DURATEC AUSTRALIA PTY LTD
AND CONTROLLED ENTITIES

ABN: 94 141 614 075

Financial Report For The Year Ended
30 June 2019

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DURATEC AUSTRALIA PTY LTD ABN: 94 141 614 075
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DIRECTORS' REPORT

Your directors present their report on the consolidated group for the financial year ended 30 June 2019.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Gavin Robert Miller
Robert Phillip Harcourt
Dean Gerald Diprose
Christopher John Oates
James Patrick Giumelli
Michael David Best appointed (1/10/2018)
James Robert Giumelli retired (30/09/2018)

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

Review of Operations

The consolidated profit of the consolidated group for the financial year after providing for income tax amounted to $9,658,657.

A review of the operations of the consolidated group during the financial year and the results of those operations found that changes in market demand and competition have seen an increase in sales of 59% to $200,423,888. The increase in sales has contributed to an increase in the consolidated group's gross profit of 61% to $38,275,418.

Significant Changes in the State of Affairs

No significant changes in the consolidated group's state of affairs occurred during the financial year.

Principal Activities

The principal activities of the consolidated group during the financial year were concrete remediation works. No significant change in the nature of these activities occurred during the year.

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the consolidated group 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 group

Environmental Regulation

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

Dividends

Dividends paid or declared since the start of the financial year were $1,238,327 (2018: $4,731,500).

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.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of Officers

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the consolidated group.

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 a party for the purpose 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.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director

Robert Phillip Harcourt

Dated this 31/10/2019

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Perth WA 6000 Australia
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Auditor's Independence Declaration to the Directors of Duratec Australia Pty Ltd

As lead auditor for the audit of the financial report of Duratec Australia Pty Ltd for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Duratec Australia Pty Ltd and the entities it controlled during the financial year.

Ernst & Young

Darryn Hall
Partner
31 October 2019

DH:DA:ERTECH:038

DURATEC AUSTRALIA PTY LTD ABN: 94 141 614 075
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated Group	
		2019	2018
	Note	$	$
Revenue from contracts with customers	3	200,423,888	126,346,884
Contracting cost of sales		(162,148,470)	(102,619,995)
		38,275,418	23,726,889
Other income	3	394,140	260,667
Employee benefits expense		(14,999,121)	(9,870,448)
Administration expense		(5,911,968)	(2,252,928)
Audit expenses		(214,140)	(111,665)
Occupancy expense		(1,963,637)	(1,574,311)
Impairment of goodwill		-	(90,432)
Depreciation and amortisation expense		(2,194,248)	(1,254,733)
Finance costs	4(a)	(309,445)	(132,930)
Other expenses		(8,761)	(65,153)
Share of net profits of associates and joint ventures		757,864	200,000
Profit before income tax		13,826,102	8,834,956
Tax expense	5(a)	(4,167,445)	(2,816,344)
Profit for the year		9,658,657	6,018,612
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		9,658,657	6,018,612
Profit attributable to:			
Members of the parent entity		9,063,135	6,606,472
Non-Controlling Interest		595,522	(587,860)
		9,658,657	6,018,612
Total comprehensive income attributable to:			
Members of the parent entity		9,063,135	6,606,472
Non-Controlling Interest		595,522	(587,860)
		9,658,657	6,018,612

The accompanying notes form part of these financial statements.

