Duratec Limited ACN: 141 614 075 ASX: DUR

Annual Report for the Financial Year Ending 30 June 2023

Innovative, Fit for Purpose Solutions

Duratec is a solution based "Whole of Life" engineering, construction and remediation asset services company extending the life of infrastructure

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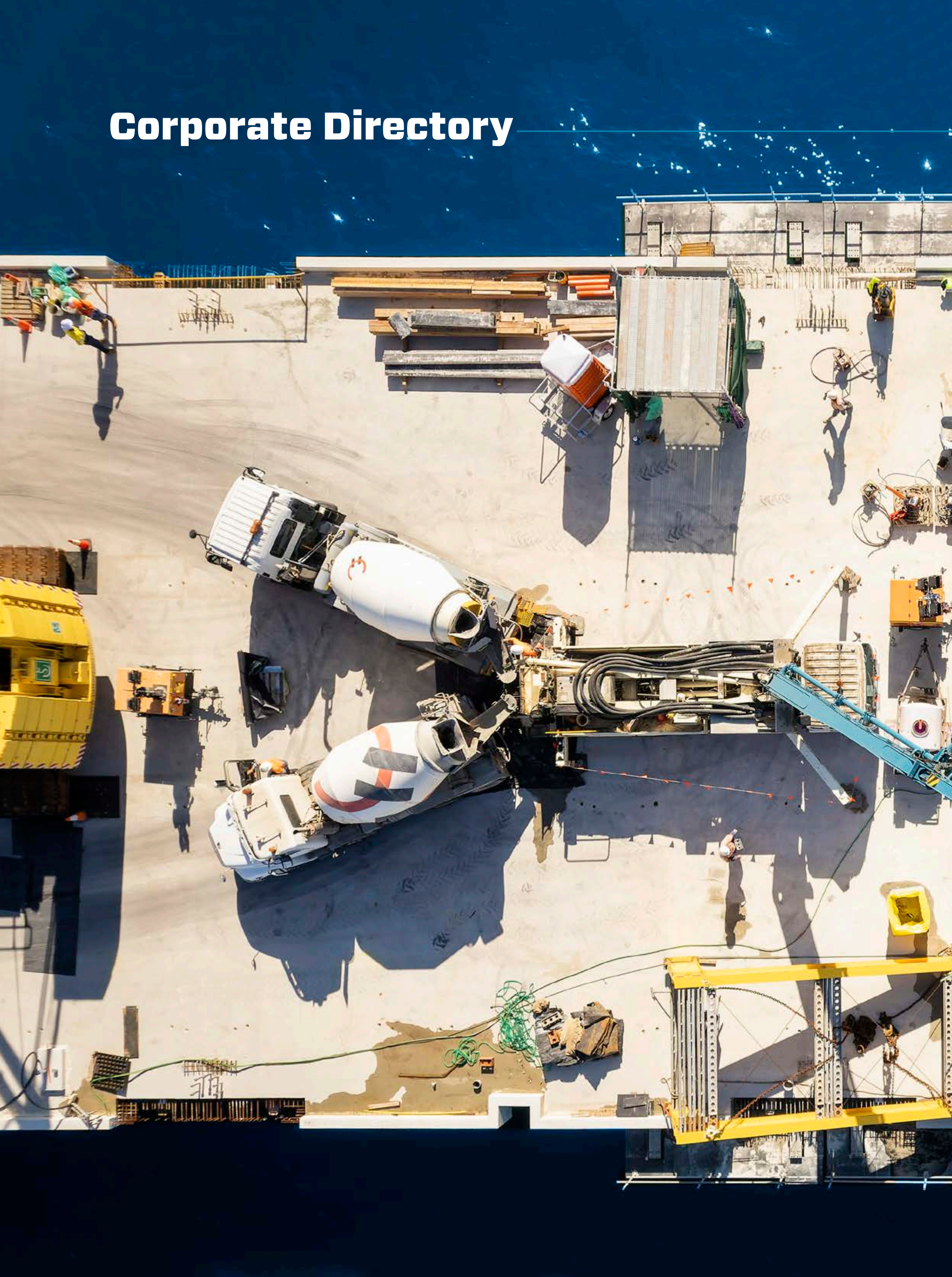
Corporate Directory



Registered Office & Principal Place of Business

108 Motivation Drive, Wangara
Western Australia 6065

Contact Details

Phone: +61 (8) 9206 6900

Email: info@duratecaustralia.com.au

Website: www.duratec.com.au

Directors

Martin Brydon
Non-Executive Director, Chairman

Robert (Phil) Harcourt
Executive Director,
Managing Director

Chris Oates
Executive Director,
General Manager

Gavin Miller
Non-Executive Director

Krista Bates
Non-Executive Director

Company Secretary

Dennis Wilkins

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace, Perth WA 6000
Phone: 1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Share Trading Facilities

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

Auditor

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

Business Model

- **Who We Are:**
  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 Contrctor Involvement (ECI), condition assessment, technical services and asset refurbishment – we cater to every stage of the life cycle of your asset.
- **Our Vision:**
  To sustainably grow our business and become the most respected specialist civil contractor, providing technological, innovative solutions.

Market Industries Serviced

- **Defence:** Maintaining Defence capability
- **Buildings & Facades:** Delivering client value for better project outcomes by ECI
- **Mining & Industrial:** Partnering with mining asset owners to maximise the operational life of their fixed assets. Delivering quality tailored solutions which focus on successful outcomes
- **Energy:** Construction, remediation, refurbishment and fabrication of critical assets, enabling industry to function optimally
- **Marine:** We remediate, refurbish, and design and construct marine structures to withstand the harsh conditions – ensuring expected structure lifespans are achieved
- **Transport Infrastructure:** We maintain and protect the road and rail bridges that are critical to our communities
- **Water and Wastewater Infrastructure:** Protection and restoration of essential public health infrastructure

Chairman's Report

Dear Shareholders,

Welcome to Duratec Limited's Annual Report for the financial year ended 30 June 2023 (FY23).

FY23 has been a year of affirmation of Duratec's ability to perform strongly on the back of the 2H FY22 result. Our operations have delivered in a consolidated effort, a very strong performance for the financial year. We are elated with our performance over the last 12 months, and it gives me great pleasure to present the 2023 Annual Report for Duratec Limited (ASX: DUR) as we reflect on our business' achievements.

We close off the financial year on a historical high, our hard work has paid off over the last 12 months and we are excited about what the future holds for Duratec. Our FY23 full year revenue of $491.8m with normalised EBITDA of $38.8m is a strong result and we are encouraged that growth has been geographic across all states and from all sectors, which shows the diversity in the Company's portfolio. We are confident that this will continue into FY24, with Duratec's orderbook and overall pipeline well positioned to support Duratec's continued growth.

Business Model

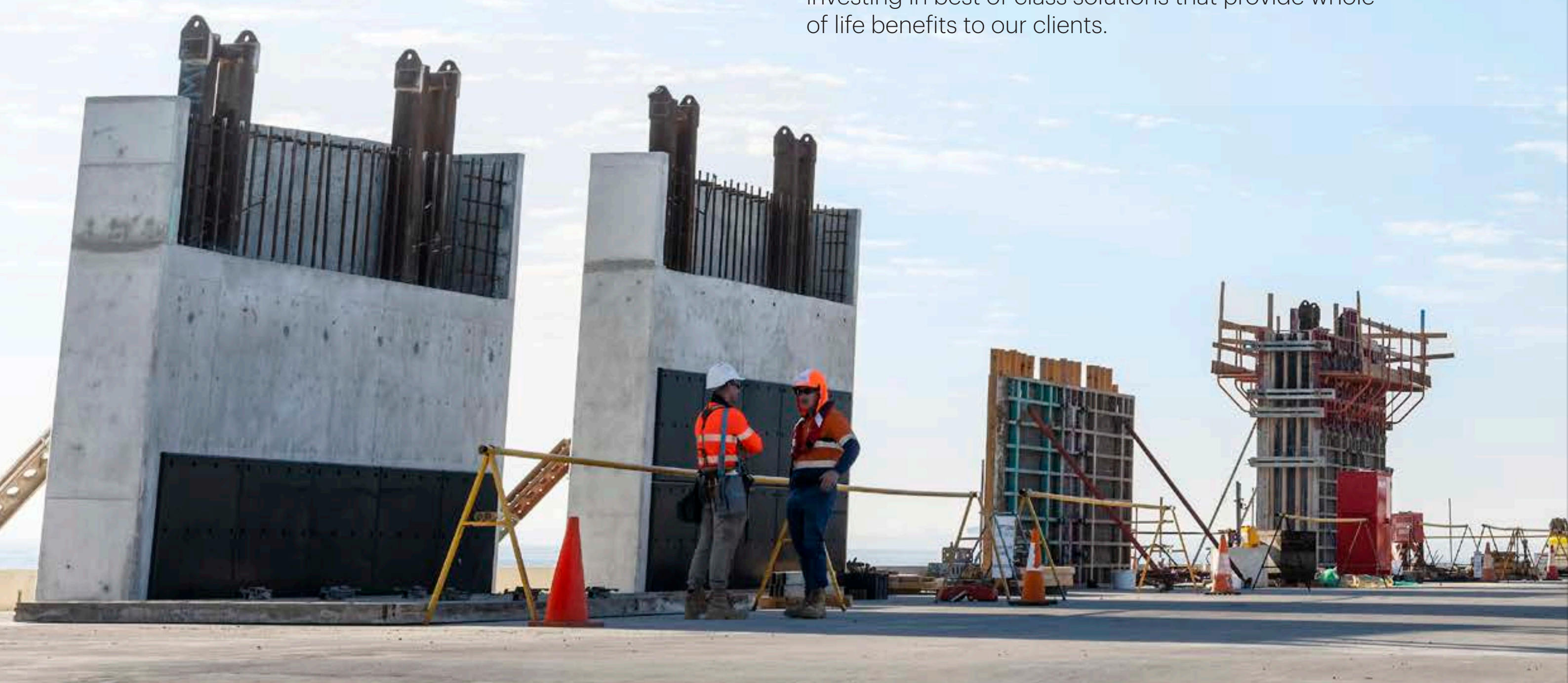
Duratec's diversified business model continues to prove successful, as demonstrated by our strong FY23 performance and positive outlook for the year ahead. We operate in several sectors that have different business cycles and are geographically spread across all States and Territories in Australia. This diversity provides greater consistency of earnings year-to-year while also reducing the risk of significant adverse outcomes.

WPF Acquisition

This financial year we completed the acquisition of Wilson's Pipe Fabrication Pty Ltd (WPF), which provided Duratec access to a new market sector, as well as access to maintenance and remediation opportunities within the energy market sector. The WPF acquisition was the first substantial acquisition by Duratec as a company, and there has been a keen focus on the integration of the WPF team with Duratec. This is progressing incredibly well and remains a key focus. In the 8 months of Duratec ownership, the teams focus has been on consolidating WPF's financial performance and posting a strong result for FY23. We have been very impressed with results from WPF and look forward to this continued performance next financial year. A focus of the team for FY24 will be investment in WPF to build additional capacity within the business and capitalise on the opportunities the energy market sector provides.

Focus on Technical

Key to Duratec's in-house technical service ability is MEnD Consulting (MEnD). MEnD's key focus is the protection and rehabilitation of the built environment. Whether it is ensuring that new infrastructure will go the distance or sustaining existing capital investments, such as condition assessment and remedial engineering of marine assets. Our engineers have inspected clients' structures around Australia and Asia. We have always worked at the cutting edge of NDT technology and remediation techniques supported by our in-house 3D realty modelling for front end asset integrity and reliability services striving to deliver the best to our clients. Duratec continues to focus on investing in best of class solutions that provide whole of life benefits to our clients.



Operational Performance

As stated previously, we are elated with our full-year performance in FY23, and our ability to consolidate on what was a strong close out to 2H FY22. Not only was the year a year of growth for Duratec, but it was pleasing that the focus on underlying earning also produced a strong result to support that growth.

We will continue to place a keen focus on profit margins and follow our core belief that simply winning work to keep busy is not the objective. Due to our business model, we find that we can maximise on our sector diversity and each sectors different business cycles and be selective in choosing which projects we tender for to improve the Company's overall operating margins, profitability, and cash generation.

We finished FY23 with a very strong balance sheet. We achieved this through our commitment to operating a capital light business with solid reliable cash generation, which allows for the consistent delivery of dividends while continuing to provide the option for growth through further synergistic, bolt-on and complementary acquisitions.

Outlook and Pipeline

Off the back of three solid half's, the outlook for Duratec is very positive. Our six key projects continue to progress well and in-line with expectation. Importantly all six key projects are also at different stages of completion, which supports Duratec's revenue growth into FY24. Orderbook of $458.2m and tendered works of $844.9m within an overall $2.4b pipeline of tangible opportunities, is a solid position for the Company going into the new financial year.

The year ahead looks to be a further year of growth for the company, given current work on hand and the pipeline of work to be tendered.

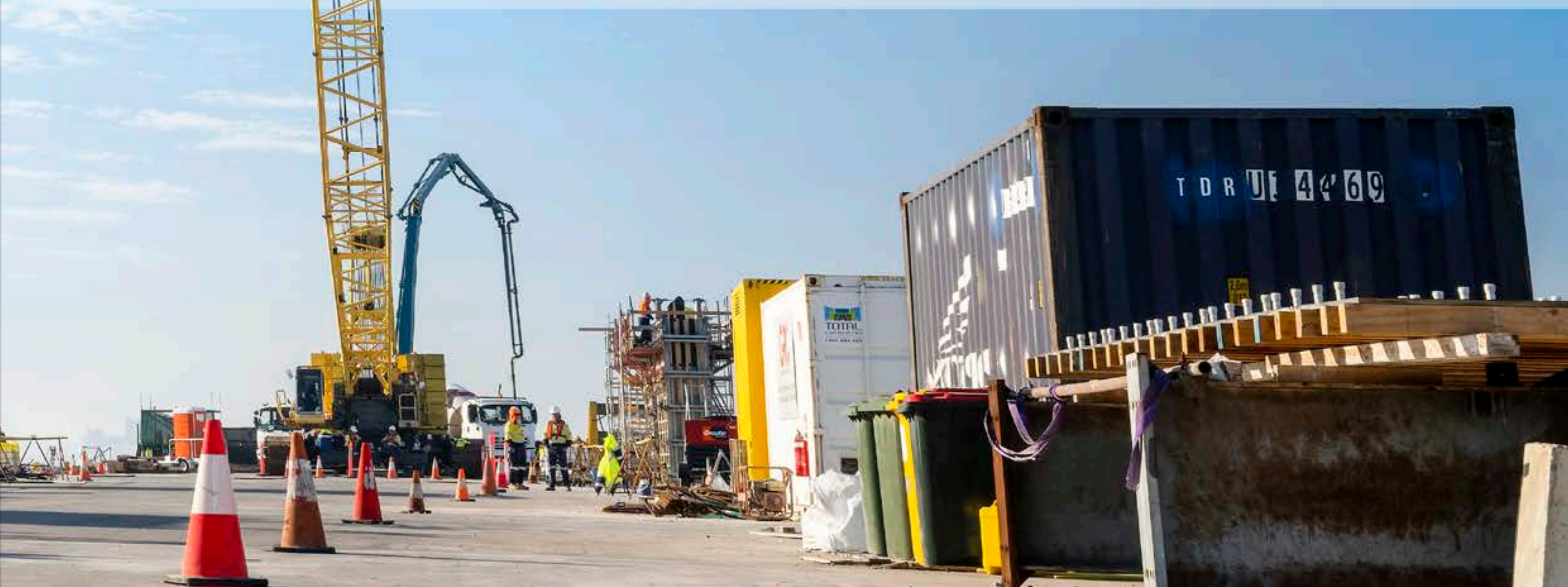
On behalf of the Duratec Limited Board, I sincerely thank our Managing Director, Phil Harcourt, the leadership team and all our employees for their dedication over what has been a busy but rewarding period for Duratec. Duratec's ability to deliver such results, shows the commitment and professionalism of our people which are the most valuable part of our Company. I also thank all our shareholders, clients and suppliers for their valuable support over the year, and we look forward to your continued support into the future.

