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 2021 and the prior reporting period is the year ended 30 June 2020.

	FY21 $'000	FY20 $'000		%
Revenue	235,709	247,283	⬇	4.7%
Profit after income tax expense for the year attributable to members	7,131	13,011	⬇	45.2%

Net tangible assets per share

NTA Backing	30 June 2021 cents per share	30 June 2020 cents per share
Net tangible asset backing per ordinary share	10.92	10.98*

* A share split occurred on 24 September 2020 and to allow for improved comparability of NTA Backing the 30 June 2020 value was calculated using the increased number of shares.

Dividends

The board resolved to pay a pre-IPO dividend of $0.13 per share (fully franked) with dividends totaling $25.2 million paid in tranches between 29 October and 2 November 2020. The disposal of Fortec Australia Pty Ltd on 31 August 2020 was effected by way of an in-specie dividend of $1.6m to its shareholders.

Since the end of the financial year, the Directors have declared a final dividend for 2021 of 1.50 cents per share (fully franked), to be paid on 13 October 2021. The Ex-dividend Date will be 20 September 2021 and the Record Date for payment will be 21 September 2021.

Explanation of results

This information is contained in the 30 June 2021 Results Announcement and 30 June 2021 Results Presentation.

Details of associates and joint venture entities

Name of associate/ joint venture	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	-*	40	149	520
DDR Australia Pty Ltd	49	49	621	1,271
Duratec Ertech JV	50	50	1,999	1,612

* On 31 August 2020 Duratec disposed of its 40% interest in Fortec Australia Pty Ltd by way of an in-specie dividend of $1.6m to its shareholders.

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 Defence, Commercial Buildings & Facades, Infrastructure (Water, Transport & Marine), Mining & Industrial, Power and Energy.

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

2021 Annual Report

Duratec Limited
ACN: 141 614 075 ASX: DUR

Annual Report for the Financial Year ending 30 June 2021


RioTinto

Fit for Purpose Innovative Solutions

Duratec is a solutions-based, "whole of life" engineering, construction and remediation asset services company, extending the life of infrastructure.

Contents


ACCESS RENTALS

Corporate Directory

Registered Office & Principal Place of Business

108 Motivation Drive, Wangara
Western Australia 6065

Contact Details

Phone:	+61 (8) 9206 6900
E-mail:	info@duratecaustralia.com.au
Internet:	www.duratecaustralia.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 Limited
Level 11, 172 St Georges Terrace, Perth
Western Australia 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
Western Australia 6000

Duratec Business Model

We are a National Market leader in protecting, refurbishing and extending the life of a range of assets.

Business Model

End-to-end Specialist Early Contractor Involvement (ECI) Condition Assessment Technical Services and Asset Refurbishment. We cater to every stage of the life cycle of asset maintenance.

Our Vision

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

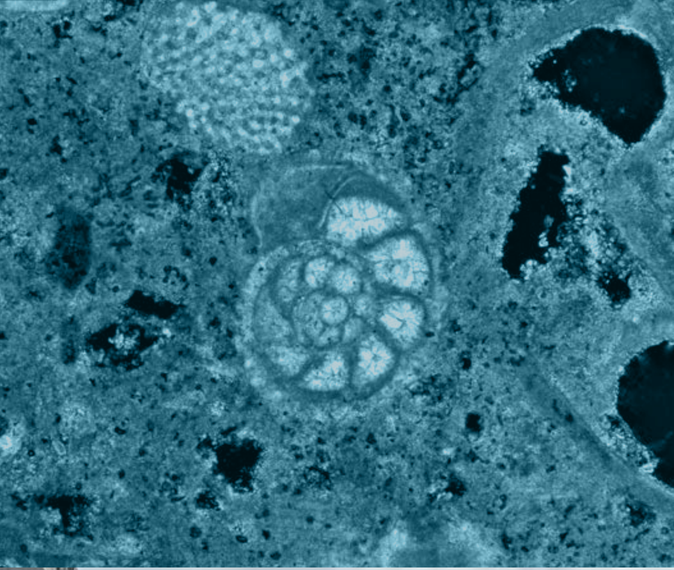
Markets & Industries Serviced

Defence – Maintaining Defence capability

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

Mining and Industrial – Partnering with mining asset owners 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 and refurbishing critical infrastructure assets including port design and construct activities, ensuring marine structures are able to withstand the harsh conditions and meet expected lifespans, transport Infrastructure including road and rail bridges that are critical to our communities, and water and wastewater Infrastructure.

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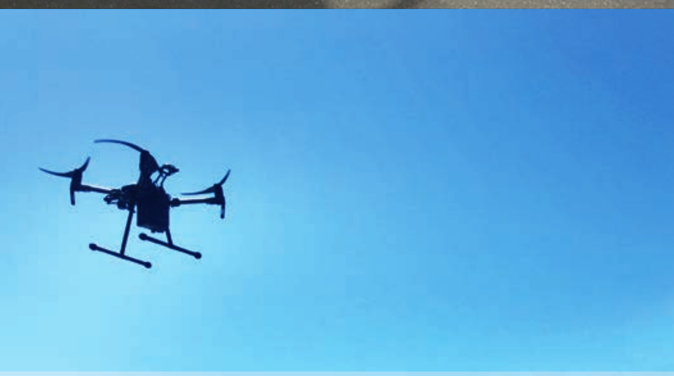



DURATEC
AUSTRALIA
SPECIALIST ACCESS DIVISION
DO NOT ENTER
PERSONNEL WORKING ABOVE


TADANO
BOC

Chairman's Report

I am pleased to deliver Duratec Limited's first Annual Report to shareholders. This report details a commendable performance given the uncertainties faced by the business through the 2021 financial year. The financial results are solid, safety performance continues to improve and the business successfully evolved from a private company to be admitted to the Official List of ASX Limited on Tuesday 3 November 2020.

Operating in Uncertain Times

The business continues to perform well under the leadership of Managing Director Phil Harcourt and his leadership team. The business remains focused on securing and delivering well-managed projects with sustainable financial returns.

Whilst the financial results, on an underlying basis, reflect a drop in after-tax profit of $3.6m compared to 2020, in the current uncertain environment this is a solid result. The Board did not provide forecasts in the 15 October Replacement Prospectus, or specific guidance during the 2021 financial year, due to the level of uncertainty that has permeated the operating environment, but it remains confident of good returns over the medium term.

The impact of COVID-19 is well understood by the community and Duratec has had to contend with delays in the awarding of contracts, changed operating conditions and other uncertainties. Together, these impacts have resulted in lower revenue and, in some cases, increased costs to operate. I am pleased to report that Duratec has not been the recipient of JobKeeper and was largely able to keep the workforce intact during the most challenging COVID-19 periods in FY21. In fact, the Human Resources team has been recruiting to ensure the business has all the necessary skills and capabilities in place to enable the business to undertake its work on hand and anticipated pipeline of work. In addition, the Human Resources team has been driving improvements in systems and processes to ensure we are efficient and preserve the successful culture of Duratec.

The financial position of the business remains strong, with modest debt levels, used for asset financing purposes and a strong cash position.

The performance of Duratec's associate business DDR Australia Pty Ltd (DDR) has been very encouraging, contributing $2.1m in earnings inclusive of $1.5m in dividends.

Returns and Dividends

The short term performance of the company's share price has been below expectations. However, the focus of the Board is to provide guidance and oversight of the business for the medium term. We remain focused on generating attractive returns through the cycle, investing for the future and ensuring capabilities are in place to be able to capitalise on opportunities. Over time, we believe that the share price will align with business performance. Pre-IPO dividends of $25.2m, as foreshadowed in the Replacement Prospectus, were paid during the year and a dividend of 1.5 cents per share fully franked, has been declared by Board for the year ended June 2021. This dividend is within the 30% to 50% after-tax payout range outlined in Duratec's dividend policy, provides a return to shareholders and allows for continued investment for future returns.

Outlook and Pipeline

The future for Duratec remains very strong and the pipeline of work included in this report demonstrates immense opportunities. As Duratec enters the 2022 financial year, it has a solid level of work on hand. When this is combined with the current level of tendered work and the typical tender success rates, it suggests a strong return to growth. The business is well positioned to capitalise on the strong demand evident in all market operating segments, which are geographically spread.

It is important for me to highlight the recently secured Central Park contract in Perth. This is a significant contract award and is an example of the Duratec business model, where early client engagement can lead to an optimal outcome for the client and a well understood project for Duratec. As these types of engagements convert to contracts, we will keep you informed.

On behalf of the Duratec Limited Board I would like to thank the leadership team, all employees, shareholders, clients and suppliers for their support during the IPO process and throughout the year. I look forward to what we can collectively achieve in the 2022 financial year.

Yours faithfully,

Martin Brydon
Non-Executive Chairman.
Duratec Limited


ULTRA BOOM
CRANE
DUR008
DURATEC
AUSTRALIA
CAUTION

2021 Highlights

Revenue[2]
$235.7m

EBITDA[1]
$18.8m
Margin 8.0%

NPAT[1]
$8.6m
Margin 3.7%

Strong Pipeline[3]
$2.2b
Up from $1.03b at 31 July 2020

Order Book
$236.2m
Up from $145.0m at 31 July 2020

Tendered
$657.2m
Up from $392.0m at 31 July 2020

Dividend
1.5¢
per share, fully franked post IPO dividend

EPS
3.1¢
per share

Cash
$41.2m
Net cash $27.8m

Projects Undertaken
1,621

LTIFR[4]
Zero
Also Improved TRIFR

Employees
725

Capital Expenditure
$10.5m
To support future earnings

1 *Prepared on a normalised basis which exclude one-off IPO costs and Fortec Australia Pty Ltd contribution. Refer* *"Finance Report" on page 14* *for calculations*

2 *Revenue excludes DDR (49% share). Revenue inclusive of DDR (49% share) is $260.5m*

3 *Pipeline includes 49% share of DDR of $148.4m*

4 *LTIFR and TRIFR are both key safety metrics. LTIFR = Lost Time Injury Frequency Rate. TRIFR = Total Recordable Injury Frequency Rate.*

Managing Director's Report

Phil Harcourt
Managing Director

People and Culture

Our business is all about our people, ensuring we employ and retain the best, equip them with what they need and provide them with exciting and challenging opportunities to grow and develop. A strong emphasis has been placed on training and development programs.