DURATEC AUSTRALIA PTY LTD ABN: 94 141 614 075
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Consolidated Group 2019 $	Consolidated Group 2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	35,735,984	13,915,299
Trade and other receivables	8	29,859,224	19,187,463
Contract assets	9	5,645,962	-
Inventories	10	247,958	209,098
Other assets	11	550,654	223,339
Current tax receivable	19	411,177	-
TOTAL CURRENT ASSETS		72,450,959	33,535,199
NON-CURRENT ASSETS			
Trade and other receivables	8	4,951	-
Investments accounted for using the equity method	12	957,913	200,049
Plant and equipment	14	7,909,856	5,610,383
Deferred tax assets	18	1,794,415	1,895,492
Other assets	11	87,376	72,850
TOTAL NON-CURRENT ASSETS		10,754,511	7,778,774
TOTAL ASSETS		83,205,470	41,313,973
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	38,026,835	25,340,691
Contract liabilities	17	17,896,561	-
Interest-bearing borrowings	16	1,448,019	917,880
Current tax liabilities	18	-	766,665
Provisions	19	3,958,160	2,456,058
TOTAL CURRENT LIABILITIES		61,329,575	29,481,294
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	16	3,073,808	1,646,135
Deferred tax liabilities	18	186,865	-
Provisions	19	567,152	58,804
TOTAL NON-CURRENT LIABILITIES		3,827,825	1,704,939
TOTAL LIABILITIES		65,157,400	31,186,233
NET ASSETS		18,048,070	10,127,740
EQUITY			
Issued capital	20	500,000	500,000
Reserves		(507,496)	-
Retained earnings		17,871,362	10,046,554
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		17,863,866	10,546,554
Non-controlling interest		184,204	(418,814)
TOTAL EQUITY		18,048,070	10,127,740

The accompanying notes form part of these financial statements.

DURATEC AUSTRALIA PTY LTD ABN: 94 141 614 075
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Note	Ordinary $	Retained Earnings $	Non-controlling Interests $	Acquisition Reserve $	Total $
Consolidated Group						
Balance at 1 July 2017		500,000	8,171,582	169,046	-	8,840,628
Comprehensive income						
Profit for the year		-	6,606,472	(587,860)	-	6,018,612
Total comprehensive income for the year		-	6,606,472	(587,860)	-	6,018,612
Transactions with owners						
Dividends paid or provided for	6	-	(4,731,500)	-	-	(4,731,500)
Total transactions with owners and other		-	(4,731,500)	-	-	(4,731,500)
Balance at 30 June 2018		500,000	10,046,554	(418,814)	-	10,127,740
Balance at 1 July 2018		500,000	10,046,554	(418,814)	-	10,127,740
Comprehensive income						
Profit for the year		-	9,063,135	595,522	-	9,658,657
Total comprehensive income for the year		-	9,063,135	595,522	-	9,658,657
Transactions with owners						
Dividends paid or provided for	6	-	(1,238,327)	-	-	(1,238,327)
Acquisition of non-controlling interest		-	-	7,496	(507,496)	(500,000)
Total transactions with owners and other		-	(1,238,327)	7,496	(507,496)	(1,738,327)
Balance at 30 June 2019		500,000	17,871,362	184,204	(507,496)	18,048,070

The accompanying notes form part of these financial statements.

DURATEC AUSTRALIA PTY LTD ABN: 94 141 614 075
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated Group	
		2019	2018
	Note	$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		201,891,516	122,669,238
Payments to suppliers and employees		(169,922,121)	(100,162,364)
Interest received/other income		120,936	238,498
Interest paid		(309,445)	(132,930)
Income tax paid		(5,057,345)	(3,761,548)
Net cash provided by operating activities		26,723,541	18,850,894
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		165,421	45,953
Purchase of property, plant and equipment		(4,667,903)	(2,832,455)
Purchase of investments		-	(49)
Acquisition of subsidiary net of cash		-	(178,989)
Net cash (used in)/provided by investing activities		(4,502,482)	(2,965,540)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings - other		3,499,485	1,955,827
Repayment of borrowings - other		(1,541,673)	(950,018)
Payment of dividend on ordinary shares		(1,238,327)	(4,731,500)
Loan payments made to related parties		(619,859)	-
Acquisition on non-controlling interest		(500,000)	-
Net cash provided by/(used in) financing activities		(400,374)	(3,725,691)
Net increase/(decrease) in cash held		21,820,685	12,159,663
Cash and cash equivalents at beginning of financial year		13,915,299	1,755,636
Cash and cash equivalents at end of financial year	7	35,735,984	13,915,299

The accompanying notes form part of these financial statements.

Note 1 **Summary of Significant Accounting Policies**

Basis of Preparation

Duratec Australia Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirement and interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit entities.

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.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar. The accounting policies that have been adopted in the preparation of this report are as follows:

The financial report was authorised for issue on 31ST OCTOBER 2019 by the directors of the company.