I am positive about the year ahead as we continue to deliver on a solid pipeline, and I look forward to sharing the Company's journey with you again in 2024.

Yours faithfully,

Martin Brydon
Non-Executive Chairman - Duratec Limited

Date: 24 August 2023



FY23 Highlights

Financial Highlights

Revenue[1]	EBITDA[2]	NPAT
$491.8m	$38.8m	$19.2m
Up from $310.0m in FY22	Margin 7.9%	Margin 3.9%

Dividend[3]	EPS[4]	Cash
4.0¢	7.91¢	$66.2m
Per share, fully franked	per share	Up from $58.2m in FY22

1 *Revenue excludes DDR Australia Pty Ltd (49% share) but includes Wilsons's Pipe Fabrication Pty Ltd (wholly owned subsidiary) from acquisition date of 20 October 2022.*

2 *Normalisation of EBITDA accounts for tax effect from Duratec Limited's 49% investment in DDR Australia Pty Ltd and one-off Wilson's Pipe Fabrication Pty Ltd acquisition costs.*

3 *Interim dividend of 1.0 cents per share and final dividend of 3.0 cents per share fully franked.*

4 *Basic earnings per share (cents).*

Pipeline of Work

Order Book	Tenders[5]	Pipeline[6]
$458.2m	$844.9m	$2.4b
Up from $458.0m in FY22	Up from $701.0m in FY22	Up from $1.7b in FY22

5 *Tenders includes submitted and currently being tendered opportunities.*

6 *Pipeline includes 49% share of DDR Australia Pty Ltd Revenue and 100% share of Wilson's Pipe Fabrication Pty Ltd (wholly owned subsidiary).*

Our People Highlights

Total Employees
1173
Up from 857 in FY22

Women in Workforce
18.6%
Up from 16.9% in FY22

Employee Training
1622
Courses delivered in FY23

Operational Highlights

CAGR
34%
Compound Annual Growth Rate over 14 years

Projects
1,944
Up from 1,664 in FY22

Repeat Clients
85.5%
Up from 83.0% in FY22

Industry Sectors
11

Offices
22
Nationwide

Contractor of The Year
WPF
Santos 2023 Directors EHSS Awards

Managing Director's Report

People and Culture

FY23 had been a period of disciplined organic growth inclusive of a key acquisition. With this, employee numbers have increased from 849 in July 2022 to 1,173 on 30 June 2023. With such a large number of employees, we continue to focus on the wellbeing of our people and maintaining our culture. The provision of interesting and varied works in a supportive environment and culture enables ample training opportunities and career paths for our employees. Women in construction has been a continued focus in FY23 as we work on breaking the bias and look at improvements in the ways in which we attract and retain more women in the business. The theme for this year's International Women's Day was 'embrace equity', meaning providing everyone with what they individually need to be successful. This importantly allows for everyone's differences. We recognise and appreciate that women in construction positively affect performance, profitability, productivity, innovation, mental health, and inclusivity.

Mental health training has continued throughout the year as we recognise this as a major issue in the community at large and particularly in the construction industry.

The importance of safety throughout all our operations remains a strong focus and is our number one item on our Board meeting agenda. Care Factor workshops have been conducted to ensure we continue to provide psychologically safe workplaces. Positive safety interventions are encouraged; we view our employees as customers of our safety programs and actively engage with, listen to, and learn from our workforce. One such collaboration was a revised Frontline Supervisors Guide Manual, which has been very positively received and adopted. Our continuous improvement practices are supported by very open and honest reporting practices in relation to incidents and potential incidents. We maintain focus on lead indicator safety observations and task inspections to promote safety awareness and support our project delivery teams.


RECYCLABLES ONLY
MIKE
DURATEC AUSTRALIA


DURATEC AUSTRALIA

Operational Overview

Duratec's FY23 operating and financial results reflect a strong return to growth in revenue and underlying earnings due to operating in more normal conditions relative to FY22. Duratec's six major projects continue to progress well and perform in-line with expectations.

Central Park Building Recladding	RAAF Base Tindal Fuel Facility	Western Sydney Airport Fuel Ring Main	HMAS Stirling Oxley Wharf Extension	BHP Berth C&D Remediation	HMAS Coonawarra Harbour Works
$63m	$110m	$50m	$39.5m	$48m	$100m
63% Complete	57% Complete	89% Complete	70% Complete	24% Complete	14% Complete

The majority of Duratec's other 1,938 projects performed well. One legacy heritage structure remediation project impacted the 1H FY23 results due to scope, access, and remote location challenges. Despite these challenges, the project was completed to a high quality standard and satisfying client expectations.

The acquisition of Wilsons Pipe Fabrication (WPF), was a highlight in FY23, enabling Duratec access to maintenance and remediation opportunities within the oil and gas market segment. The total addressable market is circa $60b over the next 50 years. This is associated with Australian Government regulations requiring oil and gas companies to decommission and cap all offshore infrastructure at the end of its life (in line with strict compliance requirements). The integration has progressed seamlessly, and numerous opportunities are being pursued leveraging off the group capabilities.

Throughout the year, Duratec secured other projects on the back of well-considered professional bids, building a solid work on hand position of $458m (inclusive of 49% DDR but excluding MSA's which represent $60m–$70m annually), $844.9m in tendered works and $2.4b in tangible opportunities is conducive to supporting a very positive outlook for FY24 and beyond.

Duratec closed the year with total revenue of $491.8m, (excluding $33m from DDR Australia) up 59% from the FY22 revenue of $310m.

Earnings before interest, tax depreciation and amortisation, (EBITDA) in FY23 was $38.8m (i.e. 7.9% of revenue), up 111% from FY22 EBITDA of $18m.

Earnings before interest and tax (EBIT) was $27.6m up 103% from $13.6m in FY22.

Consolidated net profit after tax (NPAT) (inclusive of contribution from associates) was $19.2m compared with $7.8m in FY22.

Duratec's six major projects continue to progress well and perform in-line with expectations

Defence

The Defence services sector delivered revenue of $229m, (FY22 : $135m) and gross profit of $31.2m, (FY22 : $18.1m).

Revenue	Gross Profit
$229m	**$31.2m**
from $135min FY22	from $18.1m in FY22

Major projects including the $110m Aviation Refuelling Facility at RAAF Base Tindal, the $53m Oxley Wharf Extension Design and Construct project and the HMAS Coonawarra Wharf substation works have all contributed well to revenue and gross profit during the year. Overall, all the other projects have been delivered in terms of safety, timeliness, quality of work, value for money, local industry and indigenous participation. The operational team, nationally, has continued fostering and maintaining key stakeholder relationships, base experience, strong local relationships, and thorough understanding of client requirements.

Project (CFI) works has remained steady. Duratec was pleased to be awarded the $100m wharf and harbour basin upgrade works. This award is aligned with Duratec's focus on securing marine infrastructure works throughout Australia, as well as its significant strategic investment in northern Australia.

We have experienced a recent slowing in estate works awards due to cancellation or reprioritisation of projects/activities that no longer suit the National Defence Strategic Review released in May 2023. However, Duratec has demonstrated capability and is well positioned nationally to secure the Defence prioritised opportunities improving the resilience of domestic fuel reserves, upgrading civil maritime infrastructure, and upgrading bases, ports and accommodation buildings. The market demonstrates increased urgency to accelerate Defence spend in key regions such as the Northern Territory, Western Australia, SA, NSW and QLD. These are all areas in which Duratec has capability.

Accordingly, the Company has diversified its service offering and is now targeting larger infrastructure projects to consolidate the business's strategy of having several large-scale, longer-duration projects while still maintaining a diverse mix of smaller, shorter-duration works. Defence's sustainment spending on major projects into the future provides Duratec with key growth prospects.

The total addressable market (TAM) in Defence sustainment spend is circa $17b in FY24. This includes maintaining capability in service and planned estimated costs of future capability that have yet to be introduced into service. Duratec's Defence revenue represents about 1.5% of the TAM, meaning there is considerable potential for growth.

Mining & Industrial

The Mining & Industrial services sector performed strongly with revenue of $86.4m, (FY22 $74.9m) and gross profit of $19.7m, (FY22 $18.1m).

Revenue	Gross Profit
$86.4m	**$19.7m**
from $65.2m in FY22	from $16.6m in FY22

Strong commodity prices and demand for base materials such as iron ore, nickel, lithium, alumina, gold, and zinc has continued the need for clients to ensure security of undisrupted production output by maintaining the integrity of their key infrastructure.

The Goldfields business unit has delivered strong results consistently throughout the year on multiple sites.

The northwest was impacted by delays in the award of Structural Integrity (SI) works packages during the first half of the year while maintaining operational capacity.

During the second half of the financial year, we experienced a significant increase in award of SI upgrades of iron ore industry infrastructure, commencing with BHP Berth C&D wharf at Port Hedland. This $48m award followed an initial Early Contractor Involvement (ECI) 3D modelling capture of the entire wharf complete with identification and annotation of all defects. Additional SI upgrade awards have followed for multiple works on inland mine sites in the Pilbara region of WA. This has led to a solid work on hand position of $81m, supporting a growth outlook for this market segment. These projects were generally awarded on purchase orders and delivered via Master Services rates-based agreements adopting schedules of day work rates. Annuity contracts with key repeat strategic clients is a growth pillar Duratec continues to develop to service this important market segment.

Buildings & Facades

The Buildings and Facades services sector delivered revenue of $78.4m, (FY22 $64.7m) and a gross profit of $12.0m, (FY22 $10.2m).

Revenue	Gross Profit
$78.4m	$12.0m
from $64.7min FY22	from $10.2m in FY22

Eighteen mid-sized projects ($1.5 - $5m) for replacement of combustible cladding were worked on in the Eastern States. In Western Australia, there were four mid-sized projects and the 51 storey, $63m Central Park Building. At the 30th of June 2023 the Central Park project was 60% complete with all works progressing in line with expectations. The transformation of the facade in Perth's CBD is testimony to the skills of the project team in delivering precise, high-risk works with a high quality standard.

As seen by the demand for Duratec's paid ECI Technical services, building facade issues of combustible cladding continues to gain momentum as pressure is applied from the insurers and building code compliance regulators. Duratec have undertaken due diligence investigations on existing building facades and have also been actively involved in select full-scale fire test modeling for key clients. The focus is on key public building infrastructure for the State Government such as schools, hospitals and offices. Additionally, there is an increasing demand from the private sector. Duratec's strategy is discerning as to the opportunities pursued. The company endeavors to engage clients who value the ECI phase, and who do not attempt to transfer the risk of latent conditions to the contractor.

Our dedicated team is well positioned to secure and deliver more works in this market sector. As part of Duratec's commitment to environmental sustainability, all works will include recycling of removed materials where possible.

The total addressable market for commercial and high-rise building remediation is potentially circa $10–12b. Of this, Duratec is currently delivering 0.6% . Consequently, there is no shortage of future growth potential in this market segment.

Energy

The Energy sector has delivered FY23 revenue of $46.6m (FY22 $12.1m) and gross profit of $10.5m (FY22 $2.2m).

Revenue	Gross Profit
$46.6m	$10.5m
from $12.1m in FY22	from $2.2m in FY22

A major non-defense fuel project, the $50m Aviation Fuel reticulation contract at Western Sydney International Airport, is now 88% complete. This project has not been without its challenges, suffering an initial 2-month delay in pipe delivery and periods of heavy rain during the early works. Despite these challenges, works are expected to be complete in line with expectations by September 2023.

The outlook for fuel security and upgrade works is significant. Duratec is well positioned to secure and deliver projects which provide disciplined growth in revenue and profit.

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

The Other sector has contributed revenue of $31.4m (FY22 $33.0m) and a gross profit of $2.3m (FY22 $1.2m).

Revenue	Gross Profit
$31.4m	$2.3m
from $33.0m in FY22	from $1.2m in FY22

This segment comprises a diverse range of works. This includes, but is not limited to, power station infrastructure, reinforced concrete, steel wharf and jetty marine structures, road and rail bridges, potable water reservoirs and wastewater facilities remediation and upgrading.

One legacy heritage structure remediation project adversely impacted the segment gross margin in 1H FY23 due to scope, access, and remote location challenges. The project was completed to high quality standards.

A Duratec Limited Company

WPF

WPF has delivered FY23 full year revenue of $27.5m and a gross profit of $7.7m. Duratec ownership, (i.e. 20th October 2022), to year end basis the revenue achieved was $20.0m and gross profit of $6.4m.

Revenue[1]	Gross Profit
$27.5m	$7.7m
$20.0 since acquisition	$6.4 since acquisition

The integration of WPF has been a great success which is a credit to all who contributed to the process. Delivery of multiple offshore projects has continued seamlessly and the management team are highly motivated. Revenue and EBITDA for the full 12 months have both grown 50% in comparison with FY22. Targeted growth initiatives are in place for both short and long-term, fostering a strong expectation for a solid FY24 contribution.

1. Based on WPF management unaudited accounts prior to 20 October 2022

MEnD Consulting

Demand for Duratec's Technical team of engineers has continued to grow throughout FY23, including a diverse range of clients from all market sectors. Appetite from clients and sectors relates to understanding the condition of infrastructure assets and obtaining appreciation of future operational expenditure. To meet this demand, Duratec has invested in technology to capture and report data in a more efficient and reliable manner. Data capture techniques include use of drones to take high resolution images. This can be combined with precise survey data, laser scanning and thermal imaging to accurately reconstruct the asset into a 3D model. The modeling is further enhanced by application of in-house developed "Annoview Technology" which enables defect labeling, description, dimensioning and reference to drawings and specifications. Coupling this offering with in-house sampling and destructive laboratory testing provides reliable analysis of structure condition assessment. Presented in a detailed report that includes complete commercial options enables asset owners to make well informed decisions. This ECI model has enabled Duratec to secure many opportunities in FY23 including the $48m BHP Port Hedland Berth C&D remediation works contract.