Maintaining the safety and wellbeing of our personnel and all who operate in the vicinity of our projects is our number one priority. The team has been nimble and quick to respond, embrace and implement any new measures necessary to protect all stakeholders from COVID-19.

It is pleasing to note that incident and potential incident reporting continues to be very proactive and honest. It is also pleasing to see the trending down of the lag indicators for DDR and Duratec. It is noted that the lag indicators have been adversely affected by some minor hand injuries. We maintain focus on lead indicator safety observations and task inspections and include these in our KPI's to promote safety awareness, compliance and continuous improvement.

Operational Overview

Duratec Group's FY21 operating and financial results reflect a challenging year with revenue growth restricted by COVID-19 induced project award delays, particularly in the Defence sector, as well as productivity impacts associated with individual State border closures and lockdowns, (including 110 days in Victoria). Duratec closed the year with total revenue of $235.7m, (excluding Duratec's 49% share of $50.7m from DDR) down 4.7% from the FY20 Revenue of $247.3m.

Duratec's normalised earnings before interest, tax depreciation and amortization, (EBITDA) in FY21 was $18.8m, (i.e. 8.0% of revenue), down 14.3% from FY20 EBITDA of $22.0m.

Duratec's normalised earnings before interest and tax (EBIT) of $13.6m were down $4.6m from FY20.

Consolidated, normalised net profit after tax (NPAT) (inclusive of contribution from associate DDR) was $8.6m compared with $12.2m in FY 20.

Defence

For FY21, Defence services sector delivered revenue of $98.8m, (FY20: $132.7m) and gross profit of $16.9m, (FY20: $25.0m).

The Defence sector revenue was adversely impacted by COVID-19 delays in major project awards, partly because of the Federal Government stimulus strategy of awarding small work scope packages via variations to existing contracts. Further, the COVID-19 110-day lockdown in Victoria affected three sites in terms of lost productivity due to only 6 personnel being permitted on site.

Refurbishment, repair and building of Defence infrastructure has successfully continued in all Australian States and Territories with 33 multi-

discipline projects delivered via an established presence on 37 bases. In July 2021, the DEJV, (Duratec/Ertech 50/50 Joint Venture), successfully completed and handed over the Armaments Wharf extension project at HMAS Stirling in WA. This was delivered during a challenging period of applied COVID-19 risk mitigation measures to ensure the wellbeing of all stakeholders, severe weather and sea conditions, whilst operating on a live base in a pristine marine environment. The result was a credit to the entire project team.

The Federal Government continues to be committed to significant expansion of Australia's Defence capability and FY22 spend is expected to increase substantially in "Acquisition of new Capabilities" and "Sustainment of existing Capabilities". Duratec's focus has primarily been in the sustainment category. However, on 13 August 2021, Duratec announced the award to the Duratec - Ertech joint venture (DEJV) of a $53.0m project involving the design and construction of a wharf. This involves an innovative and elegant solution that satisfies the Department of Defence's strategic requirements.

The volume of tendering has increased significantly, and the pipeline of tangible identified opportunities is very strong which provides promising signs of a return to growth in this sector for Duratec.

Mining & Industrial

For FY21, the Mining & Industrial services sector performed strongly, with revenue of $52.9m, (FY20: $40.5m) and gross profit of $10.4m, (FY20 $10.0m).

Despite some of the challenges of COVID-19, we have been encouraged by the growth in this sector. Strong commodity prices and production volumes have led to clients focussing upon maintaining their key infrastructure structural integrity to ensure there is no disruption to production output. Accordingly, we have been engaged to deliver multiple mining infrastructure upgrades, both at the inland site, as well as marine port facilities nationally. The major capital investment in a jack-up barge, based in Dampier, WA, provides significant opportunities for the securing of major port infrastructure upgrades on load out wharves and mooring dolphins, where stable work platforms are essential for safe, efficient and effective performance of high risk works.

The new state-of-the-art fully recyclable abrasive blasting and industrial coating facility, in Karratha, was commissioned and is now servicing the expected demand for high quality work for greenfield resource sector projects.

During FY21 we secured a vendor number from BHP for provision of maintenance services, a Master Services Agreement (MSA), with Mt Isa Mines in North QLD and an agreement with Nyrstar Zinc Smelter in Tasmania. These add to our four existing resources sector MSA's.

Buildings & Façades

For FY21, Buildings & Façades services sector delivered revenue of $39.9m, (FY20: $25.6m) and gross profit of $9.8m, (FY20: $5.4m).

Sector revenue was affected by the delay in award of projects, which we eventually secured, but with the revenue stream only commencing late in Q4. Much of the year has been focused upon delivery of the projects afoot, consolidating our team and supply chain, marketing our team capabilities in the East, and Early Contractor Involvement (ECI), on identified tangible opportunities.

The prestigious award of the 51-story $63.0m Central Park façade rejuvenation in Perth CBD, was the highlight of the year for this division. It was secured following an extensive "ECI" phase involving a thorough due diligence process identifying all scope issues and de-risking the project for both the client and Duratec. This project will be delivered over a 34-month period, enabling us to demonstrate our skills and provide increased leverage into the Eastern States market.

The issue of combustible cladding on buildings is now gaining momentum as pressure is applied from the insurers and building code compliance regulators.

It has been encouraging to see many of the State Governments, as well as Private Sector, having identified high risk combustible cladding issues on schools, hospitals, and office buildings, proactively engaging our Technical Services for the necessary investigations. Consequently, we have $95.5m in tendered works and $372.7m in identified opportunities nationally and our outlook is very positive for increased awards.

Recent awards include building façade re-cladding in Melbourne and Sydney and nationally our outlook for this sector is very positive as we are well positioned to secure a significant market share.

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

For FY21 Other has contributed revenue of $44.1m, (FY20 $48.4m) and a gross profit of $8.7m (FY20 $7.6m)

This sector has grown with increased attention by infrastructure asset owners on extending the life of their structures. Consequently, we have secured remediation and refurbishment of harbour and port facilities (wharves, jetties, and lighthouses) nationally, and we anticipate further growth in this sector. Remediation and upgrading of concrete and steel road and rail bridges remains a core opportunity and activity. Further, upgrades of water and wastewater reservoir infrastructure continue to be a strong source of revenue in this sector.

DDR Contracting

Duratec's Aboriginal and Torres Strait Islander associate business, DDR Australia Pty Ltd, has performed strongly in FY21 delivering $45.9m in Supply Nation Certified project works principally in the Defence sector in regions of Australia least impacted by COVID-19. The business continues to undergo sustainable disciplined growth and provide genuine long-term opportunities for employment of Aboriginal and Torres Strait Islanders in meaningful work in an environment that's is welcoming, respectful and embracing of their culture. The outlook is positive with strong growth expectations associated with increased Government spend on Indigenous Procurement Policies (IPP).

DDR AUSTRALIA

Technical

The Technical Team has grown in FY21 due to increased demand from asset owners to understand the condition of their facilities and obtain an appreciation of operational expenditure in both the short and long term. The addition of spatial technology has provided capability to integrate inspection and progress reporting into a managed 3D platform, creating increased efficiencies of communication and spatial insight for infrastructure owners and operators. This is gaining significant attention in the market, translating into increased ECI opportunities. Further, the provision of in-house Petrographic services complements our abilities to forensically examine and diagnose the root cause of deterioration of materials on existing structures, enabling fit for purpose priced solutions to be offered and implemented.

Outlook

Duratec has budgeted for a return to growth in all sectors in FY22 commensurate with an historically high work on hand position of $236.2m, (excluding master services agreements, (MSA's) which contribute circa $30m – $40m per annum), and tendered works of $657.2m. The Company has significant exposure to increasing Commonwealth and State Government investment on upgrading and remediation of important infrastructure. Further, strong commodity prices in the resources sector is translating into operational expenditure on structural integrity upgrades of all ageing critical production assets. Duratec's wide-reaching geographical national footprint, diversity of client and tangible pipeline of opportunities of $2.2b supports a strong outlook.

Finance Report

Sales and Profitability

Revenue of $235.7m for FY21 was down 4.7% compared to FY20. The net profit after tax for the for the year, normalised to remove the impact of the Initial Public Offering (IPO) and the disposal of associate business Fortec Australia Pty Ltd (Fortec), was $8.6m compared to the prior year of $12.2m, a 29% reduction. The FY21 year saw strong growth in the Mining & Industrial, Buildings & Façades and Other operating segments, however this was more than offset by lower revenue and gross profit in the Defence operating segment. This is discussed in more detail in the Managing Director's Report.

As a result, FY21 overall profitability, as measured by total gross profit, has decreased by $2.1m to $45.8m. However, the overall gross margin of 19.4% was in line with FY20.

Business overheads have grown, impacting FY21 profitability, as capabilities have been expanded in key areas including; safety, quality, human resources, and tendering. This capability provides Duratec with the ability to better engage with clients and support greater activity levels in the business.

Duratec received dividends of $1.5m from 49% owned associate business DDR Australia Pty Ltd (DDR).

Duratec's income tax calculations involve minor adjustments for non-deductible items as well as temporary differences which largely arise from the timing of employee payments and asset purchases, and their respective tax deductibility. The dividends from DDR were received on a fully tax-paid basis, meaning that Duratec receives a credit for tax already paid on them.

During the year, the impacts of COVID-19 were felt across the business in different ways; delays in the award of some projects, changes to client priorities and some levels of operating inefficiencies. Duratec did not receive any Jobkeeper support throughout this financial period and has remained profitable.

Balance Sheet and Cash Flow

The balance sheet position remains strong, with cash on hand of $41.2m and a net cash position of $27.8m (cash less borrowings and right-of-use liabilities). The balance sheet and statement of cash flows reflect the impact of the IPO, with funds of $24.0m received from the issue of new shares and $25.2m paid in pre-IPO dividends, in line with what was disclosed in the October 2020 Replacement Prospectus.

Net operating cash flow for FY21, excluding IPO related costs, was $10.7m compared to $20.7m in FY20. As noted, the business has earned strong gross margins and the majority of trade debtors trade within agreed trading terms. Capital expenditure during the year was $10.5m, an increase of $5.2m compared to the previous year. This comprised primarily of project related items but also included a jack-up barge to enhance marine capability, a new Blast and Paint facility in Karratha and a property in the Kalgoorlie region to provide accommodation for some of our workforce in the Goldfields region.

