Duratec Australia (ES) Pty Ltd	Australia	100	100
MEnD Consulting Pty Ltd	Australia	100	100
Duratec New Zealand Ltd	New Zealand	100	100

Duratec New Zealand Limited was incorporated in November 2020 but is not yet trading.

B. Associates and Joint Arrangements

Interests in associates are accounted for using the equity method of accounting while Duratec Limited's share of the joint arrangement is proportionately consolidated in the financial accounts.

	Proportion of ordinary share interests/ participating share			
Name of entity	Principal place of business and country of incorporation	Classification	2022 %	2021 %
DDR Australia Pty Ltd	Australia	Associate	49	49
Duratec Ertech JV	Australia	Joint Arrangement	50	50

C. Information About Associates

DDR Australia Pty Ltd ('DDR') is registered as an incorporated company. 51% of DDR's issued shares are owned by Hutcheson & Co Holdings Pty Ltd and 49% is owned by Duratec Limited. The purpose of the business is to carry out Commonwealth and State Government works, whether directly or via Government contractors, where there is an indigenous procurement policy.

D. Information about Joint Arrangement

Duratec Ertech JV is an unincorporated entity and is classified as a joint operation whereby Duratec and Ertech each have a 50% interest. Duratec Ertech JV is a contractual arrangement between participants for the sharing of costs and outputs and Duratec Limited's share is proportionately consolidated in the financial accounts.

Note 33: Deed of Cross Guarantee

Duratec Limited, MEnD Consulting Pty Ltd and Duratec Australia (ES) Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirements to prepare a financial report and directors' report under ASIC Corporations (Wholly Owned Companies) Instrument 2016/785.

Note 34: Reconciliation of Profit After Income Tax to Net Cash from Operating Activities

	2022	2021
	$'000	$'000
Profit after income tax expense for the year	7,761	7,131
Adjustments for:		
Depreciation	6,779	5,227
Share of profits of associates	(1,873)	(769)
Gain on disposal of investment	-	(151)
Dividends received	(1,510)	(1,505)
Gain on sale of fixed assets	(288)	(218)
Share based payment expense	1,760	1,620
IPO costs reallocated to equity (before tax)	-	(1,138)
Other	-	(9)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(2,712)	(9,408)
Increase in contract assets	(9,085)	(1,327)
Decrease/ (increase) in inventories	59	(103)
Increase in other assets	(271)	(185)
Increase in trade and other payables	474	3,810
Increase in contract liabilities	22,333	3,675
Increase in provisions	1,952	58
Decrease / (Increase) in tax balances	1,142	(41)
Net cash from / (used in) operating activities	**26,521**	**6,667**

Note 35: Events After the Reporting Period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the result of those operations, or the Group's state of affairs in future financial years.

Directors' Declaration

For the Year Ended 30 June 2022

The Directors declare that the consolidated financial statements and notes are in accordance with the Corporations Act 2001 and:

a. Comply with Australian Accounting Standards, the Corporations Regulations 2001; and

b. Give a true and fair view of the financial position of the consolidated entity as at 30 June 2022 and of its performance as represented by the results of their operations and its cash flows, for the year ended on that date, and

c. Comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

d. At the date of this declaration, there are reasonable grounds to believe that the members of Duratec Limited will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in Note 33 to the financial statements.