Duratec through MEnD was recently awarded the Asset Management Innovation Award 2023, by the Asset Management Council for setting a new standard for the procurement and scoping of major marine asset remediation projects. The BHP Berth C&D ECI project involved innovative approaches, including a 2-5mm 3D reality model for 1.2km of wharf structure, bespoke online software for defect management, and a collaborative approach to inspection, testing, and design, resulting in a robust procurement framework for the asset's life extension. The MEnD team are elated with the recognition of their hard work.

Since the award, MEnD has also received exciting enquiry from existing Duratec clients, including an international gold miner interested in procuring MEnD's service internationally on a variety of their assets.

Duratec's bespoke, on-hand Technical work and healthy pipeline of opportunities provides clear insight and support for ongoing growth expectations in asset remediation and rehabilitation.

DDR AUSTRALIA

DDR Australia

DDR Australia delivered FY23 full year revenue of $32.7m (FY22 $72.5m) and a gross profit of $6.9m (FY22 $14.1m).

Revenue	Gross Profit
$32.7m	$6.9m
from $72.5m in FY22	from $14.1m in FY22

Duratec's Aboriginal and Torres Strait Islander associate business, DDR Australia, has experienced a challenging time throughout FY23. The revenue amounted to $32.7m, down 55% from FY22 revenue of $72.5m. This is largely due to continual delays on tender award decisions and availability of tenders for delivery of Supply Nation certified works for Defence in remote regions. Short-term strategies have been adopted to rationalize overheads commensurate with current revenue. Diversification of service offering and client base has also been enacted. The prospects for the business are healthy. This is associated with the Commonwealth Government's acknowledgment of the importance of Indigenous engagement procurement, and the provision for sole sourcing such entities. Additionally, there is an understanding of the need to improve efficiency of the procurement process.

The business will continue implementing its current strategy and reinforce business goals - provide genuine long-term opportunities for Aboriginal and Torres Strait Islanders in an environment which is welcoming and respectful.

Outlook

Looking forward, we are encouraged by the tangible activity of key business drivers in all market segments we nationally service. This is supported by a five-year outlook plan created by our business development team. The pipeline's inputs were sourced from key clients in Defence, oil and gas, mining and industrial, buildings and facade, and fuel infrastructure spaces. This provides Duratec with strategic foresight that advises investment decisions and informs geographic positioning of resources in response to skill sets and market segment demands.

From a total addressable market of circa $45b, the business currently has conservatively +$2.4b in opportunities that are actively being pursued. Demand for our services is at an historic high. We commence FY24 with a strong order book of $458m, (excluding $60m to $70m in master services agreement works which are expected to be delivered). We are confident in converting many identified opportunities throughout the year ahead.

Duratec has a demonstrated history of organic growth. This strategy will continue in FY24. Complementing organic growth, Duratec is undertaking an ongoing disciplined evaluation of potential acquisition opportunities that are regularly identified and critically reviewed. The October 2022 acquisition of Wilson's Pipe Fabrication (WPF) is an example of a successful, carefully considered acquisition. WPF have a complimentary service offering, high growth potential and is earnings accretive. We will consider repeating a similar acquisition model under the right circumstances.

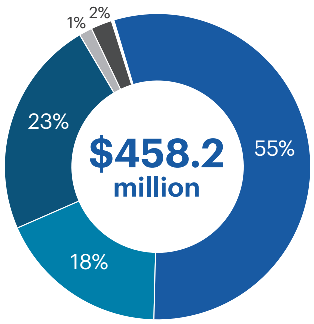
Robert (Phil) Harcourt
Managing Director

Date: 24 August 2023

Pipeline

Diversified across industry sector and geographies (68% Eastern Region and 32% Western Region).

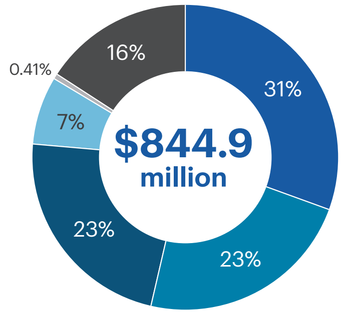
Figure 1. Order Book



from $458m

at 31 July 2022

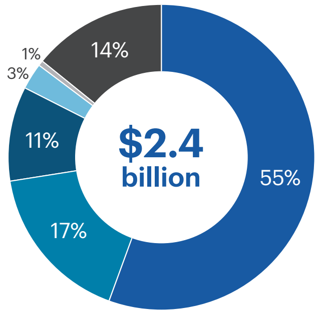
Figure 2. Tenders



from $701m

at 31 July 2022

Figure 3. Pipeline

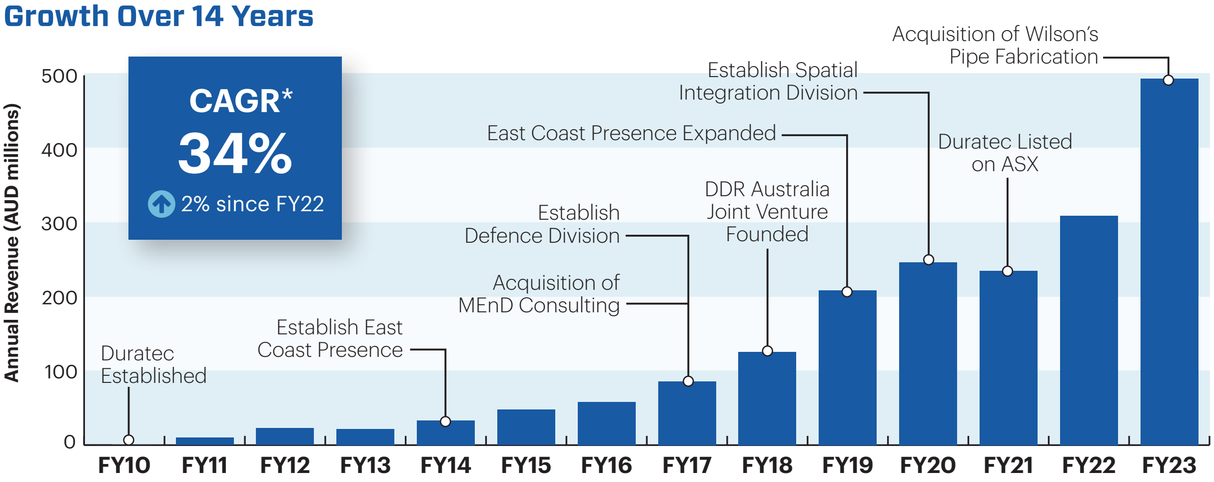


from $1.7b

at 31 July 2022

Defence | Buildings & Facades | Mining & Industrial | Energy | WPF | Other

Growth Over 14 Years



** Compound Annual Growth Rate over 14 Years*

FY23 Net Profit after tax totalled $19.2m, with a net profit margin of 3.9%. 147% higher than FY22

Finance Report

Revenue & Profitability

Duratec achieved strong revenue growth in FY23. In comparison to FY22 revenue of $310.0m, FY23 saw an increase of 58.6% with total revenue reaching $491.8m. The growth is mainly attributed to increased activity across all significant operating segments and additional revenue generated by the acquisition of pipeline fabrication company WPF:

- Defence increased 69.68% at $229.0m
- Mining and industrial increased 32.27% at $86.3m
- Buildings & Facades increased 21.25% at $78.4m
- Energy increased 285.27% at $46.6m
- WPF contributed revenue of $20.0m from 20th October 2022 (acquisition date) until the financial year end.

The growth achieved across industries was underpinned by the revenue growth within each state and territory throughout the financial year. The most significant growth occurred in Northern Territory, New South Wales, Australian Capital Territory, Western Australia, and South Australia.

FY23 gross profit was $82.1m. Gross margins of 16.69% were achieved. This growth is 70% higher than FY22 (FY22 gross profit $48.4m, FY22 gross margins of 15.61%). The second half of FY23 generated higher gross margins of 17.63%, compared to the first half of the year (15.61%). 1H FY23 was impacted adversely from one legacy heritage structure remediation project which had scope, access and remote location challenges. Other projects performed well in the year and 2H FY23 benefited from the higher margin contribution from WPF.

Overheads for FY23 increased compared to FY22, but at a lower rate than revenue growth. The increase in overheads demonstrates the additional administrative support naturally required due to the growth of the business.

Equity accounted investment results are lower in FY23 at $0.6m compared to $1.9m in FY22. This is reflective of the challenges faced by DDR Australia, Duratec's 49% owned associate business. The challenges primarily relate to continual delays on tender award submissions and on current projects.

FY23 Net Profit after tax totalled $19.2m, with a net profit margin of 3.9%. This was 147% higher than the net profit after tax for FY22 (FY22 net profit after tax $7.8m and net profit margin 2.5%). This result is reflective of the overall revenue growth of the business, improved margins and optimal level of overheads.

Balance Sheet & Cash Flow

Duratec's balance sheet continuously strengthened during FY23. The year closed with a strong cash on hand balance of $66.2m and a net cash position of $47.9m (cash less borrowings and right-of-use liabilities). Net assets ended the year at $46.1m, up $15.1m (48.8%) compared to FY22. Borrowings remained low and relate to the purchase of fixed assets via asset finance facilities. This predominantly includes plant and equipment use on projects.

Trade debtors continue to be well-managed. Duratec's clients predominantly trade within agreed payment terms. Since the company's inception, minimal bad debts have been experienced to date.

Net operating cash flow for FY23 was strong at $34.8m, compared to $26.5m in FY22. This was driven by the profitability of projects and the management of the working capital. In FY23, net cashflows used in investing activities was $22.2m. This was an increase of $17.1m compared to FY22. The driver for this was the acquisition of WPF which was funded by cash. Capital expenditure also contributed, with spend of $13.0m during the year ($5.6m higher than in FY22). This was primarily due to the additional Mining & Industrial projects awarded during FY23.

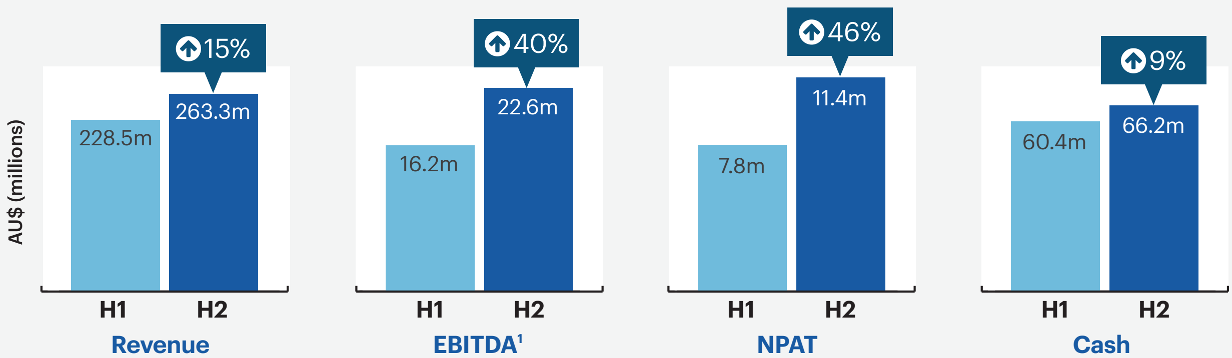
Shareholder Returns

The Duratec Board resolved to pay a fully franked final dividend of 3 cents per share. This brought the total dividend for the year to 4 cents per share. Although this is higher than the Board-approved policy range of between 30% to 50% of after-tax profits, the Board believes this still strikes a prudent balance between the desire to provide returns directly to shareholders as dividends and the business' need to retain funds for future growth opportunities.

Ashley Muirhead
Chief Financial Officer

Date: 24 August 2023

FY23 FINANCIAL HALF YEARLY COMPARISON



1 Normalisation of EBITDA accounts for tax effect from Duratec Limited's 49% investment in DDR Australia Pty Ltd and one-off Wilson's Pipe Fabrication Pty Ltd acquisition costs.

The second half of FY23 saw significant improvements on all key financial metrics

Figure 4. FY21 Revenue by Operating Segment

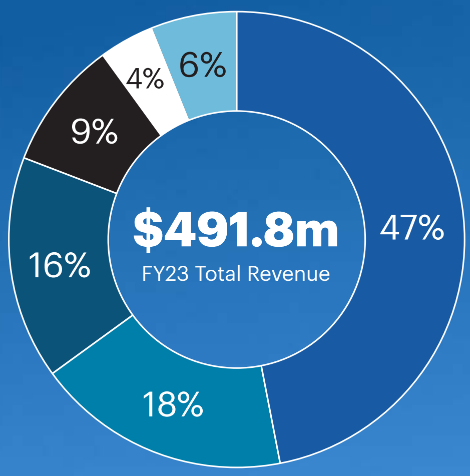
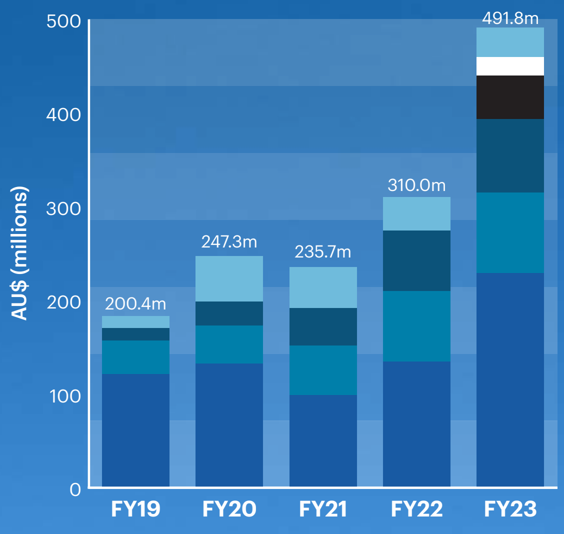
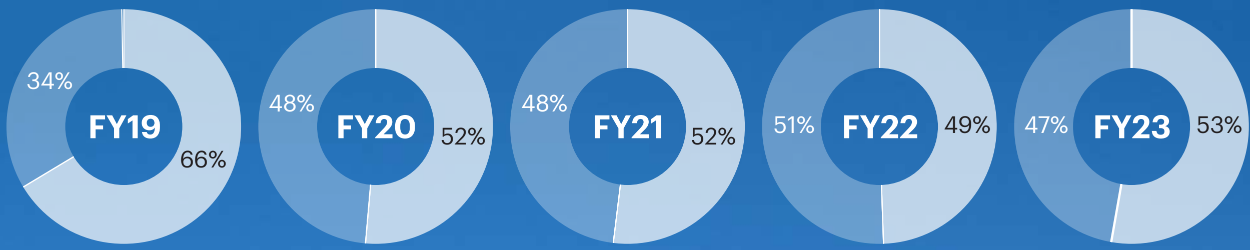


Figure 5. Annual Revenue by Operating Segment



Defence Mining & Industrial Building & Facades Energy WPF Other

Figure 6. Annual Revenue by Region



Risk Management

Duratec's risk management framework, as outlined in the Corporate Governance Statement, incorporates effective risk management. The Audit and Risk Committee, a Board sub-committee, oversees risk. The risks outlined below represent a summary of the more significant risks that the Company is exposed to. They are 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 FY23 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 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.