Shareholder Returns

The proposed dividend of 1.5 cents per share, fully franked, is within the Board approved policy range of 30% to 50% of after-tax profits. The policy strikes a prudent balance between the desire to provide returns directly to shareholders as dividends and the need for the business to retain funds for future growth opportunities.

Paul Ryan
Chief Financial Officer

Overview of IPO Related Changes

Prior to the IPO, Duratec was a controlled entity of the Ertech Group. It accessed some Ertech shared services functions including funding, company secretarial, business systems and insurance. The IPO process included the establishment of stand-alone banking facilities, insurance bond facilities, the company secretarial function, insurance program and business systems. The bank loan, bank guarantees and insurance bond contingent facilities are detailed in "Note 19: Borrowings" on page 65 and "Note 27: Contingent Liabilities" on page 69 to the financial statements. The bank facilities include various covenants which Duratec has complied with throughout the year. Duratec is now an associate entity of Ertech by virtue of the significant but reduced ownership interest Ertech has in Duratec. There are commercial property leases on an arms-length basis and these are disclosed in the financial statements as related party transactions in "Note 29: Related Party Transactions" on page 70. The financial treatment of IPO costs is detailed in "Note 5:" on page 58. The total IPO costs in 2021 were $3.6m (before tax) with $2.5m recognised in the profit and loss statement and $0.8m recognised as a reduction in equity, net of tax. See "Note 21: Issued Capital" on page 66.

Table 1: *Reconciliation of Reported Net Profit After Tax to Normalised Net Profit After Tax*

Normalised NPAT– Reconciliation	FY21 ($m)	FY20 ($m)
Reported NPAT	7.1	13.0
IPO Costs expensed	2.5	0.7
Tax effect of IPO costs	(0.7)	0.0
Fortec Australia Pty Ltd - Other income	0.0	(0.2)
Fortec Australia Pty Ltd - Share of earnings	(0.2)	(0.5)
Fortec Australia Pty Ltd - Shared Services Charges	0.0	(0.3)
Gain on disposal of Fortec Australia Pty Ltd	(0.2)	0.0
Tax effect of disposal of Fortec Australia Pty Ltd	0.1	0.0
Administration expense - bad debts	0.0	(0.1)
Administration expense - Listed company costs	0.0	(0.8)
Employee benefits expense	0.0	0.2
Net tax effect of FY20 normalisation adjustments	0.0	0.2
Normalised NPAT	**8.6**	**12.2**

Figure 1. ***FY21 Revenue by Operating Segment***

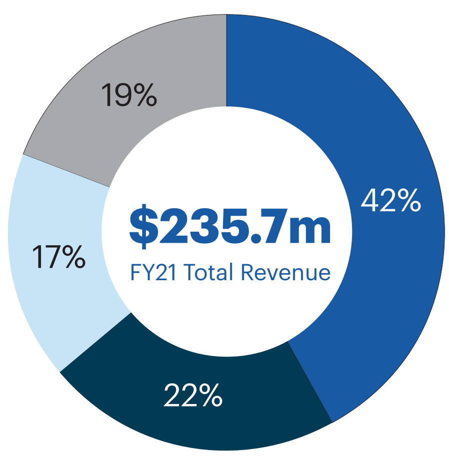
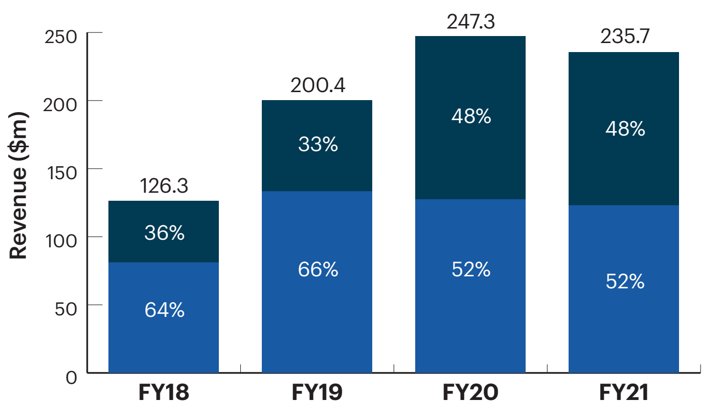


Figure 2. ***Revenue by Region***



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 the 2021 year 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 the 2021 year 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 recently undertook an interim review of its potential exposure to Modern Slavery under the Modern Slavery Act 2018 with no issues noted. It will continue this review in the 2022 financial year.

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

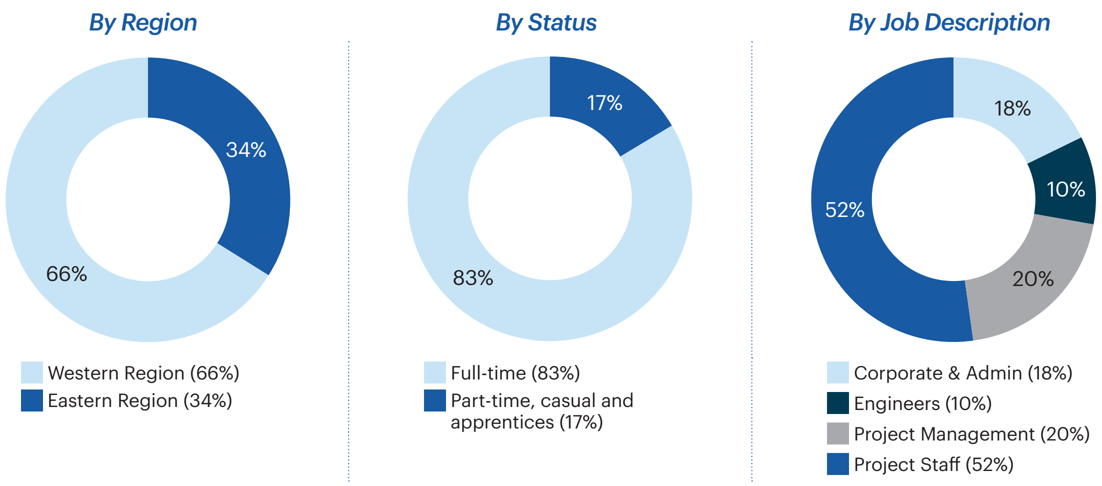
The Company has thorough credit assessment processes that are applied before a project is accepted, active monitoring and follow up of debtor payments, and, rapid escalation if issues are identified. These strategies have seen low credit losses in recent years. The Company remains vigilant to the risk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

People & Quality Management

Human Resources

Duratec has a workforce of 725 employees with the skills and talent to deliver a wide range of projects nationally.

Figure 3. Employee Breakdown as at 30 June 2021



Our recruitment team has expanded and our selection processes reviewed, to encourage participation from underrepresented groups as we continue to meet and exceed client targets. Recruitment activity has been at record levels this year despite COVID-19 restrictions. The recruitment market has been particularly competitive in the mining and defence sectors. The opportunity for long term employment in the construction industry, with attractive career development opportunities across multiple industries and locations, was noted as being attractive to the 25 graduates successfully recruited in our 2021 cohort.

This year Duratec became a proud supporter of Veterans Employment and offered support for veteran employment work trials. This is an initiative that we hope will not only provide long term employment opportunities, but also provide a pipeline of talent for ex Defence personnel on Duratec projects.

COVID-19 Response

Duratec's response to the COVID-19 pandemic prioritised the health and safety of our employees and welfare of our communities across Australia to stop the spread of the virus. Multiple strategies were deployed across the business to provide agile responses to protect our workforce and provide continuity to our clients. This included the unwavering support of senior leaders and a rapid COVID-19 response team, a refocus on local employment to de-risk mobility and quarantine issues, and the implementation with the cooperation of our employees, of unique individual arrangements across various areas to preserve employment.

A cornerstone of our culture is direct communication with our employees. This has included SMS messaging to every employee providing COVID-19 updates and important information about our response. This has been critical to our ability to be agile and resilient through this period of uncertainty.

People and Culture

In 2021 we conducted our inaugural Employee Survey, a comprehensive survey with participation from all employees guiding our long-term initiatives. Over 70% of our employees reported Mental Health as their most significant social cause for concern. Duratec's Mental Health actions this year, including training noted below, have resulted in 20% of employees completing Mental Health First Aid training to provide skills for first response nationally.

This year we have found new ways to reinforce our values of integrity, accountability, courage, pride and recognition in recruitment and to engage with employees that continue to secure and foster long term relations with our clients. We introduced SMS message alerts to reach all employees, electronic onboarding welcomes, and conducted inductions via video conferencing to introduce new employees to our executive leaders. Our 'employee of the month' nominations are awarded for employees or teams living our values and a key indicator of employee engagement in preserving the successful culture of Duratec, as it celebrates 10 years of operation and the evolution from a private company to an ASX Listed business.

> *"20% of employees completed Mental Health First Aid training"*

Learning and Development

Broadening the skillset and capability of our teams to deliver client projects has been strengthened by the implementation and development of our online learning software. The ability to electronically articulate mandatory training and inductions to new or existing employees on any electronic platform, and at any time prior to commencement with the Company or on a project has enhanced the mobility and transfer of skills across our projects.

Throughout 2021 Duratec was also successful in developing our Surface Preparation Certificate to recognise the unique and existing skills of our employees and improve our capability. Next year we look to focus more attention in this area to attract candidates for upskilling and offer formal recognition of skills to our existing employees. In addition to the continued support for our graduates, there are 16 trainees and apprentices across Duratec, with the expectation that we will grow this number next year.

The Human Resources team offers training based on the requirements of each position. As part of a continuous improvement process, we have conducted an extensive review of specific training required for each role and audited all training records within Duratec. Bespoke training workshops have been developed to continue to develop the skills of employees on new techniques and new products. Internal and external training throughout the year is monitored to client requirement to respond to the changing skills required to deliver our projects.

Safety

Duratec believes that all accidents are preventable and the motto of "no harm in doing it right" encapsulates our commitment to eliminating harm from the workplace. The Health and Safety team has expanded with five additional safety advisors nationally with four based in the Eastern States, ensuring effective coverage in all states and business units. Duratec has also invested in training for safety advisors in areas including; respirator protection training, internal audit training to support the internal assurance programme, ICAM incident investigation methodology training, and training in newly implemented systems for incident reporting and management. In addition to team training, mental health awareness training has also been delivered to a wide range of managers and supervisors to help them more effectively manage their teams.