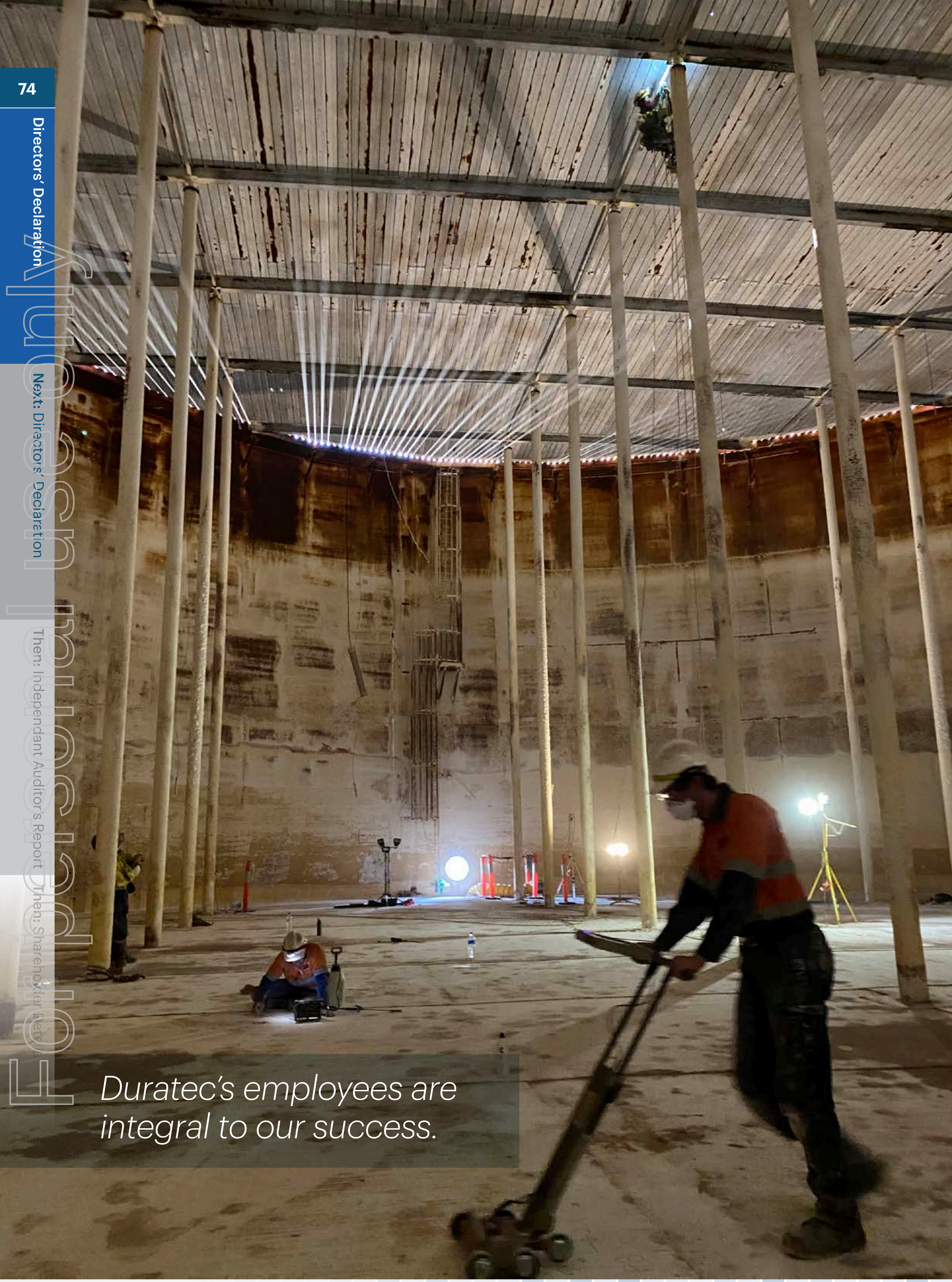
In the opinion of the Directors, there are reasonable grounds to believe the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors and in accordance with section 295A of the Corporations Ace 2001 for the year ended 30 June 2022.

On behalf of the Directors,

Robert (Phil) Harcourt
Director

Date: 19 August 2022



Duratec's employees are integral to our success.

Independent Auditor's Report

Celebrating 100 Est. 1922 in Australia

RSM

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DURATEC LIMITED

Opinion

We have audited the financial report of Duratec Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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

Key Audit Matters

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

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

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

› 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;
› Determination of the stage of completion and measurement of progress towards performance obligations; and
› Estimation of project completion dates.

The above determinations will also impact on account balances such as contract assets and liabilities .

We determined this area to be 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 judgemental revenue recognition from contracts.</td><td>Our audit procedures included:

› Assessing contractual terms with customers and substantiating project revenues and costs incurred against underlying supporting documents;
› Assessing management's assumptions in determining the stage of completion, total contract revenue and total estimated costs;
› Checking the mathematical accuracy of revenue recognised during the year based on the stage of completion;
› Reading customers and subcontractor correspondence and discussing the progress of projects with project managers for any potential disputes, variation order claims, known technical issues or significant events that could impact the estimated contract costs;
› Discussing the rationale for revisions made to estimated costs with project personnel and management and checking explanations to supporting documentation;
› Challenging management's assessment and testing the reasonableness of the provision for foreseeable losses; and
› Challenging the judgements made by management in estimating the expected credit loss relating to contract assets.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar1.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 in the directors' report for the year ended 30 June 2022.

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

Responsibilities

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

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Date: 19 August 2022

J A KOMNINOS
Partner

Next: Shareholder Information

We continue to make advances in low-impact remediation techniques.