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. This is led by experienced personnel who invest time in understanding client requirements. Lessons learned on previous projects are documented and shared, which assists with the continuous improvement process. 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. For commodity related items in which the use varies for each project, costs are influenced by prevailing commodity prices. Current estimates are utilised in tendering processes to minimise risk to the Company. The Company reviewed potential exposure to Modern Slavery under the Modern Slavery Act 2018 with no issues noted.

Subcontractor Risk

Subcontractors are engaged on many projects. As a result, they must be carefully managed to ensure effectiveness, safety, and and compliance to the Company's policies and procedures in all respects.

Mitigation Strategies

The Company inducts subcontractors in order to align on Duratec's policies and expectations. They are supervised and assessed on a regular basis to ensure they are suitable to partake in 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's commercial team works closely with operational leaders in the review and negotiation of contracts. Our formal contract review and approval process assists in mitigating 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 policies and protocols in place 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 facilities in place 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.

Environment & Sustainability

Construction and remediation activities can contribute to or cause environmental harm. Duratec is committed to undertaking our activities in a manner that prioritises the protection of the environment. We also work with our clients to meet their own environmental and sustainability related objectives.

Our Environmental Specialist works to provide project-specific documentation such as Construction Environmental Management Plans (CEMP's) for our projects. Additional offerings include environmental awareness training for personnel where projects are undertaken with proximity to sensitive environments or pose greater physical environmental risks.

Environmental Incidents

Throughout this financial year, Duratec has had sound environmental performance across all activities and projects. Where environmental incidents have occurred on-site, these have been minimal in nature. Examples include hydraulic leaks from equipment or minor chemical spills (i.e., oil or diesel). Our teams are prepared and equipped to act in response to these events, with spill kits kept on sites and personnel trained in their use.

ESG Committee

Environmental, Social and Governance (ESG) factors are a key consideration in corporate decision-making.

Duratec recently formed an ESG Committee. The Committee meets monthly to discuss innovations and actions for the business, and to plan Duratec's approach to key ESG matters. Our Committee has met with several consultants to support our ongoing planning and decision making in areas such as energy sourcing, carbon accounting and waste management.

Additionally, Duratec undertook an analysis of our ESG performance using the internationally recognised 'Ecovadis' platform. This earned Duratec a 'Silver' rating based on our sustainability performance and served as a gap analysis for the business.

Sustainability Initiatives

To embed environmental protection and sustainability within our culture, Duratec seeks to partake in national campaigns.

- In July 2022, we encouraged our personnel to take the pledge to lessen their plastic consumption through 'Plastic Free July'. This identified areas across the business where plastic or single-use items could be replaced, and highlighted efforts already being undertaken by our personnel.
- In February 2023, Duratec participated in 'Clean Up Australia Day', with teams taking to their local area to collect and dispose of accumulated rubbish.
- Duratec has branded Keep Cups and Water Bottles available for staff. This keeps plastic cups and bottles out of our hands, whether on site or in office.
- Duratec works with several providers across Australia to facilitate the recycling of non-compliant cladding panels.

As an additional measure this financial year, Duratec has identified employees across our business who are passionate about environmental harm reduction and sustainability. The result is the newly formed 'Green Team'. Duratec intends to work with these members to drive change and implement initiatives and improvements across the business.

To support this, Duratec has a newly dedicated section within our monthly Team Update. 'Sustainability Smarts' will be used to share initiatives our teams are implementing across Australia and encourage others to follow suit and improve their environmental performance.

Duratec historically runs monthly awards for employees. The "Safety Award" has been upgraded to the "HSE Award." Those who implement environmental initiatives or act in a way that promotes environmental protection, can now be rewarded for their efforts.

Future Focus

As we head into the new financial year, Duratec endeavours to be focused on sustainability. We understand the importance of planning for the future and acknowledge climate change as a pressing concern. Particularly, we recognise our responsibility to lessen our environmental footprint on a national scale.

Full-time Environmental Resource Hired

2021

ESG Committee Formed

2022

SILVER 2023 ecovadis Sustainability Rating

Ecovadis Assessment undertaken and Silver Sustainability Rating attained

2023

This year we continued to have increased presence of females in our candidate pools, and this converted to an increase in female participation from 16.9% to 18.6%

Our People

Duratec's workforce has grown by 20% in 2023 with 1,173 employees providing support in our corporate services functions or in self-performing project delivery across our wide range of unique projects nationally.

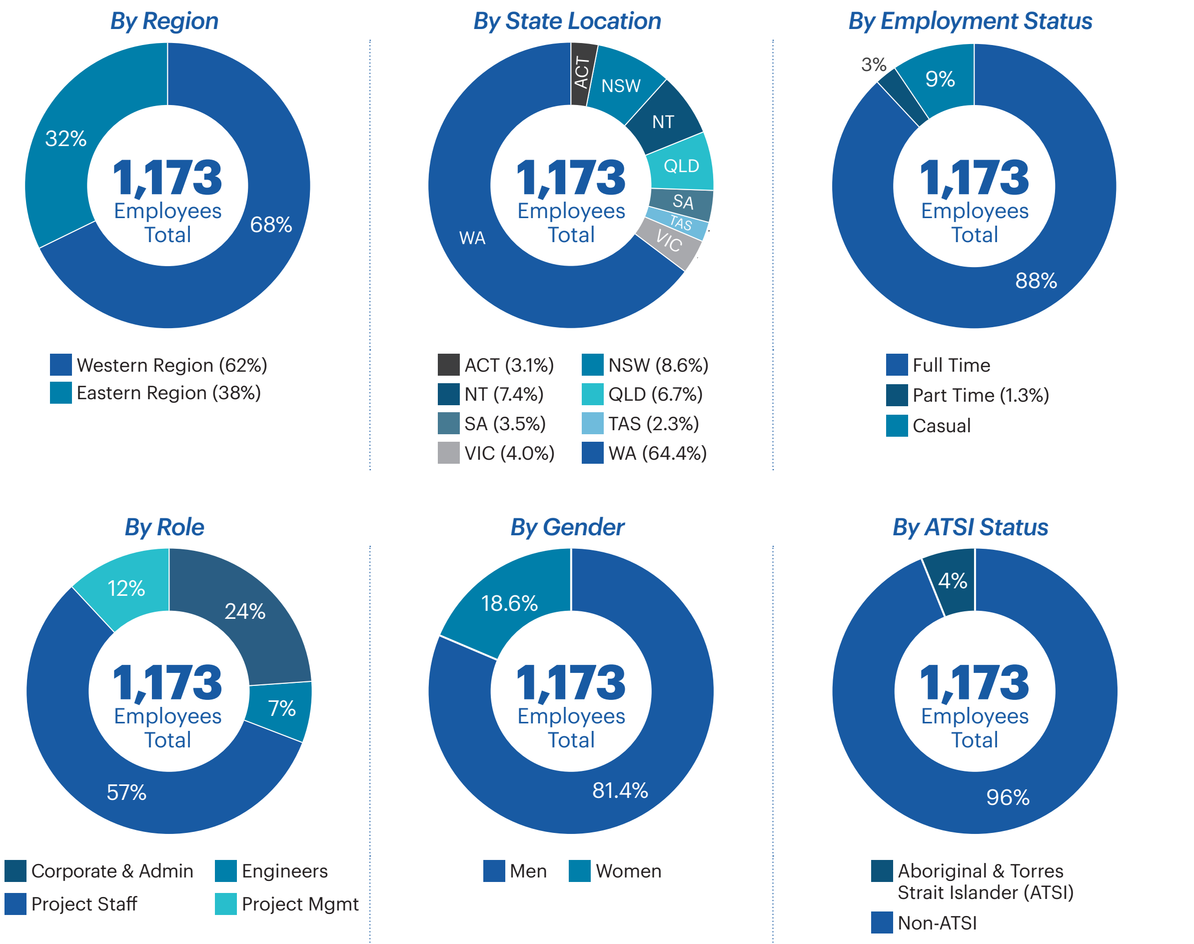
The labour market has remained favourable to candidates this year and we have responded in several ways to a candidate depleted market to secure a skilled workforce. We expanded our in-house, dedicated recruitment team to reflect the growth of our business with increased demand for labour resources across the Duratec group and to invest in the candidate experience. A focus was placed on attracting quality candidates with new employee branding and presenting our value proposition in recruitment campaigns with video presentations. Promoting Duratec to be a recognised employer and highlighting our unique offering to candidates with opportunities available to develop their careers across several industries with a national company.

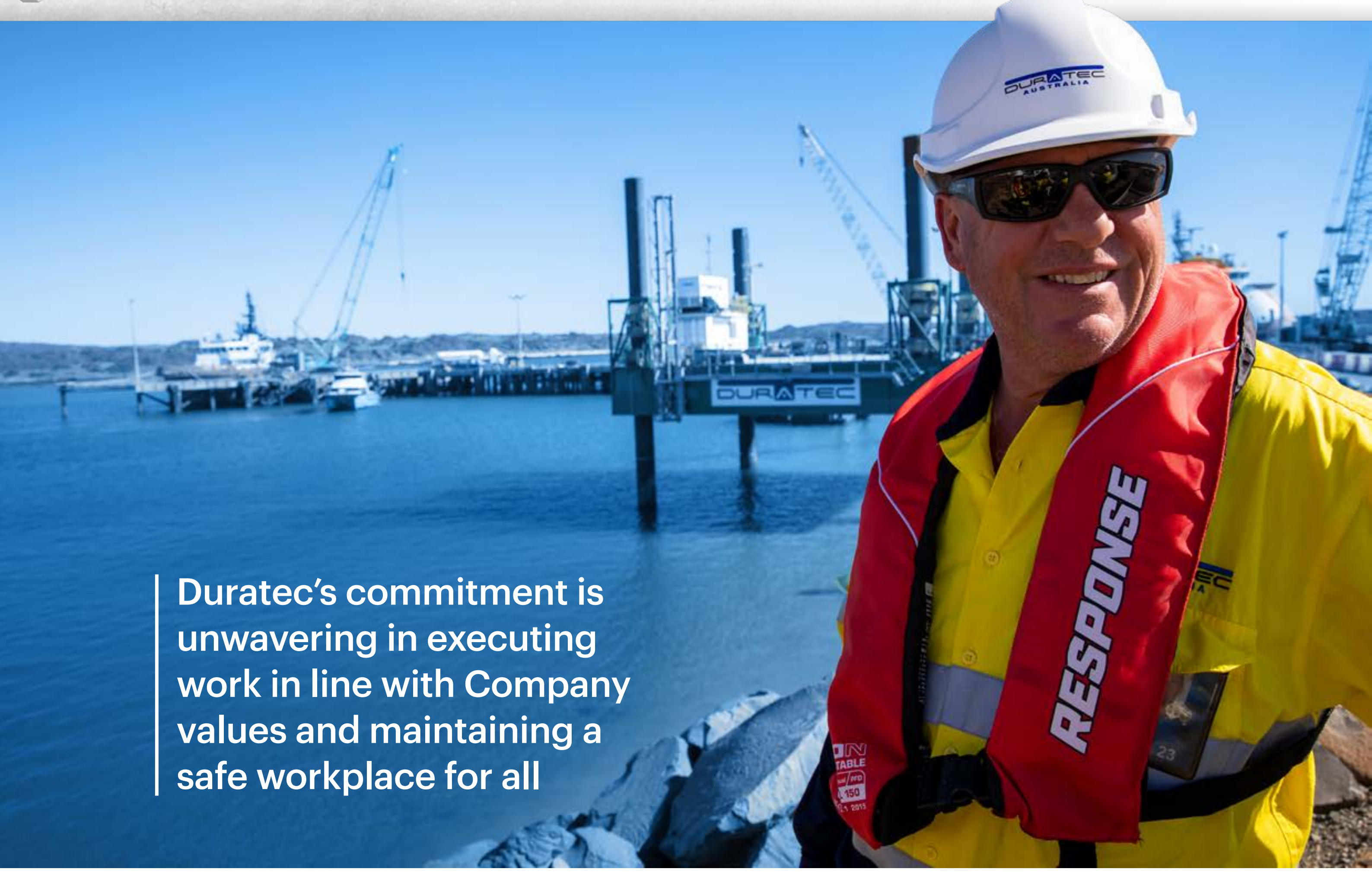
The offer of hybrid working models and paid parental leave has been an attraction in the market. We continue to have exceptional success with our employee referral program, with significant onboarding recommendations from our employees who continue to recognise the value of referring like-minded skilled candidates to join our Duratec culture. The program provides mutual benefits to employees with financial recognition and to the Company in reaching hard to reach candidates.

Duratec's ability to present a mobile and agile workforce to deliver project success has been a highlight of this year. The continued growth of our workforce brings with it a need to transform our employee experience with the introduction of a new Human Resources Information System. The work on this project has been a collaboration between HR and Finance, and we look forward to the impending introduction of the system to our employees, with electronic timesheet entry and employee self-service available from mobile phones. New reporting capability to the business, improved payroll processing and employee onboarding efficiency will benefit and future proof our employee administration processes.

This year we continued to have increased presence of females in our candidate pools, and this converted to an increase in female participation from 16.9% to 18.6% year on year we strive to have improvement in this rate.

Figure 8. Employee Breakdown as at 30 June 2022





Safety & Wellbeing

Safety and wellbeing are Duratec's number one priority. The company continues to invest in employee wellbeing, Frontline leadership, and strengthening safety culture.

Duratec's health and wellbeing focus has seen the introduction of new functions dedicated to implementing health monitoring programs and promoting wellbeing initiatives across the business. Mental Health First Aid has been at the forefront, complimented by other wellbeing initiatives to promote the importance of mental health. We always endeavor to foster a supportive and safe workplace.

Significant investment in developing and maintaining front line leadership has been a key driver with the creation of the Supervisor Leadership Program. The program has been designed to provide leadership skills and a comprehensive knowledge base for Supervisors in their job role requirements. In addition, the Company revitalised the Supervisor Reference Manual delivering clear expectations and supportive information to our Frontline leaders.

The CareFactor Program continues to pave the way to strengthen and foster a safety-focused culture as the business experiences significant growth. Substantial progress has been achieved in reaching targeted audiences by helping to sculpt the company's objective of embedding and maintaining a psychologically safe work environment whilst empowering employees.

Duratec's commitment is unwavering in executing work in line with Company values and maintaining a safe workplace for all.