During the year a Safety Culture Committee was formed comprised of senior executives across the business. It meets fortnightly and is the forum for senior leaders to collaborate and then drive changes within the business.

A behavioural based framework is being developed to ensure safety management goals and objectives are aligned with business values, driving outcomes that are focused on further embedding the safety culture, not simply safety compliance.

The safety team is focusing and prioritising activities within a risk-based framework. Current focus areas include; a review of the supervisors' hand book, the development of an enhanced fatigue management tool, creation of job dictionaries (detailing the scope of manual handling requirements in specific roles) to assist pre-employment activities and to help develop targeted return to work plans.

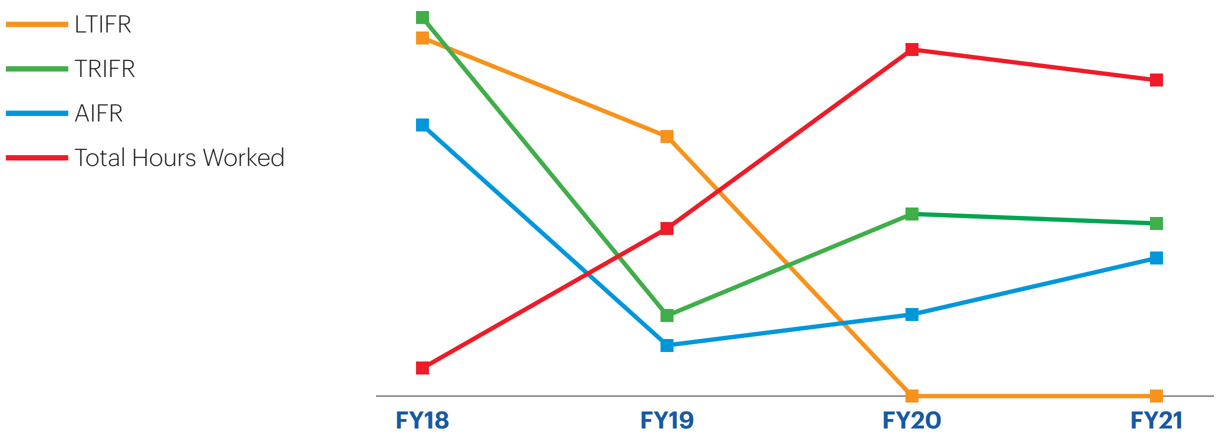
Risk management principles are focusing the efforts of the safety team with Job Hazard Analysis (JHA) to complement Safe Work Method Statements (SWMS). In particular, the business will be further focusing on the 19 high risk activities highlighted in construction legislation with the objective to make proactive changes to operational processes and help drive improvements in safety outcomes.

During the year, a particular emphasis was placed on subcontractor management practices and training throughout the business. Some simplification to procedures has been applied to some of the lower risk activities whilst maintaining strong focus on ensuring risk mitigation of the identified high-risk activities.

Systems and Process Improvements

In line with the strategic objective to standardise and simplify processes, Duratec has invested in new systems. During the year an online system was implemented that allows for the effective management of safety incidents. To complement the safety system, a business intelligence reporting system was also implemented to provide enhanced safety related reporting relating to incidents and KPI reporting. These changes have created a step change in efficiency with the benefits being that less time is spent on administrative tasks and a step change toward proactive safety initiatives and safety culture within the business.

Figure 4. Duratec Health and Safety Statistics



Period	LTIFR	TRIFR	AIFR	Hours Worked
FY18	0.98	11.70	70.30	1,023,684
FY19	0.71	3.55	46.22	1,406,142
FY20	0.00	6.33	49.59	1,895,400
FY21	0.00	6.07	55.76	1,811,255

Sustainability

Duratec's key business activities are focused on asset remediation, asset life protection and asset life extension. In performing these activities, Duratec is constantly looking at ways to lessen its impact on the environment. Key initiatives during the current year included;

Karratha Blast and Paint Facility

Duratec commenced operations in a new state-of-the-art blast and paint facility in Karratha in January 2021. This investment further reinforces Duratec's long term commitment to the Pilbara region. The abrasive blast room is a fully sealed facility with a 1800cfm filtered dust extraction system and an abrasive recovery system. The EPA approved set up is designed and manufactured to provide zero-discharge. The production line design allows equipment to be moved from the abrasive blasting process to the protective coating application process with ease using a trolley system, within a fully enclosed facility. The abrasive recycling system extracts contaminants and dust from spent abrasives and re-uses the material multiple times. This provides benefits through reduced abrasive material usage and disposal. The dust extraction system provides high quality outcomes with significant visual improvements to finishes.

Governance

Duratec also issued its Modern Slavery Statement pursuant to the Modern Slavery Act 2018. This involved a high-level review of supply chain risks. Duratec is currently working through the key risks this issue presents. The Modern Slavery Statement is available for review on the Duratec website.

Paint Recycling

Duratec uses various paint and solvent products on projects and seeks to minimise waste on all projects. Our waste management processes have been created in conjunction with key stakeholders; our Health Safety and Environment (HSE) team, our Quality Assurance (QA) team, client requirements, major paint suppliers and waste management companies. These processes have been proven to reduce not only our environmental impact, but also those of our clients and suppliers.

When projects have surplus materials, they are initially returned to our warehouses to be utilised on other projects where possible. Any materials that prove to be unusable are consolidated and recycled or disposed of via pre-approved waste collection businesses. These accredited suppliers sort, consolidate and recycle the materials further before any disposal in accordance with local, state and federal requirements. Waste paint is treated in a number of ways including energy recovery and liquid/solid separation for water-based paint, significantly minimising the disposal to landfill.

Quality

Duratec has set and achieved KPI's relating to quality that are focused around task inspections. The KPI's are based on the type of task undertaken with the goal to objectively derive lessons learned so that they can be fed back into process improvements, thereby creating a cycle of continuous improvement.

Duratec maintains a Lessons Learnt database as part of this process. This database is used to assist with the prevention of defects and improve knowledge sharing nationally. It is also used to increase productivity and share learnings throughout all projects and divisions. The database is proactively utilised at tender development, project commencement and throughout the life of the project to help drive improved project outcomes.

In January 2021, the Quality team commenced publishing a monthly Quality Bulletin. This Bulletin is designed to generate awareness of key lessons learnt, provide key quality related statistics and quality related system updates.

Quality System
Health & Safety
AS 4801
SAI GLOBAL

Quality System
Environment
ISO 14001
SAI GLOBAL

Certified Systems
Quality
SO 9001
SAI GLOBAL

"$2.2b in identified opportunities to drive growth over the medium term"

Outlook

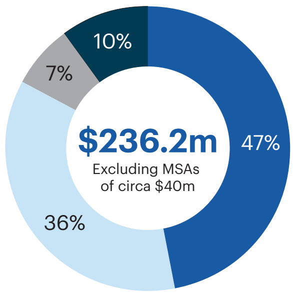
The latter months of FY21 and start of FY22 have shown a very encouraging upward trend of works awarded which looks set to continue. This is supported by increasing Commonwealth and State Government investment on upgrading and remediation of important infrastructure. The Department of Defence spend is expected to double, replacement of combustible building cladding has gained considerable momentum, strong commodity prices are driving resources sector expenditure on structural integrity upgrades of ageing critical production assets, and transport, ports, water & wastewater expenditure is on the rise.

Duratec's wide reaching geographical national footprint, diversity of client and tangible pipeline of opportunities of $2.2bn supports a strong outlook. Accordingly, Duratec has budgeted for a return to strong growth in all sectors in FY22 commensurate with an historically high work on hand position of $236.2m, (excluding Master Services Agreements, (MSA's) which contribute circa $30m – $40m per annum), and tendered works of $657.2m. The Company has very good operational leverage to support the budgeted growth with a strong focus upon disciplined growth of revenue whilst maintaining solid gross margins.

Growing and Diversified Pipeline

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

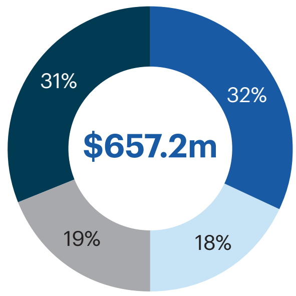
Figure 5. Orderbook



▲ from $145.0m

at 31 July 2020

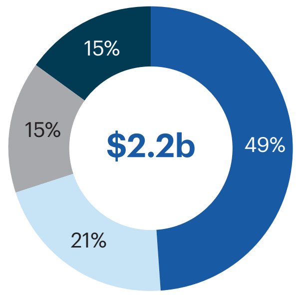
Figure 6. Tendered Opportunities



▲ from $392.0m

at 31 July 2020

Figure 7. Identified Opportunities



▲ from $1.03b

at 31 July 2020

Defence | Buildings & Façades | Mining & Industrial | Other

1 *Order book reflects Work in Hand as at 16 August 2021 and includes 50% of DEJV and 49% of DDR*

2 *Identified and Tendered Opportunities include 50% of DEJV and 49% of DDR*

3 *Master Service Agreements (MSA's)*

"$10.5m investment in strategic assets to drive future earnings"

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 2021.

Directors and Company Secretary

Name/Position	Period of Directorship
Martin Brydon Non-Executive Chairman	Appointed 1 September 2020
Robert (Phil) Harcourt Managing Director	Appointed 26 August 2010
Christopher Oates Executive Director – General Manager	Appointed 26 August 2010
Gavin Miller Non-Executive Director Company Secretary	Appointed 14 April 2010 Appointed 14 April 2010, Resigned 31 August 2020
Deane Diprose Executive Director – Operations Manager	Appointed 26 August 2010, Resigned 31 August 2020
Oliver McKeon Executive Director	Appointed 15 October 2019, Resigned 31 August 2020
James Patrick Giumelli Non-Executive Director	Appointed 12 November 2014, Resigned 31 August 2020
Michael Best Non-Executive Director	Appointed 1 October 2018, Resigned 31 August 2020
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

50,000

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

Executive Director - Managing Director

Mr Harcourt has over 45 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

26,553,389

Christopher Oates *BEc*

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

26,553,389

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

- Company Secretary (resigned 31 August 2020)
- Chair of the Audit and Risk Committee
- Member of the Nominations and Remuneration Committee

Interests in shares of Duratec Limited

20,000

Deane Diprose

Executive Director

(resigned 31 August 2020)

Mr Diprose has more than 30 years of remediation contracting experience in the mining and resources and large commercial buildings industries. In his role as Operations Manager and Executive Director, Mr Diprose is responsible for project tendering and the oversight of operations.