(a) Adoption of new and revised standards

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

The Group adopted a modified retrospective method of adoption and in doing so it was determined that these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

AASB 9 Financial Instruments

The Group has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. The adoption did not have a material impact on the Group.

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period. The adoption did not have a material impact on the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and the Group are in the process of assessing the impact thereof.

Note 1 Summary of Significant Accounting Policies (continued)..

(b) 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.

(c) 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.

(d) Contract Assets and Contract Labilities

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 due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. 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 due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(e) 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.

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.

Note 1 Summary of Significant Accounting Policies (continued)..

(e) Plant and Equipment (continued)

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

Class of Fixed Asset	Depreciation Rate
Plant and Machinery	4 - 50%
Furniture, Fittings and Equipment	8 - 50%
Motor Vehicles	16 - 50%
Computers	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.

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.

Derecognition and disposal

An item of property, 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.

(f) 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.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in note k – Revenue from contracts with customers

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.

Note 1 Summary of Significant Accounting Policies (continued)..

(f) Financial Assets (continued)

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.

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.

(g) Leases

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.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

(h) 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.

Note 1 Summary of Significant Accounting Policies (continued)..

(j) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and on call current account with banks and financial institutions.

(k) Revenue from contracts with customers

Policy after 1 July 2018

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.

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.

Services contracts

Contracts for performance of maintenance activities cover servicing of assets and involve various activities. These activities tend to be substantially 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.

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.

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.

Note 1 Summary of Significant Accounting Policies (continued)..

k) Revenue from contracts with customers (continued)

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

(l) Interest Revenue

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

(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) Borrowing Costs

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

(o) 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 of financial assets in section below.

(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) Critical Accounting Estimates and Judgements

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

Key estimates

Impairment - general

The Company assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(q) Critical Accounting Estimates and Judgements (continued)

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.

Note 1 Summary of Significant Accounting Policies (continued)..

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.

(r) Comparatives

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

(s) Investment in associates and joint venture

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group’s investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate or joint venture since the acquisition date. 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 statement of profit or loss reflects the Group’s share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group’s share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within ‘Share of profit of an associate and a joint venture’ in the statement of profit or loss.

Note 1 Summary of Significant Accounting Policies (continued)..

(s) Investment in associates and joint venture (continued)

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(t) Parent entity financial information

The financial information for the parent entity, Duratec Australia Pty Ltd, disclosed in Note 2 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries and associates are accounted for at cost in the financial statements of Duratec Australia Pty Ltd. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from carrying value of these investments.

(u) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2019 – Refer to Note 13. 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 group, 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 group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Note 1 Summary of Significant Accounting Policies (continued)..

(v) **Current versus 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 reporting period

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.

Note 2 Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2019 $	2018 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current Assets	57,514,972	22,983,784
Non-current Assets	9,622,880	6,055,325
TOTAL ASSETS	67,137,852	29,039,109
LIABILITIES		
Current Liabilities	47,330,512	15,788,852
Non-current Liabilities	3,235,488	1,336,860
TOTAL LIABILITIES	50,566,000	17,125,712
EQUITY		
Issued Capital	500,000	500,000
Retained earnings	16,071,852	11,413,397
TOTAL EQUITY	16,571,852	11,913,397
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total profit	5,896,782	8,017,754
Total comprehensive income	5,896,782	8,017,754

Guarantees

Duratec Australia Pty Ltd has not entered into any guarantees in the current or previous financial year, in relation to the debts of its subsidiaries.

Note 3 Revenue from contracts with customers

The Group has recognised the following amounts relating to revenue in the statement of profit or loss.