Our commitment in providing opportunities and career pathways to employees remains bright

Learning & Development

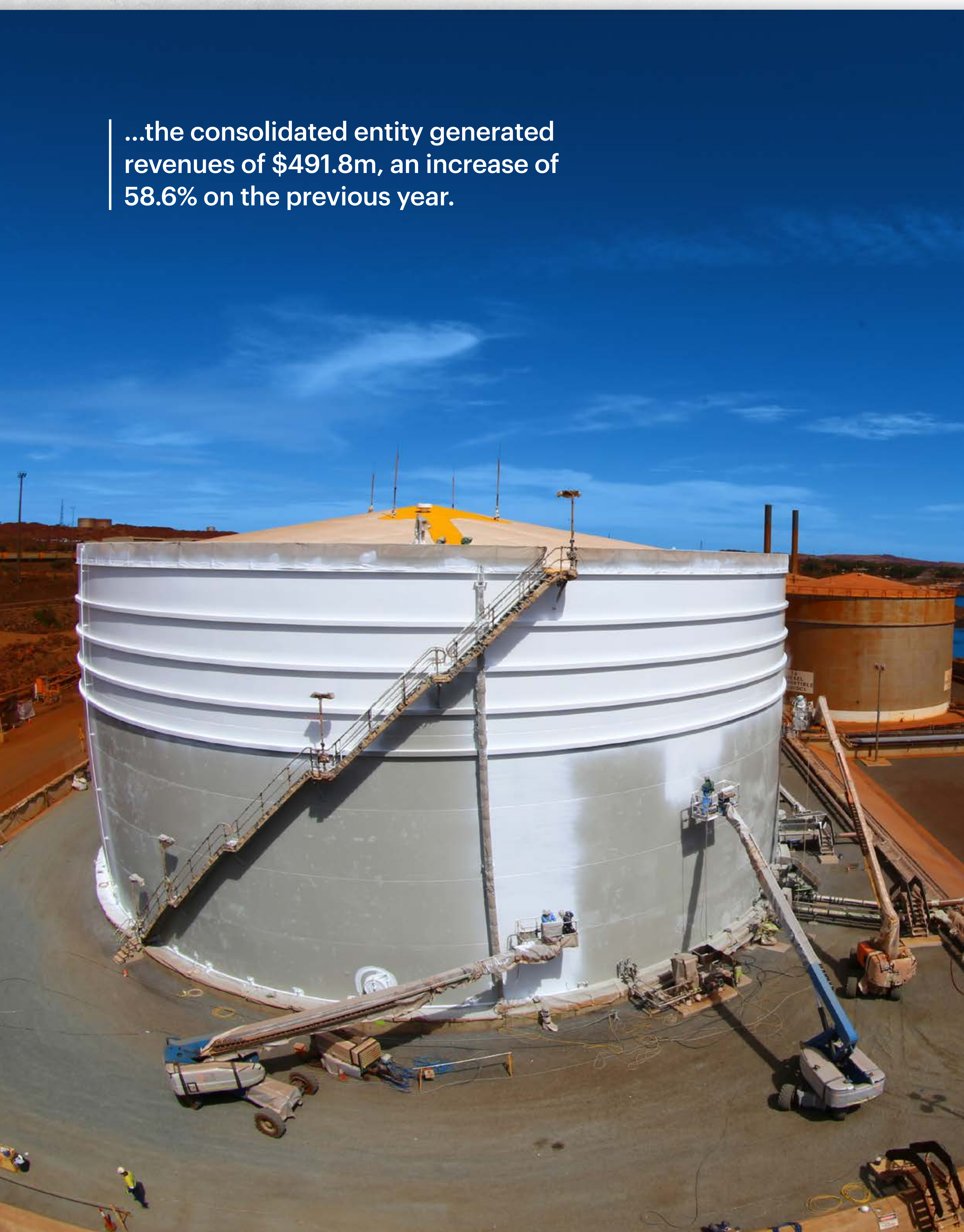
Our commitment to providing opportunities and career pathways for employees remains bright as the Company partners with an internationally accredited training provider to deliver the Industrial Coating Applicator program – Train the Painter.

The Train the Painter program and our traineeship (Certificate III in Surface Preparation and Coating applications) have a dedicated trainer and assessor to guide and mentor employees through their career with Duratec.

New pathways are expanding across the company including Health and Safety. Employees are provided the opportunity to complete local training and further develop their career within the health and safety team. This includes an array of qualifications now available to various roles within the company.

The Learning & Development (L&D) department are also upgrading their existing programs, including our Graduate program. The initiative provides a tailored program for each individual Graduate. With a long-term view, this will provide the company with specialised skill-sets in a variety of disciplines. This financial year will present further opportunities to offer employee support and education to broaden the capabilities of our diverse teams.

…the consolidated entity generated revenues of $491.8m, an increase of 58.6% on the previous year.



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 2023.

Directors and Company Secretary

Martin Brydon
Non-Executive Chairman
Appointed 1 September 2020

Robert (Phil) Harcourt
Executive Director, Managing Director
Appointed 26 August 2010

Christopher Oates
Executive Director – General Manager
Appointed 26 August 2010

Gavin Miller
Non-Executive Director
Appointed 14 April 2010

Krista Bates
Non-Executive Director
Appointed 1 July 2023

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

55,506

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

Executive Director - Managing Director
(Appointed 26 August 2010)

Mr Harcourt has over 50 years of experience in the civil and structural engineering industry. During this time Mr Harcourt has held numerous roles including; Senior Project Engineer and CEO of Savcor Finn Pty Ltd, and Chief Operations Officer of the publicly listed company Savcor Group. Mr Harcourt along with two trusted colleagues established Duratec in 2010 and in his role of Managing Director has led the Company through a period of rapid growth to become a highly recognised and reputable specialist civil remediation contracting company. As Managing Director, Mr Harcourt is responsible for the overall management of the Company, Health, Safety, Environment and Quality, strategic planning, new business opportunities and risks and business development.

Other Listed Company Directorships in last 3 years

None

Special Responsibilities

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

Interests in shares of Duratec Limited

26,653,389

Christopher Oates BEc

Executive Director – General Manager
(Appointed 26 August 2010)

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

Other Listed Company Directorships in last 3 years

None

Special Responsibilities

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

Interests in shares of Duratec Limited

26,653,389

Information on Directors and Company Secretary continued...

Krista Bates

Non-Executive Director
(Appointed 1 July 2023)

Ms Bates has over 25 years' experience as a lawyer and has extensive experience as an executive and non-executive director for listed companies on both the Australian Stock Exchange and London Stock Exchange. Ms Bates advises a diverse base of clients including; private and listed companies, private equity funds, governments and individuals in relation to mergers, acquisitions, disposals, private equity investments, joint ventures, management buy-outs, schemes of arrangements, corporate governance issues, commercial contracts and general corporate advice. Admitted to practice as a lawyer in England and Australia, Ms Bates now heads up her own multidisciplinary firm, KB Corporate Advisors, which provides a range of advisory services to clients across multiple sectors.

Other Listed Company Directorships in last 3 years

- AusCann Group Holdings Ltd
- Neurotech International Limited

Special Responsibilities

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

Interests in shares of Duratec Limited

Nil

Gavin Miller

Non-Executive Director
Appointed 14 April 2010

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

Other Listed Company Directorships in last 3 years

None

Special Responsibilities

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

Interests in shares of Duratec Limited

20,000

Dennis Wilkins

Company Secretary
(Appointed 1 September 2020)

Mr Wilkins is the founder and principal of DWCorporate Pty Ltd, a privately held corporate advisory firm providing governance, compliance and capital raising services.

Mr Wilkins is a highly experienced company secretary who has been providing commercial, strategic, and corporate governance services to listed entities for 21 years. Mr Wilkins is currently a director of Key Petroleum 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	Attended	Held	Attended	Held
Martin Brydon	11	11	2	2	2	2
Robert (Phil) Harcourt	11	11	2	2	1	2
Christopher Oates	11	11	2	2	1	2
Gavin Miller	11	11	2	2	2	2

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

For the year ended 30 June 2023, the consolidated entity generated revenues of $491,796,303, an increase of 58.6% on the previous year. Profit after income tax for the year was $19,201,011, an increase of 147.4% on the previous year.

	Jun-23	Jun-22
	$'000	$'000
Revenue from contracts with customers	491,796	310,003
Profit after income tax	19,201	7,761

Significant Changes in State of Affairs

There were no significant changes in the consolidated entity's state of affairs during the financial year other than that referred to in the financial statements of notes thereto.

Matters Subsequent to the End of the Financial Year

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Dividends

Dividends paid or declared since the start of the financial year were $6,045,622 (2022: $4,763,422).

Since the end of the financial year, the Directors have recommended the payment of a final ordinary dividend for 2023 of 3.0 cents per fully paid share, franked to 100%, to be paid on 9 October 2023.

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: Remuneration of Auditors" on page 78 of the notes 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 its auditors, RSM, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify RSM during the financial year, or since the financial year end.

Corporate Governance Statement

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

Rounding of Amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's Independence Declaration

As required under section 907C of the Corporations Act 2001, please see "Auditor's Independence Declaration" on page 45 .

Remuneration Report (audited)

The Directors present the Duratec Limited 2023 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

At the 2022 AGM, 99.59% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

The report is structured as follows:

(a) Key Management Personnel Covered in This Report

Non-executive and executive directors (see "Information on Directors and Company Secretary" on page 34 for details).

- **Martin Brydon** Non-Executive Chairman
- **Gavin Miller** Non-Executive Director
- **Robert (Phil) Harcourt** Executive Director
- **Christopher Oates** Executive Director
- **Ashley Muirhead** Chief Financial Officer (appointed 27 January 2023)
- **Paul Ryan** Chief Financial Officer (resigned 27 January 2023)

(b) Remuneration Policy and Link to Performance

Any review of remuneration is determined by the Nomination and Remuneration Committee and approved by the Board. The Board aims to ensure that remuneration practices are:

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

Assessing Performance

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

Element	Purpose	Performance Metrics	Potential Value
Fixed Remuneration (FR)	Provide competitive market salary including superannuation and non- monetary benefits	Nil	Positioned at the market rate
STI	Reward for in-year performance retentions	Adjusted Net Profit Before Tax excluding DDR, shareholder returns, non financial metrics and KPI's including safety performance.	**Directors:** up to maximum of $500,000 **Execs:** ranges up to maximum of $150,000
LTI	Alignment of employees including directors to long-term shareholder value creation	Employee Equity Plan (EEP) rules contain two components and vesting conditions; achievement of Total Shareholder Return (TSR) and Earnings Per Share (EPS).	At the discretion of the Board

(c) Elements of Remuneration

(i) Fixed Remuneration (FR)

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

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

(ii) Short-Term Incentives (STI)

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

(iii) Long-Term Incentives (LTI)

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

(d) Link between Remuneration and Performance

Statutory Performance Indicators

The Company aligns Executive remuneration to its strategic and business objectives and the creation of shareholder wealth. The table below shows the Group's statutory financial performance over the last two years. The Board and Nomination & Remuneration Committee take 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.

	2023	2022	2021
	$'000	$'000	$'000
Sales revenue	491,796	310,003	235,709
Profit before income tax	27,582	10,202	10,032
Profit after income tax	19,201	7,761	7,131
EBITDA	38,109	17,769	15,918

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

Share price at financial year end ($)	1.1	0.4	0.4
Total dividends declared (cents per share)	4.0	2.0	1.5
Diluted earnings per share (cents per share)	7.6	3.1	3.1

Duratec was admitted to the Official List of ASX 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	2023	118,868	-	-	12,481	-	-	131,349
	2022	113,636	-	-	11,364	-	-	125,000
Gavin Miller	2023	66,515	-	-	6,984	-	-	73,499
	2022	63,636	-	-	6,363	-	-	69,999
Executive Directors								
Robert (Phil) Harcourt	2023	472,499	450,000	41,304	27,500	20,744	-	1,012,047
	2022	422,502	46,154	29,594	27,500	7,796	-	533,546
Christopher Oates	2023	422,498	405,000	34,004	27,500	19,306	-	908,308
	2022	372,499	46,154	26,083	27,500	6,822	-	479,058
Other KMP								
Deane Diprose	2023	395,336	140,000	32,565	27,500	9,705	-	605,106
	2022	372,499	18,100	3,594	27,500	7,056	-	428,749
Oliver McKeon	2023	321,423	140,000	24,901	27,500	10,604	124,698	649,126
	2022	306,902	18,100	19,430	27,500	5,514	98,845	476,291
Ashley Muirhead [1]	2023	99,038	63,290	13,805	12,109	761	1,636	190,639
	2022	-	-	-	-	-	-	-
Paul Ryan [2]	2023	184,938	67,873	6,906	17,383	-	28,231	305,331
	2022	239,016	18,100	20,242	27,500	5,056	120,556	430,470
Total executive directors & other KMPs	**2023**	1,895,732	1,266,163	153,485	139,492	61,120	154,565	3,670,557
	2022	1,713,418	146,608	98,943	137,500	32,244	219,401	2,348,114
Total NED	**2023**	185,383	-	-	19,465	-	-	204,848
	2022	177,272	-	-	17,727	-	-	194,999
Total KMP remuneration expensed	**2023**	2,081,115	1,266,163	153,485	158,957	61,120	154,565	3,875,405
	2022	1,890,690	146,608	98,943	155,227	32,244	219,401	2,543,113

1 Ashley Muirhead appointed interim CFO on 27 January 2023 and permanent CFO on 4 April 2023

2 Paul Ryan resigned as CFO on 27 January 2023

(f) Contractual Arrangements With Executive KMPs

Name	Position	Contract duration	Notice period	Fixed remuneration
Mr Robert (Phil) Harcourt	Executive Director - Managing Director	Unspecified	6 months by either party	For the year ended 30 June 2024: $500,000 per annum, inclusive of superannuation and motor vehicle allowance
Mr Christopher Oates	Executive Director – General Manager	Unspecified	3 months by either party	For the year ended 30 June 2024: $450,000 per annum, inclusive of superannuation and motor vehicle allowance
Mr Deane Diprose	Executive Manager	Unspecified	5 weeks by either party	For the year ended 30 June 2024: $425,000 per annum, inclusive of superannuation and motor vehicle allowance
Mr Oliver McKeon	General Manager (Eastern Region)	Unspecified	3 months by either party	For the year ended 30 June 2024: $342,150 per annum, inclusive of superannuation and motor vehicle allowance
Ms Ashley Muirhead [1]	Chief Financial Officer	Unspecified	4 weeks by either party	For the year ended 30 June 2024: $294,150 per annum, inclusive of superannuation.

1 Ashley Muirhead appointed interim CFO on 27 January 2023 and permanent CFO on 4 April 2023

(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.

Base fees

Chair	$155,000
Other Non-executive directors	$95,000

Fees included discharging responsibilities to:

- Audit Committee - Chair
- Audit Committee - Member
- Nomination & Remuneration Committee - Chair
- Nomination & Remuneration Committee - Member

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

(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 "(e) Remuneration Expenses" on page 40.