Other Listed Company Directorships in last 3 years

None

Special Responsibilities

None

Interests in shares of Duratec Limited

26,553,389

Oliver McKeon

Executive Director

(resigned 31 August 2020)

Mr McKeon has over 10 years' experience in the steel and concrete remediation industry. In his role as General Manager Eastern States, Mr McKeon is responsible for tendering, negotiations, development of strategic planning and general management of the company in the Eastern States of Australia.

Other Listed Company Directorships in last 3 years

None

Special Responsibilities

None

Interests in shares of Duratec Limited

4,586,120

James Patrick Giumelli

Executive Director

(resigned 31 August 2020)

Mr Giumelli has a civil engineering background with construction, consultancy and geotechnical experience in Australia and the UK.

Other Listed Company Directorships in last 3 years

None

Special Responsibilities

None

Interests in shares of Duratec Limited

400,000

Michael Best

Executive Director

(resigned 31 August 2020)

Mr Best is a civil engineer by profession and a Fellow of both Engineers Australia and the Australian Institute of Company Directors. He worked for over 20 years with a major Australian consulting firm, including 9 years as CEO. Mr Best has wide experience in a range of engineering projects, including land subdivisions, resource projects, civil infrastructure and building works.

Other Listed Company Directorships in last 3 years

None

Special Responsibilities

None

Interests in shares of Duratec Limited

Nil

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:

	Board Meetings		Audit & Risk		Nomination & Remuneration	
	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
Martin Brydon	10	10	2	2	-	-
Robert (Phil) Harcourt	10	10	2	2	-	-
Christopher Oates	10	10	2	2	-	-
Gavin Miller	10	10	2	2	-	-
Deane Diprose	2	2	-	-	-	-
Oliver McKeon	2	2	-	-	-	-
James Patrick Giumelli	2	2	-	-	-	-
Michael Best	2	2	-	-	-	-

1 Number of meetings held during the time the Director held office

Principal Activities

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.

Review of Operations

A review of the operations of the consolidated entity during the period and the results of those operations found that changes in market demand and competition have seen a decrease in sales of 4.7% to $235,709,309 (2020: $247,282,508) for the year.

	30 June 2021	30 June 2020
	$'000	$'000
Revenue from contracts with customers	235,709	247,283
Profit after income tax	7,131	13,011

Significant Changes in State of Affairs

On 4 November 2020 the official quotation of Duratec Limited's ordinary fully paid shares commenced on the ASX under code 'DUR'.

There were no other 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 whilst the recent lockdown measures in New South Wales and Victoria have resulted in some project delays, 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 $26,843,000 (2020: $10,228,000).

Since the end of the financial year, the Directors have recommended the payment of a final ordinary dividend for 2021 of 1.5 cents per fully paid share, franked to 100%, to be paid on 13 October 2021.

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.

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 307C of the Corporations Act 2001, please see "Auditor's Independence Declaration" on page 39.

Remuneration Report (Audited)

The Directors present the Duratec Limited 2021 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

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 (see "Information on Directors and Company Secretary" on page 28 for details).

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.

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 a 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

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.

(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

FY 2021 Performance and Impact on Remuneration

The Company's performance in 2021 remained strong despite difficult trading conditions. Management delivered a solid financial result while not compromising on core metrics. For more information on strategic priorities and 2021 results, refer to the "Managing Director's Report" on page 10.

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.

	2021	2020
	$'000	$'000
Sales revenue	235,709	247,283
Profit before income tax	10,032	17,960
Profit after income tax	7,131	13,011

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

	2021	2020
Share price at financial year end ($)	0.40	NA
Total dividends declared (cents per share)	1.50	NA
Diluted earnings per share (cents per share)	3.10	6.87

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]	2021	95,129	-	-	9,037	-	-	104,166
	2020	-	-	-	-	-	-	-
Gavin Miller [2]	2021	47,945	-	-	4,555	-	-	52,500
	2020	-	-	-	-	-	-	-
James Patrick Giumelli [3]	2021	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-
Michael Best [4]	2021	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-
Executive Directors								
Robert (Phil) Harcourt	2021	413,944	-	43,642	25,721	23,178	-	506,485
	2020	324,998	88,410	27,292	25,000	6,299	-	471,999
Christopher Oates	2021	366,711	-	30,473	25,650	20,575	-	443,409
	2020	295,501	88,410	22,106	24,433	5,595	-	436,045
Other KMP								
Deane Diprose [5]	2021	359,711	-	31,165	25,721	12,639	-	429,236
	2020	299,803	88,410	21,581	25,000	5,686	-	440,480
Oliver McKeon [6]	2021	289,776	-	32,116	27,427	21,810	56,205	427,334
	2020	233,538	80,740	18,563	27,681	11,158	-	371,680
Paul Ryan	2021	221,538	9,132	24,422	22,548	3,132	114,670	395,442
	2020	198,461	45,662	18,574	21,023	859	-	284,579
Total executive directors & other KMPs	2021	1,651,680	9,132	161,818	127,067	81,334	170,875	2,201,906
	2020	1,352,301	391,632	108,116	123,137	29,597	-	2,004,783
Total NED	2021	143,074	-	-	13,592	-	-	156,666
	2020	-	-	-	-	-	-	-
Total KMP remuneration expensed	2021	1,794,754	9,132	161,818	140,659	81,334	170,875	2,358,572
	2020	1,352,301	391,632	108,116	123,137	29,597	-	2,004,783

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	$450,000 per annum, inclusive of superannuation and motor vehicle allowance
Mr Christopher Oates	Executive Director – General Manager	Unspecified	3 months by either party	$400,000 per annum, inclusive of superannuation and motor vehicle allowance
Mr Deane Diprose	Operations Manager	Unspecified	5 weeks by either party	$400,000 per annum, inclusive of superannuation and motor vehicle allowance
Mr Oliver McKeon	General Manager (Eastern Region)	Unspecified	3 months by either party	$293,750 per annum, inclusive of superannuation and motor vehicle allowance
Mr Paul Ryan	Chief Financial Officer	Unspecified	4 weeks by either party	$240,900 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:

	From 1 July 2020
Base Fees	
Chair	$125,000
Other Non-executive directors	$70,000
Fees included discharging responsibilities with regard 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.

(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 on page 9 above:

	Fixed Remuneration		At Risk - STI		At Risk - LTI	
	2021	2020	2021	2020	2021	2020
2021	%	%	%	%	%	%
Non-Executive Directors						
Martin Brydon	100%	-	-	-	-	-
Gavin Miller	100%	-	-	-	-	-
James Patrick Giumelli [1]	-	-	-	-	-	-
Michael Best [2]	-	-	-	-	-	-
Executive Directors						
Robert (Phil) Harcourt	100%	81%	-	19%	-	-
Christopher Oates	100%	80%	-	20%	-	-
Other KMP						
Deane Diprose [3]	100%	80%	-	20%	-	-
Oliver McKeon [4]	87%	78%	-	22%	13%	-
Paul Ryan	69%	84%	2%	16%	29%	-

1 *James Patrick Giumelli resigned as Non-Executive Director on 31 August 2020 and did not derive Directors Fees from Duratec Limited.*

2 *Michael Best resigned as Non-Executive Director on 31 August 2020 and did not derive Directors Fees from Duratec Limited.*

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

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

(ii) 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:

2021	Balance at start of the year	Share split	Sold in IPO	Purchased in IPO	Balance at end of the year
Martin Brydon	-	-	-	50,000	50,000
Gavin Miller	-	-	-	20,000	20,000
James Patrick Giumelli [1]	-	-	-	-	-
Michael Best [2]	-	-	-	-	-
Robert (Phil) Harcourt	624	29,552,765	(3,000,000)	-	26,553,389
Christopher Oates	624	29,552,765	(3,000,000)	-	26,553,389
Deane Diprose [3]	624	29,552,765	(3,000,000)	-	26,553,389
Oliver McKeon [4]	100	4,736,020	(150,000)	-	4,586,120
Paul Ryan	-	-	-	200,000	200,000
Total	**1,972**	**93,394,315**	**(9,150,000)**	**270,000**	**84,516,287**

1 *James Patrick Giumelli resigned as Non-Executive Director on 31 August 2020.*

2 *Michael Best resigned as Non-Executive Director on 31 August 2020.*

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

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

Rights

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

2021	Balance at start of the year	Granted during year	Vested	Forfeited	Balance at end of the year
Oliver McKeon	-	500,000	-	-	500,000
Paul Ryan	-	550,000	-	-	550,000
Total	**-**	**1,050,000**	**-**	**-**	**1,050,000**

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

Date: 27 August 2021

Auditor's Independence Declaration

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Duratec Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 27 August 2021

J A KOMNINOS
Partner

"Project gross margins of 19.4% in line with FY20"

Statement of
Profit & Loss
and Other Comprehensive Income

For the year ended 30 June 2021

		Consolidated Entity	
		2021	2020
	Note	$'000	$'000
Continuing Operations			
Revenue from contracts with customers	4	235,709	247,283
Contracting cost of sales	5	(189,901)	(199,364)
		45,808	**47,919**
Other income	4	2,361	874
Employee benefits expense	5	(24,739)	(19,500)
Administration expense		(4,879)	(6,888)
Occupancy expense		(1,081)	(1,098)
Depreciation and amortisation expense		(5,227)	(3,825)
Impairment of plant & equipment		-	(9)
Initial Public Offering expense	5	(2,472)	(717)
Gain on disposal of associate	6	151	-
Finance costs	5	(659)	(587)
Equity accounted investment results	7	769	1,791
Profit before income tax expense from continuing operations		**10,032**	**17,960**
Income tax expense	8	(2,901)	(4,949)
Profit for the year from continuing operations		**7,131**	**13,011**
Profit for the year is attributable to:			
Owners of Duratec Limited		7,131	13,011
Profit for the year		**7,131**	**13,011**
Total comprehensive income for the year, net of tax		**7,131**	**13,011**
Total comprehensive income for the year is attributable to:			
Owners of Duratec Limited		7,131	13,011
		7,131	**13,011**
Earnings per share attributable to the owners of Duratec Limited:		cents	cents
Basic earnings per share	9	3.23	6.87
Diluted earnings per share	9	3.10	6.87
Earnings per share from continuing operations attributable to the owners of Duratec Limited:			
Basic earnings per share	9	3.23	6.87
Diluted earnings per share	9	3.10	6.87