	Note	Consolidated Group 2019	2018
Continued operations		$	$
Revenue from contracts with customers		200,423,888	126,346,884
Disaggregation of revenue from contracts with customers by location			
Western Australia		125,362,449	76,913,103
New South Wales		39,440,865	21,094,502
Victoria		13,627,842	11,112,940
Northern Territory		7,867,586	4,212,668
South Australia		6,031,900	4,975,264
Queensland		5,886,397	7,034,300
Tasmania		2,130,996	1,004,107
Australian Capital Territory		75,853	-
		200,423,888	126,346,884
Other income	3a.	394,140	260,667

	Consolidated Group 2019	2018
	$	$
(a) Other income:		
— Interest received	120,936	238,498
— Sundry Income	184,660	-
— Rental income	46,782	-
— Sale of scrap metal	38,862	-
— Income from training provided	2,900	22,169
Total other income	394,140	260,667

Note 4 Profit before Income Tax

Profit before income tax from continuing operations includes the following specific expenses:	Consolidated Group 2019	2018
	$	$
(a) Expenses		
Cost of sales	162,148,470	102,619,995
Interest expense for financial liabilities not at fair value through profit or loss		
— external	306,059	119,415
— related entities	3,386	13,515
Total finance costs	309,445	132,930

Note 5 Tax Expense

	Note	Consolidated Group 2019	2018
		$	$
(a) The components of tax (expense) income comprise:			
Current tax		3,850,474	2,968,187
Deferred tax	18	287,942	29,836
Under provision in respect of prior years		21,479	114,892
Under / (Over) provision deferred tax in respect of prior years		7,550	(296,571)
		4,167,445	2,816,344
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%)			
— consolidated group		4,147,831	2,650,487
Add:			
Tax effect of:			
— under-provision for income tax in prior years		21,479	174,892
— other non-allowable items		38,629	50,966
		4,207,939	2,876,344

Note 5 Tax Expense (continued)..

Less:		
Tax effect of:		
— Notional profit on associates not subject to tax	40,494	60,000
Income tax attributable to entity	4,167,445	2,816,344
Weighted average effective tax rates	30.1%	31.9%

Note 6 Dividends

	Consolidated Group	
	2019	2018
	$	$
Declared fully franked ordinary dividend franked at the tax rate of 30% (2018: 30%).	1,238,327	4,731,500

Note 7 Cash and Cash Equivalents

		Consolidated Group	
		2019	2018
CURRENT	**Note**	$	$
Cash at bank and on hand		21,735,984	13,898,299
Short-term bank deposits		14,000,000	17,000
		35,735,984	13,915,299

Note 8 Trade and Other Receivables

		Consolidated Group	
		2019	2018
	Note	$	$
CURRENT			
Trade receivables		30,063,927	19,142,845
Impairment allowance account		(663,746)	(1,003,090)
		29,400,181	18,139,755
Other receivables		458,970	53,497
Amounts due from customers for construction contracts		-	989,260
Loans to other related parties	24(e)	73	4,951
Total current trade and other receivables		29,859,224	19,187,463
NON-CURRENT			
Amounts receivable from related parties		4,951	-
Total non-current trade and other receivables		4,951	-

Note 9 Contract Assets

The Group has recognised the following revenue-related contract assets:

	Consolidated Group
	2019
Contract assets	$
Contract assets relating to contracts	5,645,962
Total contract assets	5,645,962
Current	5,645,962

Note 10 Inventories

	Note	Consolidated Group 2019 $	2018 $
CURRENT			
At cost:			
Raw materials and stores		247,958	209,098
		247,958	209,098

Note 11 Other Assets

	Consolidated Group 2019 $	2018 $
CURRENT		
Prepayments	550,654	223,339
	550,654	223,339
NON-CURRENT		
Security deposits	87,376	72,850
	87,376	72,850

Note 12 Associate and Joint Venture

Consolidated Group		Proportion of ordinary share interests/participating share			Carrying amount	
Name	Classification	Place of incorporation/ business	2019 %	2018 %	2019 $	2018 $
Fortec Australia Pty Ltd	Associate	Australia	40%	40%	822,883	200,000
Dundee Rock JV Pty Ltd	Joint Venture	Australia	49%	49%	135,030	49
					957,913	200,049

a. Information about associate

The Group has 40% interest in Fortec Australia Pty Ltd which is involved in specialised concrete works. Set out below is the summarised financial information for the Group's material investments in Fortec Australia Pty Ltd. Unless otherwise stated, the disclosed information reflects the amounts presented in the financial statements of the associates.

b. Information about joint venture

Duratec Australia – Dundee Rock JV Pty Ltd (DDR) is registered as an incorporated company. DDR is a joint venture arrangement between its shareholders, Dundee Rock Pty Ltd (DRPL), which owns 51% of the issued shares in DDR, and Duratec Australia Pty Ltd (DAPL), which owns the remaining 49% of issued shares. The purpose of the JV is to carry out Commonwealth and State Government works, whether directly or via Government contractors, where there is an indigenous procurement policy.