	Fixed Remuneration		At Risk - STI		At Risk - LTI	
	2023	2022	2023	2022	2023	2022
	%	%	%	%	%	%
Non-Executive Directors						
Martin Brydon	100%	100%	-	-	-	-
Gavin Miller	100%	100%	-	-	-	-
Executive Directors						
Robert (Phil) Harcourt	56%	91%	44%	9%	-	-
Christopher Oates	55%	90%	45%	10%	-	-
Other KMP						
Deane Diprose	77%	96%	23%	4%	-	-
Oliver McKeon	59%	75%	22%	4%	19%	21%
Ashley Muirhead	66%	-	33%	-	1%	-
Paul Ryan	69%	68%	22%	4%	9%	28%

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:

2023	Balance at start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
Martin Brydon [1]	72,890	-	3,401	-	76,291
Gavin Miller	20,000	-	-	-	20,000
Robert (Phil) Harcourt	26,653,389	-	-	-	26,653,389
Christopher Oates	26,653,389	-	-	-	26,653,389
Deane Diprose	26,608,522	-	-	-	26,608,522
Oliver McKeon	4,586,120	-	-	370,000	4,216,120
Ashley Muirhead [2]	-	-	-	-	-
Paul Ryan [3]	631,536	200,000	-	369,690	461,846
Total	**85,225,846**	**200,000**	**3,401**	**739,690**	**84,689,557**

1 *Includes the shareholdings of personally related parties*

2 *Ashley Muirhead was appointed interim CFO on 27 January 2023 and permanent CFO on 4 April 2023*

3 *Paul Ryan resigned as CFO on 27 January 2023* *(h) Additional Statutory Information continued...*

Rights

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

2023	Balance at start of the year	Granted during year	Vested	Forfeited	Balance at end of the year
Martin Brydon	-	-	-	-	-
Gavin Miller	-	-	-	-	-
Robert (Phil) Harcourt	-	-	-	-	-
Christopher Oates	-	-	-	-	-
Deane Diprose	-	-	-	-	-
Oliver McKeon	700,000	200,000	-	-	900,000
Ashley Muirhead[1]	-	70,000	-	-	70,000
Paul Ryan[2]	550,000	-	-	400,000	150,000
Total	1,250,000	270,000	-	400,000	1,120,000

1 Ashley Muirhead was appointed interim CFO on 27 January 2023 and permanent CFO on 4 April 2023

2 Paul Ryan resigned as CFO on 27 January 2023

Share-based Payments: Performance Rights

During the year 270,000 unlisted performance rights, subject to vesting conditions and performance criteria were issued to Key Management Personnel.

Grant date	19-Aug-22	12-Jun-23
Expiry Date	30-Sep-27	30-Sep-27
Number of Performance Rights	200,000	70,000
Share Price at Valuation Date	$0.39	$1.16
Expected Volatility	45.60%	46.70%
Dividend yield	4.71%	2.42%
Risk Free Interest Rate	3.12%	3.56%

Fair Value at Valuation Date:

Subject to Total Shareholder Return (TSR) performance condition	$0.17	$0.95
Subject to Earnings Per Share (EPS) performance condition	$0.39	$1.16

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: 24 August 2023

Auditor's Independence Declaration

RSM

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Duratec Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Date: 24 August 2023

J A KOMNINOS
Partner

...Directors have recommended the payment of a final ordinary dividend for 2023 of 3.0 cents per fully paid share...

Consolidated Statement of Profit & Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	Consolidated Entity 2023 $'000	Consolidated Entity 2022 $'000
Continuing Operations			
Revenue from contracts with customers	4	491,796	310,003
Contracting cost of sales	5	(409,723)	(261,598)
		82,073	**48,405**
Other income	4	1,859	2,332
Employee benefits expense	5	(35,817)	(27,760)
Administration expense		(9,180)	(5,940)
Occupancy expense		(1,462)	(1,141)
Depreciation and amortisation expense	5	(9,569)	(6,779)
Finance costs	5	(958)	(788)
Equity accounted investment results	6	636	1,873
Profit before income tax expense from continuing operations		**27,582**	**10,202**
Income tax expense	7	(8,381)	(2,441)
Profit after income tax expense for the year		**19,201**	**7,761**
Total comprehensive income for the year		**19,201**	**7,761**
Profit for the year is attributable to:			
Owners of Duratec Limited		19,201	7,761
Profit for the year		**19,201**	**7,761**
Total comprehensive income for the year, net of tax		**19,201**	**7,761**

Earnings per share attributable to the owners of Duratec Limited:		cents	cents
Basic earnings per share (cents)	8	7.91	3.24
Diluted earnings per share (cents)	8	7.55	3.12
Earnings per share from continuing operations attributable to the owners of Duratec Limited:			
Basic earnings per share (cents)	8	7.91	3.24
Diluted earnings per share (cents)	8	7.55	3.12

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 2023

	Note	Consolidated Entity 2023 $'000	Consolidated Entity 2022 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	66,187	58,263
Trade and other receivables	10	59,821	29,998
Contract assets	4	25,185	16,661
Inventories	11	346	317
Current tax receivable	13	-	208
Other current assets	12	1,820	1,380
Total Current Assets		**153,359**	**106,827**
Non-Current Assets			
Trade and other receivables	10	6,298	1,998
Property, plant and equipment	14	25,962	18,823
Right-of-use assets	15	2,744	2,525
Investments accounted for using the equity method	16	4,536	3,901
Other non-current assets	12	249	121
Intangible assets	17	14,711	-
Deferred tax assets	13	4,573	3,428
Total Non-Current Assets		**59,073**	**30,796**
Total Assets		**212,432**	**137,623**
LIABILITIES			
Current Liabilities			
Trade and other payables	18	82,076	39,426
Contingent consideration payable	18	9,000	-
Borrowings	19	4,773	3,571
Property lease liabilities	15	2,071	1,557
Contract liabilities	4	35,727	41,690
Current tax payable	13	1,773	-
Provisions	20	10,484	6,824
Total Current Liabilities		**145,904**	**93,068**
Non-Current Liabilities			
Trade and other payables	18	3,360	-
Borrowings	19	10,535	8,451
Property lease liabilities	15	945	1,229
Deferred tax liabilities	13	4,311	3,186
Provisions	20	1,314	732
Total Non-Current Liabilities		**20,465**	**13,598**
Total Liabilities		**166,369**	**106,666**
Net Assets		**46,063**	**30,957**
EQUITY			
Issued capital	21	26,899	25,167
Reserves	22	2,184	1,965
Retained earnings	23	16,980	3,825
Total Equity		**46,063**	**30,957**

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 2023

Consolidated Entity	Note	Issued Capital $'000	Retained Earnings $'000	Reserves $'000	Total Equity $'000
Balance at 1 July 2021		23,703	827	1,389	25,919
Comprehensive income					
Profit for the year		-	7,761	-	7,761
Total comprehensive income for the year		**-**	**7,761**	**-**	**7,761**
Transactions With Owners					
Share based payments	31	-	-	1,760	1,760
Transfer from share-based payment reserve		1,184	-	(1,184)	-
Dividend Reinvestment Plan		280	-	-	280
Dividends paid	24	-	(4,763)	-	(4,763)
Balance at 30 June 2022		**25,167**	**3,825**	**1,965**	**30,957**
Comprehensive income					
Profit for the year		-	19,201	-	19,201
Total comprehensive income for the year		**-**	**19,201**	**-**	**19,201**
Transactions With Owners					
Share-based payments	31	-	-	1,402	1,402
Transfer from share-based payments reserve	22	1,183	-	(1,183)	-
Dividend Reinvestment Plan	24	549	-	-	549
Dividends paid	24	-	(6,046)	-	(6,046)
Balance at 30 June 2023		**26,899**	**16,980**	**2,184**	**46,063**

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 2023

	Note	Consolidated Entity 2023 $'000	Consolidated Entity 2022 $'000
Cash flows from operating activities			
Receipts from customers		493,236	352,512
Payments to suppliers and employees		(451,855)	(324,150)
Income tax paid		(6,536)	(1,299)
Interest and finance costs paid		(746)	(637)
Interest received	4	741	95
Net cashflows from operating activities	35	**34,840**	**26,521**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		404	842
Purchase of plant and equipment	14	(13,001)	(7,441)
Acquisition of subsidiary, net of cash acquired	30	(9,988)	-
Dividends received	4	365	1,510
Net cashflows used in investing activities		**(22,220)**	**(5,089)**
Cash flows from financing activities			
Dividend paid	24	(5,497)	(4,483)
Proceeds from borrowings		8,078	5,552
Repayment of borrowings		(4,792)	(3,649)
Repayment lease liabilities		(2,485)	(1,838)
Net cashflows used in financing activities		**(4,696)**	**(4,418)**
Net increase in cash and cash equivalents		7,924	17,014
Cash and cash equivalents at beginning of period		58,263	41,249
Cash and cash equivalents at the end of the financial year	9	**66,187**	**58,263**

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

The theme for this year's International Womens Day was "embrace equity, meaning providing everyone what they individually need to be successful...

Notes to the Financial Statements

Contents

Note 1: Significant Accounting Policies

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

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

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

Basis of Preparation

Duratec Limited is a for-profit company limited by shares, incorporated and domiciled in Australia. The Company's registered address is 108 Motivation Drive, Wangara, WA 6065. The consolidated financial statements of the Company as at and for the financial year ended 30 June 2023 comprises the Company and its subsidiaries (together referred to as the "Group" or the "consolidated entity"). The Group provides assessment, protection, remediation and refurbishment services to a broad range of assets, in particular steel and concrete infrastructure.

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

These general-purpose financial statements for the year ended 30 June 2023 have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*.

Historical Cost Convention

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

Compliance With IFRS

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

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

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

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

B. Revenue Recognition

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

i. Construction Services

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

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

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

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

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

ii. Services Contracts

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

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

E. Operating Segments

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

F. Cash and Cash Equivalents

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

G. Trade and Other Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies in "J. Financial Assets" on page 55.

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'). The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

H. Contract Assets and Contract Liabilities

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

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

I. Inventories

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

J. Financial Assets

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

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

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

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. Property, Plant and Equipment

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

i. Depreciation

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

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

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

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater that its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

ii. Impairment

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

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

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

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

iii. Derecognition and Disposal

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

L. Right-of-use Assets

The Group 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

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.

i. Short-term Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

ii. Other Long-term Employee Benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii. Defined Contribution Superannuation Expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred. The Company has no legal obligation to provide benefits to employees on retirement.

P. Goods and Services Tax (GST)

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

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

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

Q. Comparatives

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

R. Investment in Associates and Joint Arrangements

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

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

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

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

When necessary, accounting policies of associates are changed to ensure consistency with the policies adopted by the Group. The Group discontinues the use of the equity method from the date the investment ceases to be an associate and from that date then accounts for the investment in accordance with the financial instruments financial reporting standard with any gain or loss recognised in the profit or loss statement. Any former investment retained in the former associate is measured at fair value at the date that is ceases to be an associate.

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

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

S. Share-based Payments

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

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

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

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

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

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

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

T. Parent Entity Financial information

The financial information for the parent entity, Duratec Limited, disclosed in "Note 32: Parent Entity Information" on page 83" 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.

U. Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2023 – refer to "Note 33: Interests in Subsidiaries, Associates and Joint Arrangements" on page 84. 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

Note 1: Significant Accounting Policies continued...

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.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated 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.

V. 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.

W. 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.

X. 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.

Y. Dividends

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

Z. Business Combinations

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

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

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

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

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

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

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

AA. Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever

Note 1: Significant Accounting Policies continued...

events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash- generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

AB. Earnings Per Share

i. Basic Earnings Per Share

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

ii. Diluted Earnings Per Share

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

Note 2: Critical Accounting Estimates and Judgements

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

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

A. Key Estimates

i. Revenue From Contracts With Customers

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

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

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

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

ii. 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 and forward-looking information that is available. The allowance for expected credit losses, as disclosed in "Note 10" on page 67 is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

iii. Impairment Testing

Following the assessment of the recoverable amount of goodwill allocated to Wilson's Pipe Fabrication Pty Ltd (WPF), to which goodwill of $4.5m is allocated, the directors consider the recoverable amount of goodwill to be most sensitive to the achievement of the 2023 budget. Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the board. Whilst the Group is able to manage most of WPF costs, the revenue projections are inherently variable. The sensitivity analysis in respect of the recoverable amount of WPF's goodwill is presented in note 18.

iv. Recovery of Deferred Tax Assets

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

Note 3: Segment Reporting

The Group is organised into five operating segments based on difference in services provided; Defence, Mining & Industrial, Buildings & Facades, Energy and Wilson's Pipe Frabrications Pty Ltd (WPF). Other segments relate to 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 CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. Balance sheet data is not currently tracked or provided to the CODM at operating segment level. Therefore the breakdown is not disclosed.

All revenue is currently derived in Australia and there is no single major customer for the year. The principal services of each of the operating segments are as follows:

- Defence – dedicated to the delivery of capital facilities, infrastructure and estate works program projects
- Mining & Industrial – provision of tailored preventative maintenance programmes
- Buildings & Facades – completion of facade condition assessments and facade restorations
- Energy - non-defence capital facilities, remediation and refurbishment of critical assets
- Wilson's Pipe Fabrication Pty Ltd - supplier of engineering services to the Oil & Gas Industry

	Defence	Mining & Industrial	Buildings & Facades	Energy	WPF	Other Segments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated - June 2023							
Sales to external customers	228,950	86,354	78,418	46,641	20,013	31,420	491,796
Total revenue	**228,950**	**86,354**	**78,418**	**46,641**	**20,013**	**31,420**	**491,796**
Gross profit for reportable segments	31,211	19,683	12,042	10,466	6,355	2,316	82,073
Unallocated amounts (including corporate overheads)							(43,964)
EBITDA							**38,109**
Depreciation and amortisation							(9,569)
Finance costs							(958)
Profit before income tax expense							**27,582**
Income tax expense							(8,381)
Profit after income tax expense							**19,201**
Consolidated - June 2022							
Sales to external customers	134,929	65,284	64,673	12,106	-	33,011	310,003
Total revenue	**134,929**	**65,284**	**64,673**	**12,106**	-	**33,011**	**310,003**
Gross profit for reportable segments	18,114	16,653	10,186	2,232	-	1,220	48,405
Unallocated amounts (including corporate overheads)							(30,636)
EBITDA							**17,769**
Depreciation and amortisation							(6,779)
Finance costs							(788)
Profit before income tax expense							**10,202**
Income tax expense							(2,441)
Profit after income tax expense							**7,761**

Note 4: Revenue

A. Disaggregation of Revenue from Contracts with Customers

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

	2023 $'000	2022 $'000
Revenues from contracts with customers	491,796	310,003

Disaggregation of revenue from contracts with customers by location

	2023 $'000	2022 $'000
Western Australia	173,193	133,243
New South Wales	108,999	58,250
Victoria	22,151	21,493
Northern Territory	89,221	20,300
South Australia	18,922	14,669
Queensland	35,874	32,151
Tasmania	4,344	3,706
Australian Capital Territory	39,092	26,191
	491,796	**310,003**

B. Other Income

	2023 $'000	2022 $'000
Dividends received from associate	365	1,510
Rental income	348	349
Interest received	741	95
Sundry income	172	90
Gain on disposal of plant and equipment	233	288
	1,859	**2,332**

C. Assets & Liabilities Related to Contracts with Customers

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

	2023 $'000	2022 $'000
Total current contract assets	25,185	16,661
Total current contract liabilities	35,727	41,690

As of 30 June 2023, approximately $437m of revenue is expected to be recognised from remaining performance obligations (2022: $427m). We expect to recognise 88% of these remaining performance obligations as revenue over the next 12 months, with the balance recognised thereafter (2022: 76%).