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 2021

	Note	Consolidated Entity 2021 $'000	Consolidated Entity 2020 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	10	41,249	41,276
Trade and other receivables	11	29,139	19,597
Contract assets	4	7,576	6,249
Inventories	12	376	273
Other current assets	13	1,139	966
Income tax receivable	14	538	-
Total Current Assets		**80,017**	**68,361**
Non-Current Assets			
Trade and other receivables	11	146	36
Plant and equipment	15	16,846	10,259
Right-of-use assets	16	3,105	3,055
Investments accounted for using the equity method	17	2,027	2,749
Other non-current assets	13	90	78
Deferred tax assets	14	2,991	2,142
Total Non-Current Assets		**25,205**	**18,319**
Total Assets		**105,222**	**86,680**
LIABILITIES			
Current Liabilities			
Trade and other payables	18	38,992	34,932
Borrowings	19	2,735	1,708
Property lease liabilities	16	1,299	1,163
Contract liabilities	4	19,356	15,681
Current tax liability	14	-	500
Provisions	20	4,792	4,934
Total Current Liabilities		**67,174**	**58,918**
Non-Current Liabilities			
Borrowings	19	7,383	3,867
Property lease liabilities	16	1,998	2,043
Deferred tax liabilities	14	1,936	432
Provisions	20	812	612
Total Non-Current Liabilities		**12,129**	**6,954**
Total Liabilities		**79,303**	**65,872**
Net Assets		**25,919**	**20,808**
EQUITY			
Issued capital	21	23,703	500
Reserves	22	1,389	(231)
Retained earnings	23	827	20,539
Total Equity		**25,919**	**20,808**

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 2021

Consolidated Entity	Note	Issued Capital	Retained Earnings	Reserves	Non-Controlling Interest	Total Equity
	Note	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2019		500	17,871	(507)	184	18,048
Adjustment on initial application AASB16		-	(23)	-	-	(23)
Balance at 1 July 2019 - restated		**500**	**17,848**	**(507)**	**184**	**18,025**
Comprehensive income						
Profit for the year		-	13,011	-	-	13,011
Total comprehensive income for the year		**-**	**13,011**	**-**	**-**	**13,011**
Transactions With Owners						
Dividends paid	24	-	(10,228)	-	-	(10,228)
Acquisition of non-controlling interest		-	(92)	276	(184)	-
Balance at 30 June 2020		**500**	**20,539**	**(231)**	**-**	**20,808**
Comprehensive income						
Profit for the year		-	7,131	-	-	7,131
Total comprehensive income for the year		**500**	**27,670**	**(231)**	**-**	**27,939**
Transactions With Owners						
Share-based payments		-	-	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**

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 2021

		Consolidated Entity	
		2021	2020
	Note	$'000	$'000
Cash flows from operating activities			
Receipts from customers		252,226	279,691
Payments to suppliers and employees		(238,134)	(254,651)
Income tax paid		(2,942)	(4,129)
Interest and finance costs paid		(513)	(464)
Interest received		109	262
Cashflows from operating activities (excluding payments for IPO)		10,746	20,709
Payments for IPO		(4,079)	(248)
Net cashflows from operating activities	34	**6,667**	**20,461**
Cash flow from investing activities			
Proceeds from sale of plant and equipment		519	210
Purchase of property, plant and equipment		(10,539)	(5,223)
Dividends received		1,505	367
Net cashflows used in investing activities		**(8,515)**	**(4,646)**
Cash flow from financing activities			
Dividends paid		(25,200)	(10,228)
Proceeds from share issue		24,000	-
Proceeds from borrowings		7,516	3,044
Repayment of borrowings		(2,973)	(1,990)
Repayment of lease liabilities		(1,527)	(1,053)
Loan payments made to related parties		5	(48)
Net cashflows from / (used in) financing activities		**1,821**	**(10,275)**
Net (decrease) / increase in cash and cash equivalents		(27)	5,540
Cash and cash equivalents at beginning of year		41,276	35,736
Cash and cash equivalents at the end of the financial year	10	**41,249**	**41,276**

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

"cash flows from operations before IPO costs of $10.7m"

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 year ended 30 June 2021 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 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. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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 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.

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.

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 and deposits held at call current account with banks and financial institutions.

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 50.

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.

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 "B. Revenue Recognition" on page 48.

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
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 64.

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 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.

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.

A joint operation is a joint arrangement in which the parties with joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. The reporting entity recognises its share of the operation's assets, liabilities, 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 a joint operation in accordance with the financial reporting standards applicable to the particular assets, liabilities, revenues and expenses. When the reporting entity enters into a transaction with a joint operation, such as a sale or contribution of assets, 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. Parent Entity Financial Information

The financial information for the parent entity, Duratec Limited, disclosed in "Note 31: Parent Entity Information" on page 72 has been prepared on the same basis as the consolidated financial statements, except as set out below:

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

T. Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2021 – refer to "Note 32" on page 73. 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 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.

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 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. 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.

ii. 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.

iii. 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.

iv. 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 54 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 & Façades. 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 & Façades – completion of façade condition assessments and façade restorations

Consolidated - 2021	Defence	Mining & Industrial	Buildings & Façades	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**

Consolidated - 2020	Defence	Mining & Industrial	Buildings & Façades	Other Segments	Total
	$'000	$'000	$'000	$'000	$'000
Sales to external customers	132,748	40,511	25,585	48,439	247,283
Total revenue	**132,748**	**40,511**	**25,585**	**48,439**	**247,283**
Gross profit for reportable segments	25,033	9,968	5,355	7,563	47,919
Unallocated amounts (including corporate overheads)					(25,547)
EBITDA					**22,372**
Depreciation and amortisation					(3,825)
Finance costs					(587)
Profit before income tax expense					**17,960**
Income tax expense					(4,949)
Profit after income tax expense					**13,011**

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:

	2021	2020
	$'000	$'000
Revenues from contracts with customers	235,709	247,283
Disaggregation of revenue from contracts with customers by location		
Western Australia	111,528	120,329
New South Wales	43,399	59,644
Victoria	21,368	26,230
Northern Territory	11,405	7,010
South Australia	14,403	8,397
Queensland	18,237	20,202
Tasmania	2,256	3,340
Australian Capital Territory	13,113	2,131
	235,709	**247,283**

B. Other Income

	2021	2020
	$'000	$'000
Dividends received	1,505	367
Rental income	312	206
Gain on sale of assets	218	1
Interest received	110	262
Sundry income	216	38
	2,361	**874**

C. Assets & Liabilities Related to Contracts with Customers

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

	2021	2020
	$'000	$'000
Total current contract assets	7,576	6,249
Total current contract liabilities	19,356	15,681

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:

	2021 $'000	2020 $'000
Expenses		
Cost of sales	189,901	199,364
Interest expense for financial liabilities not at fair value through profit or loss		
External – Interest on loans and borrowings	477	405
– Interest on lease liabilities	182	182
Total finance costs	**659**	**587**

	2021 $'000	2020 $'000
Initial Public Offering (IPO) costs		
Expensed	2,472	717
In equity:		
Before tax	1,138	-
Tax effect	(341)	-
Recognised in equity (net of tax)	**797**	**-**
Total IPO costs for the period	**3,269**	**717**
Employee Expenses		
Salaries & wages	22,425	18,869
Share-based payments	1,620	-
Other	694	631
	24,739	**19,500**

Note 6: 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.

	2021 $'000
1 July 2020 – Investment in Fortec Australia Pty Ltd	1,342
Share profits for the period	149
31 Aug 2020 – Investment in Fortec Australia Pty Ltd	**1,491**
In specie dividend distribution	1,642
Gain on disposal of associate	**151**

Note 7: Equity Accounted Investment Results

	2021	2020
	$'000	$'000
Equity accounted investment results – associate – DDR Australia Pty Ltd	620	1,271
Equity accounted investment results – associate – Fortec Australia Pty Ltd	149	520
	769	**1,791**

Note 8: Income Tax Expense

	2021	2020
	$'000	$'000
Current income tax		
Current tax expense	2,768	6,588
Adjustments in respect of previous years	(22)	(24)
Tax offsets	(603)	(1,443)
Deferred income tax		
Reversing/(originating) temporary differences	653	(103)
Deferred tax assets through equity	105	-
Adjustments in respect of previous years	-	(69)
Aggregate income tax expense	**2,901**	**4,949**

Numerical reconciliation of income tax expense to prima facie tax payable

	2021	2020
	$'000	$'000
Profit from continuing operations before income tax expense	10,032	17,960
Tax at the Australian tax rate of 30% (2020 – 30%)	3,010	5,388
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Adjustments recognised for prior periods	(22)	(24)
Other non-allowance items	528	69
Notional profits on associates not subject to tax	(231)	(537)
Franking credits for dividends	(422)	(110)
Disposal of investment in Fortec Australia Pty Ltd	38	163
Income tax expense	**2,901**	**4,949**

Amounts recognised directly in equity

	2021	2020
	$'000	$'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 costs	341	-
	341	**-**

Note 9: Earnings Per Share

A. Basic and Diluted Earnings Per Share

	2021	2020
	cents	cents
From continuing operations attributable to the ordinary equity holders of the company	3.23	6.87
Total basic earnings per share attributable to the ordinary equity holders of the company	3.23	6.87
Total diluted earnings per share attributable to the ordinary equity holders of the company	3.10	6.87

B. Reconciliations of Earnings Used in Calculating Earnings Per Share

	2021	2020
	$'000	$'000
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	7,131	13,011
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	7,131	13,011

C. Weighted Average Number of Shares Used as the Denominator

	2021	2020
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	220,743,430	189,444,801
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	229,718,430	189,444,801

Note 10: Cash and Cash Equivalents

	2021	2020
	$'000	$'000
Cash at bank and on hand	32,249	18,276
Short-term deposits	9,000	23,000
Total cash and cash equivalents	**41,249**	**41,276**

Note 11: Trade and Other Receivables

	2021 $'000	2020 $'000
Current		
Trade receivables	28,692	19,400
Less: allowance for expected credit losses	(45)	(172)
	28,647	**19,228**
Other receivables	492	369
Total current trade and other receivables	**29,139**	**19,597**
Non-Current		
Trade receivables	146	31
Amounts receivable from related parties	-	5
Total non-current trade and other receivables	**146**	**36**

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 $45,455 (2020: $171,857) is recognised in respect of the expected credit losses for the year ended 30 June 2021.