Note 13 Interests in Subsidiaries

a. Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation or registration.

		Ownership interest held by the Group		Proportion of non-controlling interests	
Name of subsidiary	Principal place of business	2019 (%)	2018 (%)	2019 (%)	2018 (%)
Duratec Australia (ES) Pty Ltd	Australia	90%	70%	10%	30%
MeND Consulting Pty Ltd	Australia	100%	100%	0%	0%

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.
Duratec Australia Pty Ltd bought back 20% of the shareholding of Duratec Australia (ES) Pty Ltd from external shareholders during 2018-19.

Note 14 Plant and Equipment

	Consolidated Group 2019 $	2018 $
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	6,624,297	5,154,047
Accumulated depreciation	(3,431,668)	(2,606,948)
	3,192,629	2,547,099
Motor Vehicles		
At cost	5,620,611	4,224,448
(Accumulated depreciation)	(2,423,382)	(1,800,185)
	3,197,229	2,424,263
Office furniture, fixtures and fittings		
At cost	272,193	207,541
(Accumulated depreciation)	(134,324)	(101,457)
	137,869	106,084
Information Technology		
At cost	906,691	103,609
(Accumulated depreciation)	(339,521)	(22,674)
	567,170	80,935
Leasehold Improvement		
At cost	767,239	675,340
(Accumulated depreciation)	(394,851)	(283,542)
	372,388	391,798
Capital Work in Progress		
At cost	442,571	60,204
	442,571	60,204
Total plant and equipment	7,909,856	5,610,383

(a) Movements in carrying amounts

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

	Plant and Equipment $	Motor Vehicles $	Office Furniture $	Information Technology $	Leasehold Improvement $	Capital WIP $	Total $
Consolidated Group:							
Balance at 1 July 2017	2,062,060	1,519,346	87,334	5,914	323,172	22,000	4,019,826
Additions	1,112,564	1,457,603	8,864	72,100	143,119	38,204	2,832,454
Disposals - written down value	(74,773)	(34,001)	(2,332)	-	-	-	(111,106)
Additions through acquisition of entity	66,460	15,000	31,036	11,445	-	-	123,941
Depreciation expense	(619,212)	(533,685)	(18,818)	(8,524)	(74,493)	-	(1,254,732)
Carrying amount at 30 June 2018	2,547,099	2,424,263	106,084	80,935	391,798	60,204	5,610,383
Additions	1,603,051	1,719,063	64,651	806,872	91,899	382,367	4,667,903
Disposals - written down value	(82,525)	(88,912)	-	(2,745)	-	-	(174,182)
Depreciation expense	(874,996)	(857,185)	(32,866)	(317,892)	(111,309)	-	(2,194,248)
Carrying amount at 30 June 2019	3,192,629	3,197,229	137,869	567,170	372,388	442,571	7,909,856

The carrying value of assets held under lease contracts as at 30 June 2019 was $4,675,018 (Plant and Equipment $1,524,315; Motor Vehicles $2,976,078; Information Technology $174,625) and at 30 June 2018 was $2,523,801 (Plant and Equipment $672,811; Motor Vehicles $1,850,990). Additions of $3,206,648 of assets under lease were made during the year. Assets under lease contracts are pledged as security for the related lease liability - refer to Note 16.