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:

	2023 $'000	2022 $'000
Expenses		
Cost of sales	409,723	261,598
Interest expense for financial liabilities not at fair value through profit or loss		
External – Interest on loans and borrowings	799	537
Interest on lease liabilities	159	251
Total finance costs	**958**	**788**
Employee Expenses		
Salaries & wages	31,434	23,833
Share based payments	1,334	1,760
Post employment benefits	2,133	1,663
Other	916	504
Total employee benefits expense	**35,817**	**27,760**
Depreciation and amortisation expense		
Depreciation property, plant and equipment	6,348	4,910
Depreciation right of use assets	2,488	1,869
Amortisation	733	-
Total depreciation and amortisation expense	**9,569**	**6,779**

Note 6: Equity Accounted Investment Results

	2023 $'000	2022 $'000
Equity accounted investment results – associate – DDR Australia Pty Ltd	636	1,873
	636	**1,873**

Note 7: Income Tax Expense

	2023 $'000	2022 $'000
Current income tax		
Current tax expense	8,392	2,152
Adjustments in respect of previous years	2	90
Tax offsets	(157)	(647)
Deferred income tax		
Reversing temporary differences	144	846
Aggregate income tax expense	**8,381**	**2,441**

	2023 $'000	2022 $'000
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	27,582	10,202
Tax at the Australian tax rate of 30% (2022 – 30%)	8,275	3,061
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Adjustments recognised for prior periods	-	90
Other non-allowable items	407	305
Notional profits on associates not subject to tax	(192)	(562)
Franking credits for dividends	(109)	(453)
Income tax expense	**8,381**	**2,441**

Note 8: Earnings Per Share

A. Basic and Diluted Earnings Per Share

	2023	2022
	cents	cents
From continuing operations attributable to the ordinary equity holders of the company	7.91	3.24
Total basic earnings per share attributable to the ordinary equity holders of the company	7.91	3.24
Total diluted earnings per share attributable to the ordinary equity holders of the company	7.55	3.12

B. Reconciliations of Earnings Used in Calculating Earnings Per Share

	2023	2022
	$'000	$'000
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	19,201	7,761
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	19,201	7,761

C. Weighted Average Number of Shares Used as the Denominator

	2023	2022
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	242,723,467	239,397,623
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	254,163,467	249,015,123

Note 9: Cash and Cash Equivalents

	2023	2022
	$'000	$'000
Cash at bank and on hand	61,187	43,263
Short-term deposits	5,000	15,000
Total cash and cash equivalents	**66,187**	**58,263**

Note 10: Trade and Other Receivables

	2023 $'000	2022 $'000
Current		
Trade receivables	59,922	29,583
Less: allowance for expected credit losses	(289)	(17)
	59,633	**29,566**
Other receivables	188	432
Total current trade and other receivables	**59,821**	**29,998**
Non-Current		
Trade receivables	6,298	1,998
Total non-current trade and other receivables	**6,298**	**1,998**

A. 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. At 30 June 2023 there are no trade receivable balances past due but impaired. A loss allowance balance of $288,616 (2022: $16,585) is recognised in respect of the expected credit losses for the year ended 30 June 2023.

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

	2023 $'000	2022 $'000
Opening balance	17	45
Additional provisions recognised	289	17
Receivables written off during the year as uncollectable	-	(45)
Unused amounts reversed	(17)	-
Closing balance	**289**	**17**

Note 11: Inventories

	2023 $'000	2022 $'000
Current		
Consumable stock	346	317
Total inventories	**346**	**317**

Note 12: Other Assets

	2023 $'000	2022 $'000
Current		
Prepayments	1,820	1,380
	1,820	**1,380**
Non-current		
Security deposits	249	121
	249	**121**

Note 13: Current and Deferred Taxes

	2023 $'000	2022 $'000
Current		
Provision for income tax (refundable)	1,773	(208)
Total current payable/(receivable)	**1,773**	**(208)**
Non-current		
Deferred tax assets	4,573	3,428
Deferred tax liabilities	(4,311)	(3,186)
Net	**262**	**242**
DEFERRED TAX ASSET		
Non-current		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Provisions and accruals	3,837	2,447
Right-of-use assets	82	78
Initial Public Offering costs	467	720
Provision for expected credit loss	87	5
Work in progress	71	150
Borrowing costs	29	28
Deferred tax asset	**4,573**	**3,428**
Movements:		
Opening balance	3,428	2,991
Acquisition of subsidiary	164	-
Charged to profit or loss	981	437
Closing balance	**4,573**	**3,428**

Note 13: Current Deferred Taxes continued...

	2023 $'000	2022 $'000
DEFERRED TAX LIABILITY		
Non-current		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Consumable stock	104	95
Plant & equipment	4,207	3,091
Deferred tax liability	**4,311**	**3,186**
Movements:		
Opening balance	3,186	1,936
Charged to profit of loss	1,125	1,250
Closing balance	**4,311**	**3,186**

Note 14: Property, Plant and Equipment

	2023 $'000	2022 $'000
Land and Buildings		
At cost	2,914	624
Accumulated depreciation	(29)	(7)
	2,885	**617**
Plant and machinery		
At cost	18,563	13,848
Accumulated depreciation	(8,297)	(6,129)
	10,266	**7,719**
Motor vehicles		
At cost	17,141	12,373
Accumulated depreciation	(7,260)	(5,042)
	9,881	**7,331**
Office and computer equipment		
At cost	4,764	3,568
Accumulated depreciation	(2,845)	(1,932)
	1,919	**1,636**
Leasehold improvements		
At cost	2,570	2,516
Accumulated depreciation	(1,596)	(1,178)
	974	**1,338**
Capital work in progress		
At cost	37	182
Total plant and equipment	**25,962**	**18,823**

Note 14: Plant and Equipment continued...

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

Consolidated	Land and Buildings $'000	Plant and Machinery $'000	Motor Vehicles $'000	Office and IT Equipment $'000	Leasehold Improvements $'000	Capital WIP $'000	Total $'000
Balance at 30 June 2021	**623**	**6,965**	**5,923**	**1,809**	**1,391**	**135**	**16,846**
Additions	-	2,585	3,806	665	338	47	7,441
Disposals	-	(132)	(368)	(54)	-	-	(554)
Depreciation expense	(6)	(1,699)	(2,030)	(784)	(391)	-	(4,910)
Balance at 30 June 2022	**617**	**7,719**	**7,331**	**1,636**	**1,338**	**182**	**18,823**
Additions/(transfer)	2,290	4,366	5,259	1,178	53	(145)	13,001
Acquired in subsidiary	-	605	30	22	-	-	657
Disposals	-	(78)	(91)	(2)	-	-	(171)
Depreciation	(22)	(2,346)	(2,648)	(915)	(417)	-	(6,348)
Balance at 30 June 2023	**2,885**	**10,266**	**9,881**	**1,919**	**974**	**37**	**25,962**

Note 15: Leases

A. Amounts Recognised in the Balance Sheet

The balance sheet shows the following amounts relating to leases

	2023 $'000	2022 $'000
Land and buildings		
Right-of-use	6,630	5,224
Accumulated depreciation	(3,886)	(2,699)
	2,744	**2,525**
Property lease liabilities		
Current	2,071	1,557
Non-current	945	1,229
Total non-current property lease liabilities	**3,016**	**2,786**

Refer to "Note 25: Financial Instruments" on page 75 for further information on financial instruments.

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

	Cost	Accumulated Depreciation	Carrying Value
Balance at 1 July 2021	**4,950**	**(1,845)**	**3,105**
Additions during the year	1,457	-	1,457
Leases expired during the year	(1,183)	1,015	(168)
Depreciation expense	-	(1,869)	(1,869)
Balance at 30 June 2022	**5,224**	**(2,699)**	**2,525**
Additions during the year	2,162	-	2,162
Acquired in acquisition	395	-	395
Leases expired during the year	(1,151)	1,301	150
Depreciation expense	-	(2,488)	(2,488)
Balance at 30 June 2023	**6,630**	**(3,886)**	**2,744**

B. Amounts Recognised in the Statement of Profit or Loss

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

	2023 $'000	2022 $'000
Depreciation charge of right-of-use assets		
Buildings	2,488	1,869
	2,488	**1,869**
Interest expense (included in finance cost)	159	251
Expense relating to short term leases	236	221
Expense relating to leases of low value assets not shown as short term leases	55	46

The total cash outflow for leases for 2023 was $2,484,598 (2022: $1,838,127)

Note 16: Investments Accounted for Using the Equity Method

	2023 $'000	2022 $'000
Non-current		
DDR Australia Pty Ltd	4,536	3,901
	4,536	**3,901**

Refer to "Note 32: Parent Entity Information" on page 83 for further information on interests in associates and joint arrangements.

Note 17: Intangible Assets

	Customer Relationships $'000	Goodwill $'000	Total $'000
Carrying amount at 1 July 2022	-	-	-
Recognised on acquisition of a subsidiary	10,992	4,452	15,444
Amortisation	(733)	-	(733)
Carrying amount at 30 June 2023	**10,259**	**4,452**	**14,711**

The entire goodwill balance noted above relates to the acquisition of Wilson's Pipe Fabrication (WPF). The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired in accordance with accounting policy AA. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of goodwill and other intangible assets are determined based on value in use of WPF as a cash generating units (CGU). The value in use calculation uses a discounted cash flow model based on a conservative financial projection covering a five year period, together with a terminal value. At 30 June 2023 there were no indicators of impairment identified.

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

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

- 15.18% pre-tax discount rate;
- 7.00% per annum projected revenue growth rate which is a conservative growth rate used for the purposes of impairment testing;
- 7.00% per annum increase in operating costs and overheads.

Cash flows beyond the five year period have been extrapolated using a steady 2.3% per annum growth rate.

The discount rate of 15.18% pre-tax reflects management's estimate of the time value of money and the group's weighted average cost of capital adjusted for WPF, the risk free rate and the volatility of the share price relative to market movements.

Management believes at this stage the conservative projected revenue growth rate used for impairment testing is prudent and have no reason to revise this estimate based on current performance.

Based on the above, the recoverable amount of WPF exceeded the carrying amount by $47.8m.

As disclosed in Note 2, management have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- WPF Revenue would need to decrease by more than 11.12% in FY2024 before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase from 16.41% to 33.46% before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believe that any reasonable possible change in key assumptions on which the recoverable amounts of WPF is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

Note 18: Trade and Other Payables

	2023 $'000	2022 $'000
Current		
Trade payables	44,447	18,056
Sundry payables and accrued expenses	27,233	16,208
Other payables	6,118	2,492
Employee entitlements	4,278	2,670
Total current trade and other payables	**82,076**	**39,426**
Contingent consideration payable (refer to Note 30)	9,000	-
Total contingent consideration payable	**9,000**	**-**
Non-current		
Trade payables	3,360	-
Total non-current trade and other payables	**3,360**	**-**

Note 19: Borrowings

	2023 $'000	2022 $'000
Current		
Equipment finance	4,773	3,571
Total current borrowings	**4,773**	**3,571**
Non-current		
Equipment finance	10,535	8,451
Total non-current borrowings	**10,535**	**8,451**

Refer to "Note 25: Financial Instruments" on page 75 for further information on financial instruments.

Note 20: Provisions

	2023 $'000	2022 $'000
Current		
Employee benefits		
Carrying amount at the start of the year	6,824	4,792
Additional provisions recognised	8,183	5,281
Amounts used	(4,523)	(3,249)
Current carrying amount at the end of the year	**10,484**	**6,824**
Non-current		
Employee benefits		
Carrying amount at the start of the year	732	812
Additional provisions recognised	582	-
Amounts used	-	(80)
Non-current carrying amount at the end of the year	**1,314**	**732**

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Note 21: Issued Capital

	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Ordinary shares – fully paid	244,020,537	240,573,404	26,899	25,167

Details	Date	Shares	Cumulative Shares	Issue price ($)	$'000
Movement in ordinary share capital:					
Balance	1 Jul 2021	23,744,801	237,444,801	-	23,703
Dividend Reinvestment Plan	13 Oct 2021	537,459	237,982,260	0.36	195
Vested IPO Performance Rights	5 Nov 2021	2,367,500	240,349,760	-	1,184
Dividend Reinvestment Plan	10 May 2022	223,644	240,573,404	0.38	85
Balance	**30 Jun 2022**		**240,573,404**		**25,167**
Dividend Reinvestment Plan	5 Oct 2022	761,138	241,334,542	0.38	291
Vested IPO Performance Rights	4 Nov 2022	2,367,500	243,702,042	0.50	1,183
Dividend Reinvestment Plan	9 May 2023	318,495	244,020,537	0.81	258
Balance	**30 Jun 2023**		**244,020,537**		**26,899**

A. Ordinary Shares

Ordinary shareholders participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 22: Reserves

	2023 $'000	2022 $'000
Acquisition Reserve		
Balance at the beginning of the financial period	(231)	(231)
Balance at end of the financial period	**(231)**	**(231)**
Share Based Payment Reserve		
Balance at the beginning of the financial period	2,196	1,620
Share-based payments	1,402	1,760
Transfer to issued capital	(1,183)	(1,184)
Balance at end of the financial period	**2,415**	**2,196**
Total Reserves	**2,184**	**1,965**

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

Note 23: Retained Earnings

	2023 $'000	2022 $'000
Retained profits at beginning of the financial year	3,825	827
Profit after income tax expense for the year	19,201	7,761
Dividends paid	(6,046)	(4,763)
Retained profits at end of the financial year	**16,980**	**3,825**

Note 24: Dividends

Dividends paid during the financial year were as follows:

	2023	2022
	$'000	$'000
Other dividends (cash)	5,497	4,483
Dividend Reinvestment Plan	549	280
Declared fully franked ordinary dividends franked at 30% (2022: 30%)	**6,046**	**4,763**

Since the end of the financial year, the Directors have recommended the payment of a final ordinary dividend for 2023 of 3.0 cents per fully paid share, franked to 100%, to be paid on 9 October 2023.

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 consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year. 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.

Cash and cash equivalents (as disclosed in "Note 9: Cash and Cash Equivalents" on page 66) are also subject to the impairment requirements of the standard on financial instruments. There are no material amounts of collateral held as security at 30 June 2023.

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.

Note 25: Financial Instruments continued...

	Weighted average interest	Carrying amount	Contractual cashflow	1 year or less	1-2 years	2-5 years	Over 5 years
		$'000	$'000	$'000	$'000	$'000	$'000
2023							
Non-derivate financial liabilities							
Trade and other payables		85,436	85,436	82,076	2,009	702	649
Contingent consideration payable		9,000	9,000	9,000	-	-	-
Borrowings	5.08%	15,308	16,852	5,438	4,694	6,720	-
Property lease liabilities	6.82%	3,016	3,243	2,221	641	381	-
		112,760	**114,531**	**98,735**	**7,344**	**7,803**	**649**
2022							
Non-derivate financial liabilities							
Trade and other payables	-	39,426	39,426	39,426	-	-	-
Borrowings	3.76%	12,022	12,890	3,958	3,613	5,319	-
Property lease liabilities	6.82%	2,786	2,991	1,692	910	389	-
		54,234	**55,307**	**45,076**	**4,523**	**5,708**	**-**

E. Capital 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 Group's capital risk management policy remains unchanged from 30 June 2022.

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

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

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

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

Note 25: Financial Instruments continued...