Movements in the allowance for expected credit losses are as follows:

	2021 $'000	2020 $'000
Opening balance	172	664
Additional provisions recognised	29	398
Receivables written off during the year as uncollectable	(120)	(751)
Unused amounts reversed	(36)	(139)
Closing balance	**45**	**172**

Note 12: Inventories

	2021 $'000	2020 $'000
Current		
Consumable stock	376	273
Total inventories	**376**	**273**

Note 13: Other Assets

	2021 $'000	2020 $'000
Current		
Prepayments	1,139	966
	1,139	**966**
Non-current		
Security deposits	90	78
	90	**78**

Note 14: Current and Deferred Taxes

	2021	2020
	$'000	$'000
Current		
Provision for income tax (refundable) / payable	(538)	500
Total current (receivable) / liability	**(538)**	**500**
Non-current		
Deferred tax assets	2,991	2,142
Deferred tax liabilities	(1,936)	(432)
Net	**1,055**	**1,710**

Deferred tax asset

	2021	2020
Non-current		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Provisions and accruals	1,852	1,917
Right-of-use assets	76	100
Initial Public Offering costs	982	-
Provision for expected credit loss	14	52
Work in progress	46	61
Borrowing costs	21	12
Deferred tax asset	**2,991**	**2,142**
Movements:		
Opening balance	2,142	1,794
Charged to profit or loss	849	348
Closing balance	**2,991**	**2,142**

Deferred tax liability

	2021	2020
Non-current		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Consumable stock	113	82
Tax on expected disposal of investment in Fortec Australia Pty Ltd	-	350
Plant & equipment	1,823	-
Deferred tax liability	**1,936**	**432**
Movements:		
Opening balance	432	187
Charged to profit of loss	1,504	245
Closing balance	**1,936**	**432**

Note 15: Property, Plant and Equipment

	2021 $'000	2020 $'000
Land & buildings		
At cost	624	-
Accumulated depreciation	(1)	-
	623	**-**
Plant & machinery		
At cost	12,342	8,836
Accumulated depreciation	(5,377)	(4,480)
	6,965	**4,356**
Motor vehicles		
At cost	9,971	6,807
Accumulated depreciation	(4,048)	(3,127)
	5,923	**3,680**
Office & computer equipment		
At cost	3,069	1,849
Accumulated depreciation	(1,260)	(634)
	1,809	**1,215**
Leasehold improvements		
At cost	2,178	1,070
Accumulated depreciation	(787)	(523)
	1,391	**547**
Capital work in progress		
At cost	135	461
Total property, plant and equipment	**16,846**	**10,259**

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

Consolidated	Land & buildings $'000	Plant & machinery $'000	Motor vehicles $'000	Computer & office equip $'000	Leasehold Improvement $'000	Capital WIP $'000	Total $'000
Balance at 1 July 2019	-	3,192	3,198	705	372	443	7,910
Additions	-	2,243	1,724	878	360	18	5,223
Disposals	-	(5)	(180)	(11)	(13)	-	(209)
Impairment	-	(9)	-	-	-	-	(9)
Depreciation expense	-	(1,065)	(1,062)	(357)	(172)	-	(2,656)
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**

Note 16: Leases

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases

	2021	2020
	$'000	$'000
Right-of-use assets		
Buildings	4,950	4,161
Accumulated depreciation	(1,845)	(1,106)
	3,105	**3,055**
Property lease liabilities		
Current	1,299	1,163
Non-current	1,998	2,043
	3,297	**3,206**

Refer to "Note 25: Financial Instruments" on page 68 for further information on financial instruments.

Amounts recognised in the statement of profit or loss

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

	2021	2020
	$'000	$'000
Depreciation charge of right-of-use assets		
Buildings	1,577	1,106
	1,577	**1,106**
Interest expense (included in finance cost)	182	182
Expense relating to short term leases	262	279
Expense relating to leases of low value assets not shown as short term leases	49	63

The total cash outflow for leases for 2021 was $1,526,603 (2020: $1,052,783)

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

	2021 $'000	2020 $'000
Non-current		
Fortec Australia Pty Ltd	-	1,342
DDR Australia Pty Ltd	2,027	1,407
	2,027	**2,749**

Refer to "Note 32" on page 73 for further information on interests in associates and joint ventures.

Note 18: Trade and Other Payables

	2021 $'000	2020 $'000
Current		
Trade payables	21,554	21,102
Sundry payables and accrued expenses	12,956	8,790
Other payables	2,388	1,647
Employee entitlements	2,094	3,393
	38,992	**34,932**

Note 19: Borrowings

	2021 $'000	2020 $'000
Current		
Equipment finance	2,735	1,708
Total current borrowings	**2,735**	**1,708**
Non-current		
Equipment finance	7,383	3,867
Total non-current borrowings	**7,383**	**3,867**
Total borrowings	**10,118**	**5,575**

Refer to "Note 25: Financial Instruments" on page 68 for further information on financial instruments.

Note 20: Provisions

	2021 $'000	2020 $'000
Current		
Employee benefits		
Carrying amount at the start of the year	4,934	3,958
Additional provisions recognised	2,485	2,718
Amounts used	(2,627)	(1,742)
Current carrying amount at the end of the year	**4,792**	**4,934**
Non-current		
Employee benefits		
Carrying amount at the start of the year	612	567
Additional provisions recognised	200	45
Non-current carrying amount at the end of the year	**812**	**612**

Note 21: Issued Capital

	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary shares – fully paid	237,444,801	4,000	23,703	500

Movement in ordinary share capital:

Details	Date	Shares	Cumulative Shares	Issue price ($)	$'000
Balance	1 July 2020	4,000	4,000	-	500
Share split	1 July 2020	189,440,801	189,444,801	-	-
Issue of shares – IPO	4 Nov 2020	48,000,000	237,444,801	0.50	24,000
Share issue costs (net of tax) - IPO	4 Nov 2020	-	-	-	(797)
Balance	**30 June 2021**		**237,444,801**		**23,703**

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.

B. Capital Risk Management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from 30 June 2020.

Note 22: Reserves

	2021 $'000	2020 $'000
Acquisition reserve		
Balance at beginning of the financial year	(231)	(507)
Acquisition of non-controlling interest	-	276
Balance at end of the financial year	**(231)**	**(231)**
Share-based payment reserve		
Balance at beginning of the financial year	-	-
Share-based payment transactions	1,620	-
Balance at end of the financial year	1,620	-
Total Reserves	**1,389**	**(231)**

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

Note 23: Retained Earnings

	2021 $'000	2020 $'000
Retained profits at beginning of the financial year	20,539	17,871
Profit after income tax expense for the year	7,131	13,011
Dividends paid ("Note 24:")	(26,843)	(10,228)
Adjustment adoption AASB16	-	(23)
Acquisition non-controlling interest	-	(92)
Retained profits at end of the financial year	**827**	**20,539**

Note 24: Dividends

Dividends paid during the financial year were as follows:

	2021 $'000	2020 $'000
Disposal of Fortec Australia Pty Ltd by way of a dividend in specie to the Company's shareholders	1,643	-
Other dividends	25,200	10,228
Declared fully franked ordinary dividends franked at 30% (2020: 30%)	**26,843**	**10,228**

Since the end of the financial year, the Directors have recommended the payment of a final ordinary dividend for 2021 of 1.5 cents per fully paid share, franked to 100%, to be paid on 13 October 2021.

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 rate	Carrying amount	Contractual cashflow	1 year or less	1 - 2 years	2 - 5 years	Over 5 years
	%	$'000	$'000	$'000	$'000	$'000	$'000
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	-	3,297	3,612	1,460	1,030	1,122	-
		52,407	**53,397**	**43,484**	**3,806**	**6,107**	**-**
2020							
Non-derivate financial liabilities							
Trade and other payables	-	34,932	34,932	34,932	-	-	-
Borrowings	4.11%	5,575	6,001	1,903	1,558	2,540	-
Property lease liabilities	-	3,206	3,560	1,323	809	1,428	-
		43,713	**44,493**	**38,158**	**2,367**	**3,968**	**-**

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 is subject to terms and conditions of its main funding agreement which include financial covenants relating to; earnings and debt (leverage ratio), current assets to current liabilities (current ratio) and tangible net worth. The funding facility was negotiated in September 2020 with all covenants complied with during the reporting period. The Group's approach to capital management has not changed during the year.

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:

	2021	2020
	$'000	$'000
Audit services – RSM Australia Partners Pty Ltd		
Audit and review of the financial statements	214	210
Other services – RSM Australia Partners		
Tax services	46	-
Other consulting services	5	40
	265	**250**

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.

	2021	2020
	$'000	$'000
Bonds & Guarantees on issue at end of financial year	28,148	27,524

The consolidated entity has given bank guarantees as at 30 June 2021 of $251,829 (2020: $251,345) to various landlords.

Note 28: Capital Commitments

	2021	2020
	$'000	$'000
Committed at the reporting date but not recognised as liabilities, payable:		
Plant and equipment	581	361

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 73.

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.