Shareholder Details

Class of Shares and Voting Rights

As at 9 August 2022 there were 1,134 shareholders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares, subject to any rights or restrictions for the time being attached to any class or classes of shares, are:

a) at meetings of members or class of members, each member entitled to vote may vote in person or by proxy or representative; and

b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or representative has one vote for each ordinary share held.

Substantial Shareholders and Holdings as at 9 August 2022

The names of the substantial shareholders who have notified the Company in accordance with section 671B of the corporations Act 2001 are:

Shareholder Name	Nº of Shares	% of Total
JAMES ROBERT GIUMELLI	57,181,365	23.79%
DENCORT PTY LTD <HARCOURT FAMILY A/C>	26,553,389	11.18%
MR CHRIS OATES + MRS PAMELA OATES <OATES FAMILY A/C>	26,553,389	11.18%
KENT COLONY VENTURES PTY LTD <DIPROSE RICHARDS FAMILY A/C>	26,553,389	11.18%
REGAL FUNDS MANAGEMENT PTY LIMITED	13,101,481	5.45%

Distribution of Shareholdings as at 9 August 2021

Size of Share Holding	Nº of Shareholders
1-1,000	40
1,001-5,000	233
5,001-10,000	167
10,001-100,000	575
100,001 and over	119

Number of shareholders	Total Shares on Issue	Nº of unmarketable parcels
1,134	240,573,404	57

Top 20 Shareholders

as at 9 August 2021

	Shares Held	Nº of Shares	% of Total
1	Ertech Holdings Pty Ltd	47,348,514	19.68
2	Dencort Pty Ltd <Harcourt Family A/C>	26,553,389	11.04
2	Kent Colony Ventures Pty Ltd <DIPROSE RICHARDS FAMILY A/C>	26,553,389	11.04
2	Mr Chris Oates + Mrs Pamela Oates <OATES FAMILY A/C>	26,553,389	11.04
5	National Nominees Limited	17,423,430	7.24
6	CS Third Nominees Pty Limited <HSBC CUST NOM AU LTD 13 A/C>	13,474,896	5.60
7	Invia Custodian Pty Limited <DARWONGA INVESTMENTS PL A/C>	5,417,514	2.25
8	J P Morgan Nominees Australia Pty Limited	5,402,676	2.25
9	JAWP Investments Pty Ltd	4,800,000	2.00
10	Mr Oliver Mckeon <MT POCKETS BUSINESS A/C>	4,586,120	1.91
11	Invia Custodian Pty Limited <THE GIUMELLI FAMILY A/C>	3,965,000	1.65
12	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	3,308,266	1.38
13	Citicorp Nominees Pty Limited	2,506,481	1.04
14	Engineered Process Systems Pty Ltd	2,191,162	0.91
15	Fort Baramba Pty Ltd	1,939,975	0.81
16	BNP Paribas Noms Pty Ltd <DRP>	1,545,843	0.64
17	Mrs Lynette Timmins	806,708	0.34
18	Pindan Investments Pty Ltd <PINDAN INVESTMENT A/C>	750,000	0.31
19	Mr Kenneth John Beer + Mr Alexander Charles Beer <BEER SUPER FUND A/C>	661,477	0.27
19	HSBC Custody Nominees (AUSTRALIA) LIMITED - A/C 2	613,943	0.26
Top 20 Shareholders		**196,402,172**	**81.64**

On-market Share Buy-back

There is no current on-market buy-back.

Restricted Securities

A total of 21,061,574 ordinary shares in the capital of the Company are subject to the following voluntary escrow arrangements.

Shareholders	Number of shares	% of shares on issue	Escrow Period Released after FY22 audited accounts
Dencort Pty Ltd as trustee for the Harcourt Family Trust *(Entity associated with Robert (Phil) Harcourt)*	6,638,348	2.76%	6,638,348
Kent Colony Ventures Pty Ltd as trustee for the Diprose Richards Family Trust *(Entity associated with Deane Diprose)*	6,638,348	2.76%	6,638,348
Chris John Oates and Pamela Michelle Oates as trustee for the Oates Family Trust *(Entity associated with Chris Oates)*	6,638,348	2.76%	6,638,348
Oliver McKeon as trustee for the MT Pockets Business Trust *(Entity associated with Oliver McKeon)*	1,146,530	0.48%	1,146,530

Unquoted Securities

Class	Number of securities	Number of holders
Performance Rights	9,517,500	56

Duratec enjoys a historically high solid work-on-hand position.

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