Note 15 Trade and Other Payables

	Note	Consolidated Group 2019 $	2018 $
CURRENT			
Trade payables		17,498,982	7,050,703
Sundry payables and accrued expenses		16,152,740	15,449,318
Other payables (net amount of GST payable)		2,857,910	1,280,405
Amounts payable to:			
— ultimate parent entity	24	153	563,781
— other related parties		47,545	103,703
Employee entitlements		1,469,505	892,781
	13(a)	38,026,835	25,340,691

Note 16 Interest-bearing Borrowings

	Note	Consolidated Group 2019 $	2018 $
CURRENT			
Lease liability secured		1,448,019	917,880
Total current borrowings		1,448,019	917,880
NON-CURRENT			
Lease liability secured		3,073,808	1,646,135
Total non-current borrowings		3,073,808	1,646,135
Total borrowings	21	4,521,827	2,564,015

Note 17 Contract Liabilities

	Consolidated Group 2019 $
Amounts related to contracts	17,896,561
Total contract liabilities	17,896,561
Current	17,896,561

Note 18 Tax

	Consolidated Group 2019 $	2018 $
CURRENT		
Income tax payable	-	766,665
Income tax refundable	(411,177)	-
TOTAL	(411,177)	766,665
NON-CURRENT		
Deferred tax assets	1,794,415	1,895,492
Deferred tax liabilities	(186,865)	-
TOTAL	1,607,550	1,895,492

NON-CURRENT	Opening Balance	(Charged)/ Credited to Profit or Loss	Under/Over Provision	Closing Balance
Consolidated Group	$	$		$
Deferred tax liability				
Equity accounted profit in Fortec	-	-	-	-
Balance at 30 June 2018	-	-	-	-
Equity accounted profit in Fortec	-	186,865	-	186,865
Balance at 30 June 2019	-	186,865	-	186,865
Deferred tax assets				
Provisions and accruals	521,354	265,408	(32,295)	754,467
Plant and equipment	46,623	2,137	-	48,760
Accrued expenses	53,947	46,502	-	100,449
Tax loss carried forward	-	910,849	(205,791)	705,058
Allowances on expected credit losses	1,062,292	(775,534)	-	286,758
Borrowing costs	241,112	(241,112)	-	-
Work in progress	-	(18,200)	18,200	-
Prepaid workers comp	-	76,685	(76,685)	-
Balance at 30 June 2018	1,925,328	266,735	(296,571)	1,895,492
Provisions and accruals	754,467	616,707	(13,580)	1,357,594
Plant and equipment	48,760	47,253	19,201	115,214
Accrued expenses	100,449	9,945	-	110,394
Tax loss carried forward	705,058	(702,595)	(2,463)	-
Provision - doubtful debts	286,758	(87,634)	-	199,124
Borrowing costs	-	7,697	4,392	12,089
Balance at 30 June 2019	1,895,492	(108,627)	7,550	1,794,415

Note 19 Provisions

	Consolidated Group 2019 $	Consolidated Group 2018 $
CURRENT		
Employee Benefits		
Opening balance at 1 July	1,944,058	1,103,391
Additional provisions raised during year	4,645,165	3,085,547
Amounts used	(2,631,063)	(1,732,880)
Balance at 30 June	3,958,160	2,456,058
NON-CURRENT		
Employee Benefits		
Opening balance at 1 July	58,804	124,323
Additional provisions raised during year	508,348	-
Amounts used	-	(65,519)
Balance at 30 June	567,152	58,804

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that will not be vested within the next 12 months.

Note 20 Issued Capital

	Consolidated Group 2019 $	Consolidated Group 2018 $
1,000 (2018: 1000) fully paid ordinary shares	500,000	500,000
	500,000	500,000

(a) Ordinary Shares

	No.	No.
At the beginning of the reporting period	1,000	1,000
At the end of the reporting period	1,000	1,000

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.

(b) Capital Management

	Note	Consolidated Group 2019 $	Consolidated Group 2018 $
Total borrowings	16	4,521,827	2,564,015
Trade and other payables	15	38,026,835	25,340,691
Total debt		42,548,662	27,904,706
Less cash and cash equivalents	7	(35,735,984)	(13,915,299)
Net debt		6,812,678	13,989,407
Total equity		18,048,070	10,127,740
Total capital		24,860,748	24,117,147
Gearing ratio		27%	58%