The following transactions occurred with related parties during the year:

		Sales to related parties	Purchases from related parties	Related party balances in Trade Receivables	Related party balances in Trade Payables	Loan balances payable to related parties	Loan balances receivable from related parties
		$'000	$'000	$'000	$'000	$'000	$'000
Associates							
Ertech Holdings Pty Ltd	2021	-	560	-	-	-	-
	2020	-	-	-	41	-	-
DDR Australia Pty Ltd	2021	14,066	304	498	5	-	-
	2020	10,205	134	1,644	16	-	5
Entity providing KMP services							
Fortec Australia Pty Ltd	2021	57	454	7	348	-	-
	2020	415	151	7	3	-	-
Bold Drainage Pty Ltd	2021	1	126	-	-	-	-
	2020	-	-	-	-	-	-
Total	**2021**	**14,124**	**1,444**	**505**	**353**	**-**	**-**
Total	**2020**	**10,620**	**285**	**1,651**	**60**	**-**	**5**

Compensation of Key Management Personnel of the Group

	2021	2020
	$	$
Short-term employee benefits	1,965,704	1,852,049
Post-employment benefits	140,659	123,137
Long-term benefits	81,334	29,597
Share-based payments	170,875	-
Total compensation paid to Key Management Personnel	**2,358,572**	**2,004,783**

Note 30: Share-based Payments

As at 30 June 2021, 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	-	4,735,000

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

Number of Rights granted	Vesting Date	Lapsed	Vested	Balance
1,855,000	30 June 2023	67,500	-	1,720,000
1,855,000	30 June 2023	67,500	-	1,855,000
3,710,000		135,000	-	3,575,000

Vesting Hurdles	
50%	50%
Meeting an earnings per share (EPS) target	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
450,000	31 Aug 2023	-	-	450,000
450,000		-	-	450,000

Vesting Hurdles
Continued employment until 31 August 2023

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. 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

	2021	2020
	$'000	$'000
Deferred shares issued under the short-term incentive scheme	1,620	-
	1,620	**-**

Note 31: Parent Entity Information

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

	2021 $'000	2020 $'000
Statement of Profit or Loss and Other Comprehensive Income		
Profit after income tax	6,222	12,130
Total comprehensive income	**6,222**	**12,130**
Statement of Financial Position		
Assets		
Current assets	80,490	66,243
Non-current assets	22,495	16,084
Total assets	**102,985**	**82,327**
Liabilities		
Current liabilities	68,266	57,417
Non-current liabilities	12,066	6,460
Total liabilities	**80,332**	**63,877**
Equity		
Issued capital	23,703	500
Reserves	1,620	-
Retained earnings	(2,670)	17,950
Total equity	**22,653**	**18,450**

Note 32: Interests in Subsidiaries, Associates and Joint Ventures

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 47. 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	2021 %	2020 %
Duratec Australia (ES) Pty Ltd	Australia	100	100
MEnD Consulting Pty Ltd	Australia	100	100
Duratec New Zealand Ltd	New Zealand	100	-

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

B. Associates and Joint Ventures

Interests in associates and joint ventures are accounted for using the equity method of accounting.

			Proportion of ordinary share interests/ participating share	
Name of entity	Principal place of business and country of incorporation	Classification	2021 %	2020 %
Fortec Australia Pty Ltd	Australia	Associate	-	40
DDR Australia Pty Ltd	Australia	Associate	49	49
Duratec Ertech JV	Australia	Joint Venture	50	50

C. Information About Associates

Fortec Australia Pty Ltd - In August 2020 Duratec Limited disposed of its 40% interest in by way of an in-specie distribution to Duratec's shareholders.

DDR Australia Pty Ltd ('DDR') is registered as an incorporated company. DDR is a business whose issued shares are owned by 51% by Dundee Rock Pty Ltd ('DRPL') and 49% 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 Venture

Duratec Ertech JV is an unincorporated entity and is classified as a joint operation whereby Duratec and Ertech each have a 50% interest. Accordingly, Duratec Limited's interest in the assets, liabilities, revenues and expenses attributable to the joint arrangement have been included in the appropriate line items in the consolidated financial statements.

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

	2021	2020
	$'000	$'000
Profit after income tax expense for the year	**7,131**	**13,011**
Adjustments for:		
Depreciation	5,227	3,825
Equity accounted investment results	(769)	(1,791)
Gain on disposal of investment	(151)	-
Dividends received	(1,505)	(367)
Gain on sale of fixed assets	(218)	(1)
IPO costs recognised in Equity	(1,138)	-
Share-based payment expense	1,620	-
Other	(9)	9
Change in operating assets and liabilities:		
Increase in trade and other receivables	(9,408)	(10,231)
Increase in contract assets	(1,327)	(603)
Increase in inventories	(103)	(25)
Increase in other assets	(185)	(406)
Increase / (decrease) in trade and other payables	3,810	(3,047)
Increase / (decrease) in contract liabilities	3,675	(2,215)
Increase in provisions	58	1,021
Decrease in tax balances	(41)	(819)
Net cash from operating activities	**6,667**	**20,461**

Note 35: Events After the Reporting Period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst the recent lockdown measures in New South Wales and Victoria has resulted in some project delays, 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.

Since the end of the financial year, the Directors have recommended the payment of a final ordinary dividend for 2021 of 1.5 cents per fully paid share, franked to 100%, to be paid on 13 October 2021.

Directors' Declaration

For the Year Ended 30 June 2021

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 2021 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.

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 Act 2001 for the year ended 30 June 2021.

On behalf of the Directors,

Robert (Phil) Harcourt
Director

Date: 27 August 2021

Independent Auditor's Report

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

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 2021, 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 2021 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.

Key Audit Matter	How our audit addressed this matter
Recognition of Revenue Refer to "Note 4" in the financial statements	
The Group's largest source of revenue is construction and engineering. Construction and engineering revenue is recognised by management after assessing all factors relevant to each contract, including specifically assessing the following as applicable: › Determination of the stage of completion and measurement of progress towards performance obligations; › Estimation of total contract revenue and costs including the estimation of cost contingencies; › Determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims; and › Estimation of project completion date. 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 judgmental revenue recognition from contracts.	Our audit procedures included: › Reviewing contractual terms with customers and substantiated project revenues and costs incurred against underlying supporting documents; › Assessing management's assumptions in determining the stage of completion, total contract revenue and total estimated costs; › Checking mathematical accuracy of revenue recognised during the year based on the stage of completion; › Reviewing customers and subcontractor correspondences and discussing the progress of the projects with project managers for any potential disputes, variation order claims, known technical issues or significant events that could impact the estimated contract costs; › Discussing with project personnel and management on the rationale for revisions made to estimated costs and checked supporting documentation; and › Reviewing management's assessment and reasonableness of the provision for foreseeable losses..

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 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Duratec Limited, for the year ended 30 June 2021, 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
Dated: 27 August 2021

J A KOMNINOS
Partner


DURATEC
AUSTRALIA
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Shareholding Details

Class of Shares and Voting Rights

As at 9 August 2021 there were 1,093 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 2021

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	52,898,514	22.28%
DENCORT PTY LTD <HARCOURT FAMILY A/C>	26,553,389	11.18%
KENT COLONY VENTURES PTY LTD <DIPROSE RICHARDS FAMILY A/C>	26,553,389	11.18%
MR CHRIS OATES + MRS PAMELA OATES <OATES FAMILY A/C>	26,553,389	11.18%

Distribution of Shareholdings as at 9 August 2021

Size of Share Holding	Nº of Shareholders
1-1,000	32
1,001-5,000	195
5,001-10,000	165
10,001-100,000	589
100,001 and over	112

Number of shareholders	Total Shares on Issue	Nº of unmarketable parcels
1,093	237,444,801	38

Top 20 Shareholders

as at 9 August 2021

	Shares Held	Nº of Shares	% of Total
1	ERTECH HOLDINGS PTY LTD	47,348,514	19.94
2	DENCORT PTY LTD <HARCOURT FAMILY A/C>	26,553,389	11.18
2	KENT COLONY VENTURES PTY LTD <DIPROSE RICHARDS FAMILY A/C>	26,553,389	11.18
2	MR CHRIS OATES + MRS PAMELA OATES <OATES FAMILY A/C>	26,553,389	11.18
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,829,278	7.51
6	NATIONAL NOMINEES LIMITED	8,575,000	3.61
7	ZERO NOMINEES PTY LTD	7,470,000	3.15
8	CITICORP NOMINEES PTY LIMITED	6,572,586	2.77
9	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	6,508,675	2.74
10	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	5,908,811	2.49
11	MR OLIVER MCKEON <MT POCKETS BUSINESS A/C>	4,586,120	1.93
12	JAWP PTY LTD <THE JAWP A/C>	2,550,000	1.07
13	BOND STREET CUSTODIANS LIMITED <SALTER - D64848 A/C>	2,520,000	1.06
14	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,502,878	1.05
15	BNP PARIBAS NOMINEES PTY LTD <IOOF INSMT MGMT LTD DRP>	1,475,000	0.62
16	CAMMIT PTY LTD <GIUMELLI FAMILY A/C>	1,000,000	0.42
17	PINDAN INVESTMENTS PTY LTD <PINDAN INVESTMENT A/C>	750,000	0.32
18	SPACEFACE PTY LIMITED	580,000	0.24
19	DARWONGA INVESTMENTS PTY LTD	500,000	0.21
19	JIMANN PTY LTD <ERTECH PTY LTD S/FUND A/C>	500,000	0.21
Top 20 Shareholders		**196,837,029**	**82.90**

On-market Share Buy-back

There is no current on-market buy-back.

Restricted Securities

A total of 131,594,801 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 FY21 audited accounts	Escrow Period Released after FY22 audited accounts
Ertech Holdings Pty Ltd	47,348,514	19.94%	47,348,514	-
Dencort Pty Ltd as trustee for the Harcourt Family Trust *(Entity associated with Robert (Phil) Harcourt)*	26,553,389	11.18%	19,915,041	6,638,348
Kent Colony Ventures Pty Ltd as trustee for the Diprose Richards Family Trust *(Entity associated with Deane Diprose)*	26,553,389	11.18%	19,915,041	6,638,348
Chris John Oates and Pamela Michelle Oates as trustee for the Oates Family Trust *(Entity associated with Chris Oates)*	26,553,389	11.18%	19,915,041	6,638,348
Oliver McKeon as trustee for the MT Pockets Business Trust *(Entity associated with Oliver McKeon)*	4,586,120	1.93%	3,439,590	1,146,530


DURATEC
AUSTRALIA
1PT 6GR


BIGFOOT
DURATEC
AUSTRALIA

www.duratec.com.au

108 Motivation Drive, Wangara WA 6065

Tel: +61 8 6206 6900 | **Email:** info@duratecaustralia.com.au