Note 21 Capital and Leasing Commitments

	Note	Consolidated Group 2019 $	2018 $
(a) Finance Lease Commitments			
Payable — minimum lease payments			
— not later than 12 months		1,628,588	1,016,304
— between 12 months and five years		3,296,884	1,736,833
Minimum lease payments		4,925,472	2,753,137
Less future finance charges		(403,645)	(189,122)
Present value of minimum lease payments	16	4,521,827	2,564,015
(b) Operating Lease Commitments			
Non-cancellable operating leases contracted for but not recognised in the financial statements			
Payable — minimum lease payments			
— not later than 12 months		1,076,436	685,249
— between 12 months and five years		2,072,678	77,873
		3,149,114	763,122

Note 22 Contingent Liabilities and Contingent Assets

	Consolidated Group 2019 $	2018 $
Contingent Liabilities		
Contract Guarantees and Bonds		
The company uses Bank Guarantee facility 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.	16,599,146	12,620,771

Note 23 Events After the Reporting Period

The directors are not aware of any significant events since the end of the reporting period.

Note 24 Related Party Transactions

The Group's main related parties are as follows:

(a) Key Management Personnel:
All directors (whether executive or otherwise) of the entities in the group are considered key management personnel.

(b) 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.

Fortec Australia Pty Ltd is an entity over which the group exercises significant influence by holding 40% voting power.

For details of interests held in associates, refer to Note 12.

(c) Joint ventures in which the parent is a venturer:
The Group has a 49% interest in the joint venture Duratec Australia – Dundee Rock JV Pty Ltd.

For details of interests held in joint ventures, refer to Note 12.

(d) The Ultimate parent
The ultimate parent of the Group is Ertech Holdings Pty Ltd and is based in Australia.

(e) Other entities
Subsidiaries of the ultimate company that are not subject to significant influence by the group.

Note 24 Related Party Transactions (continued)..

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.

The following transactions occurred with related parties:

			Sales to related parties	Purchases from related parties	Amounts in Trade Receivables for related parties	Amounts in Trade Payables for related parties	Loan balances payable to related parties	Loan balances receivable from related
			$	$	$	$	$	$
(i)	Ultimate parent							
	Ertech Holdings Pty Ltd	2019	-	-	-	-	153	-
		2018	-	-	-	-	563,781	-
(ii)	Entity subject to significant influence by the group:							
	Fortec Australia Pty Ltd	2019	19,239	-	-	-	47,545	-
		2018	-	5,725	-	-	78,514	-
(iii)	Joint venture in which the parent is a venturer							
	Duratec Australia – Dundee	2019	5,995,975	-	720,621	12,380	-	4,951
		2018	1,194,027	-	797,024	-	-	4,951
(iv)	Other entities							
	Ertech Pty Ltd	2019	762,492	-	125,180	-	-	73
		2018	316,932	40,372	304	-	9,401	-
	Ertech Plant Holdings Pty Ltd	2019	-	-	-	-	-	-
		2018	-	-	-	-	15,787	-
	Ertech EC Pty Ltd	2019	-	-	-	-	-	-
		2018	-	75,058	-	-	-	-
	Ertech (Queensland) Pty Ltd	2019	-	-	-	-	-	-
		2018	-	68,608	-	-	-	-

Compensation of key management personnel of the Group	Consolidated Group	
	2019	2018
	$	$
Short-term employee benefits	1,947,825	1,931,717
Total compensation paid to key management personnel	1,947,825	1,931,717

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management

Note 25 Company Details

The registered office of the company is:

Duratec Australia Pty Ltd

108 Motivation Drive, Wangara, WA 6065

DURATEC AUSTRALIA PTY LTD ABN: 94 141 614 075
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Duratec Australia Pty Ltd, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 24, are in accordance with the Corporations Act 2001 and:
   (a) comply with Australian Accounting Standards - Reduced Disclosure Requirement and the Corporations Regulations 2001; and
   (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the consolidated group.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director

Robert Phillip Harcourt

Dated this 31/10/2019.

Building a better
working world

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Independent Auditor's Report to the Members of Duratec Australia Pty Ltd

Opinion

We have audited the financial report of Duratec Australia Pty Ltd (the Company) and its subsidiaries (col lectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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 – Reduced Disclosure Requirements 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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

Darryn Hall

Darryn Hall
Partner
Perth
31 October 2019