	Expiry date	2023 $'000	2022 $'000
TOTAL FACILITIES			
Bankwest			
Multi option facility	No fixed term, payable on demand	35,000	25,000
Overdraft[1]		20,000	-
Asset finance facility		12,000	10,000
Corporate MasterCard facility		400	300
NAB			
Asset finance facility	31 Jan 2024	7,600	7,000
AssetInsure			
Bond facility	1 Feb 2024	20,000	10,000
Vero			
Bond facility	31 Oct 2023	10,000	10,000
		105,000	**62,300**
USED AT REPORTING DATE:			
Bankwest			
Multi option facility		30,148	21,289
Overdraft[1]		-	-
Asset finance facility		10,479	8,127
Corporate MasterCard facility		127	107
NAB			
Asset finance facility		4,829	3,895
AssetInsure			
Bond facility		7,659	9,390
Vero			
Bond facility		6,927	9,266
		60,169	**52,074**
UNUSED AT REPORTING DATE:			
Bankwest			
Multi option facility		4,852	3,711
Overdraft[1]		20,000	-
Asset finance facility		1,521	1,873
Corporate MasterCard facility		273	193
NAB		-	-
Asset finance facility		2,771	3,105
AssetInsure		-	-
Bond facility		12,341	610
Vero		-	-
Bond facility		3,073	734
		44,831	**10,226**

1 *Temporary facility, expiring 31 July 2023*

Note 25: Financial Instruments continued...

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:

	2023 $'000	2022 $'000
Audit services – RSM Australia Partners		
Audit and review of the financial statements	243	225
Other services – RSM Australia Pty Ltd		
Tax services	34	28
Other consulting services	-	-
	277	**253**

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.

	2023 $'000	2022 $'000
Bonds & Guarantees on issue at end of financial year	44,733	39,945

The consolidated entity has given bank guarantees as at 30 June 2023 of $365,240 (2022: $272,704) to various landlords.

Note 28: Capital Commitments

	2023 $'000	2022 $'000
Committed at the reporting date but not recognised as liabilities, payable:		
Plant and equipment	1,179	436

Note 29: Related Party Transactions

The Group's main related parties are as follows:

A. Parent Entity

Duratec Limited is the parent entity.

B. Key Management Personnel (KMP)

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

C. 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 33: Interests in Subsidiaries, Associates and Joint Arrangements" on page 84.

D. 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.

E. 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	Dividends received	Loan balances payable to related parties	Loan balances receivable from related parties
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Associates								
DDR Australia Pty Ltd	2023	6,581	1,792	366	196	365	-	-
	2022	13,452	1076	1,428	65	1510	-	-
Jimann Pty Ltd	2023	-	263	-	-	-	-	-
	2022	-	283	-	-	-	-	-
Entity providing KMP services								
Fortec Australia Pty Ltd	2023	92	64	68	13	-	-	-
	2022	96	67	15	-	-	-	-
Bold Drainage Pty Ltd	2023	-	126	-	-	-	-	-
	2022	-	125	-	-	-	-	-
Total	**2023**	**6,673**	**2,245**	**434**	**209**	**365**	**-**	**-**
Total	**2022**	**13,548**	**1,551**	**1,443**	**65**	**1,510**	**-**	**-**

F. Compensation of Key Management Personnel of the Group

	2023	2022
	$'000	$'000
Short-term employee benefits	3,501	2,136
Post-employment benefits	159	155
Long-term benefits	61	32
Share-based payments	155	219
Total compensation paid to Key Management Personnel	**3,876**	**2,542**

Note 30: Acquisition

On 7 October, Duratec entered an agreement to acquire 100% Wilson's Pipe Fabrication Pty Ltd (WPF), one of Australia's leading providers of onshore and offshore engineering services to the oil and gas industry. The acquisition was completed on 20 October 2022.

The purchase price comprises a maximum sale price of $18.0m ($9.0m initial consideration and up to a further $9.0m from a contingent payment). As part of the purchase price the Company has agreed to pay the vendors of WPF and earn out of up to $9.0m subject to meeting certain EBITDA hurdles of at least $3.75m for the 12 months to 30 June 2023. The Company also paid an additional amount in relation to working capital in excess of the estimated working capital in line with the Share Purchase Agreement.

For the period from acquisition on 20 October 2022, WPF contributed revenue of $20.0m and EBITDA of $4.9m before acquisition costs and costs of integration to the Duratec systems and processes.

The following table summarises the acquisition-date fair value of consideration

	20 Oct 2022
	$'000
Initial consideration	9,000
Working capital	1,009
Contingent consideration (estimated)	9,000
	19,009

The following summarises the recognised fair value amounts of assets acquired and liabilities assumed as at 20 October 2022

	20 Oct 2022
	$'000
Cash	483
Trade and other receivables	3,888
Work in progress	925
Other current assets	281
Property, plant and equipment	657
Right-of-use assets	395
Other non-current assets	63
Deferred tax assets	137
Customer relationships	10,992
Trade and other payables	(1,772)
Loans and borrowings	(274)
Property lease liabilities	(404)
Current tax liability	(334)
Provisions	(480)
	14,557

Goodwill arising from the acquisition has been recognised as follows:

	20 Oct 2022
	$'000
Total consideration transferred	19,009
Fair value of identifiable assets and liabilities	(14,557)
Goodwill	**4,452**

The goodwill is attributable mainly to the skills and talent of Wilson's Pipe Fabrication employees. The goodwill is not deductible for tax purposes.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of the acquisition, then the accounting for the acquisition will be revised. This is permitted as the hindsight period (of not more than 12 months) allowed by the financial reporting standard on business combinations has not yet expired.

The following table summarises the cash flows in relation to the acquisition at 30 June 2023

	30 Jun 2023
	$'000
Initial consideration	9,000
Working capital (based on initial estimate) [1]	1,471
Cash acquired as part of acquisition	(483)
Acquisition of subsidiary, net of cash acquired	**9,988**

1 A further working capital settlement is to be received by Duratec post reporting date

Acquisition related costs amount to $283,675.

Note 31: Share-based Payments

As at 30 June 2023, 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 the dates noted below offers of rights were made to senior executives and key managers, as determined by the Board of Directors:

- 24 November 2020, an offer of 3,710,000 Rights
- 26 November 2021, an offer of 3,995,000 Rights
- 19 August 2022, an offer of 4,910,000 Rights
- 12 June 2023, an offer of 290,000 Rights

On 27 January 2023, a new offer of 340,000 Rights was made to key managers in Wilson's Pipe Fabrication Pty Ltd, as determined by the Board of Directors.

Number of Rights granted	Vesting Date	Lapsed	Vested	Balance
1,855,000	31 Aug 2023	395,000	-	1,460,000[1]
1,997,500	6 Sep 2024	387,500	-	1,610,000[1]
2,455,000	5 Sep 2025	320,000	-	2,135,000[1]
170,000	31 Aug 2025	-	-	170,000[1]
145,000	31 Aug 2025	-	-	145,000[1]
1,855,000	31 Aug 2023	395,000	-	1,460,000[2]
1,997,500	6 Sep 2024	387,500	-	1,610,000[2]
2,455,000	5 Sep 2025	320,000	-	2,135,000[2]
170,000	31 Aug 2025	-	-	170,000[2]
145,000	31 Aug 2025	-	-	145,000[2]
13,245,000		**2,205,000**	**-**	**11,040,000**

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

Note 31: Share-based Payments continued...

C. Non-Hurdled Performance Rights

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

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

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

D. Valuation Model Inputs

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

Grant date	19 Aug 2022
Expiry Date	30 Sep 2027
Number of Performance Rights	4,910,000
Share Price at Valuation Date	$0.39
Expected Volatility	45.60%
Dividend yield	4.71%
Risk Free Interest Rate	3.12%
Fair Value at Valuation Date:	
Subject to Total Shareholder Return (TSR) performance condition	$0.17
Subject to Earnings Per Share (EPS) performance condition	$0.39

Grant date	12 Jun 2023
Expiry Date	30 Sep 2027
Number of Performance Rights	290,000
Share Price at Valuation Date	$1.16
Expected Volatility	46.70%
Dividend yield	2.42%
Risk Free Interest Rate	3.56%
Fair Value at Valuation Date:	
Subject to Total Shareholder Return (TSR) performance condition	$0.95
Subject to Earnings Per Share (EPS) performance condition	$1.16

Grant date	27 Jan 2023
Expiry Date	30 Sep 2027
Number of Performance Rights	340,000
Share Price at Valuation Date	$0.68
Expected Volatility	46.70%
Dividend yield	2.94%
Risk Free Interest Rate	3.20%
Fair Value at Valuation Date:	
Subject to Total Shareholder Return (TSR) performance condition	$0.48
Subject to Earnings Per Share (EPS) performance condition	$0.68

Note 31: Share-based Payments continued...

E. Expenses arising from Share-based Payment Transactions

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

	2023 $'000	2022 $'000
Deferred shares issued under the short-term incentive scheme - Duratec Limited	1,302	1,760
Deferred shares issued under the short-term incentive scheme - Wilson's Pipe Fabrication Pty Ltd	32	-
	1,334	**1,760**
Deferred shares issued under the short-term incentive scheme - DDR Australia Pty Ltd	68	-
	1,402	**1,760**

Note 32: Parent Entity Information

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

	2023 $'000	2022 $'000
Statement of Profit or Loss and Other Comprehensive Income		
Profit after income tax[1]	16,756	6,950
Total comprehensive income	**16,756**	**6,950**
Statement of Financial Position		
Assets		
Current assets	144,267	106,866
Non-current assets	62,021	30,589
Total assets	**206,288**	**137,455**
Liabilities		
Current liabilities	143,825	94,259
Non-current liabilities	20,204	13,598
Total liabilities	**164,029**	**107,857**
Equity		
Issued capital	26,899	25,167
Reserves	2,415	2,196
Retained earnings	12,945	2,235
Total equity	**42,259**	**29,598**

1. Includes acquisition related costs

A. Contingent Liabilities

Other than disclosed in Note 27, the parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

B. Capital Commitments - Property, Plant and Equipment

Other than disclosed in Note 28, the parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

C. Significant Accounting Policies

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

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

Note 33: Interests in Subsidiaries, Associates and Joint Arrangements

A. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in "Note 1: Significant Accounting Policies" on page 53. 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 business and country of incorporation	2023 %	2022 %
Duratec Australia (ES) Pty Ltd	Australia	100	100
MEnD Consulting Pty Ltd	Australia	100	100
Duratec New Zealand Ltd	New Zealand	100	100
Wilson's Pipe Fabrication Pty Ltd	Australia	100	-

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

B. Associates and Joint Arrangements

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

			Proportion of ordinary share interests/ participating share	
Name of entity	Principal place of business and country of incorporation	Classification	2023 %	2022 %
DDR Australia Pty Ltd	Australia	Associate	49	49
Duratec Ertech JV	Australia	Joint Arrangement	50	50

C. Information About Associates

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

D. Information About Joint Arrangement

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

Note 34: Deed of Cross Guarantee

At 30 June 2023 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.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Duratec Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

A. Statement of Profit or Loss and Other Comprehensive Income

	2023	2022
	$'000	$'000
Continuing Operations		
Revenue from contracts with customers	471,783	310,003
Contracting cost of sales	(396,058)	(261,598)
	75,725	**48,405**
Other income	1,859	2,332
Employee benefits expense	(35,046)	(27,760)
Administration expense	(8,553)	(5,940)
Occupancy expense	(1,426)	(1,141)
Depreciation and amortisation expense	(8,522)	(6,779)
Finance costs	(924)	(788)
Equity accounted investment results	636	1,873
Profit before income tax expense from continuing operations	**23,749**	**10,202**
Income tax expense	(7,002)	(2,441)
Profit after income tax expense for the year	16,747	7,761
Total comprehensive income for the year	**16,747**	**7,761**
Profit for the year is attributable to:		
Owners of Duratec Limited	16,747	7,761
Profit for the year	16,747	7,761
Total comprehensive income for the year, net of tax	**16,747**	**7,761**

Note 34: Deed of Cross Guarantee continued...

B. Statement of Financial Position

	2023 $'000	2022 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	62,550	58,263
Trade and other receivables	54,782	29,998
Contract assets	24,585	16,661
Inventories	346	317
Current tax receivable	-	208
Other current assets	1,761	1,380
Total Current Assets	**144,024**	**106,827**
Non-Current Assets		
Trade and other receivables	6,298	1,998
Property, plant and equipment	25,356	18,823
Right-of-use assets	2,439	2,525
Investments accounted for using the equity method	23,545	3,901
Other non-current assets	186	121
Deferred tax assets	4,392	3,428
Total Non-Current Assets	**62,216**	**30,796**
Total Assets	**206,240**	**137,623**
LIABILITIES		
Current Liabilities		
Trade and other payables	80,826	39,426
Contingent consideration	9,000	-
Borrowings	4,773	3,571
Property lease liabilities	1,940	1,557
Contract liabilities	34,550	41,690
Current tax receivable	1,257	-
Provisions	10,082	6,824
Total Current Liabilities	**142,428**	**93,068**
Non-Current Liabilities		
Trade and other payables	3,359	-
Borrowings	10,535	8,451
Property lease liabilities	752	1,229
Deferred tax liabilities	4,311	3,186
Provisions	1,246	732
Total Non-Current Liabilities	**20,203**	**13,598**
Total Liabilities	**162,631**	**106,666**
Net Assets	**43,609**	**30,957**
EQUITY		
Issued capital	26,899	25,167
Reserves	2,184	1,965
Retained earnings	14,526	3,825
Total Equity	**43,609**	**30,957**

Subsequent to the year ended 30 June 2023 the Group gave notice to their creditors that on 3 July 2023 they executed a Revocation Deed to release Duratec Australia (ES) Pty Ltd from the Deed of Cross Guarantee. An original of the Revocation Deed was lodged with Australian Securities and Investments Commission (ASIC) on 5 July 2023. The effect of the Revocation Deed is that Duratec Australia (ES) Pty Ltd will be released from all liabilities under the Deed of Cross Guarantee in respect of any debts of the Group entities.

An agreement was signed on 3 July 2023 to add Wilsons Pipe Fabrication Pty Ltd to the Deed of Cross Guarantee.

Note 35: Reconciliation of Profit After Income Tax to Net Cash from Operating Activities

	2023	2022
	$'000	$'000
Profit after income tax expense for the year	**19,201**	**7,761**
Adjustments for:		
Depreciation	9,569	6,779
Share of profits of associates	(636)	(1,873)
Dividends received	(365)	(1,510)
Gain on sale of fixed assets	(232)	(288)
Share based payment expense	1,334	1,760
Change in operating assets and liabilities:		
Increase in trade and other receivables	(29,853)	(2,712)
Increase in contract assets	(7,600)	(9,085)
(Increase)/ Decrease in inventories	(29)	59
Increase in other assets	(225)	(271)
Increase in trade and other payables	44,032	474
(Decrease)/ Increase in contract liabilities	(5,963)	22,333
Increase in provisions	3,762	1,952
Decrease in tax balances	1,845	1,142
Net cash from operating activities	**34,840**	**26,521**

A. Non-cash Transactions

Additions to plant and equipment during the year amounting to $7,369,829 were financed by new leases.

B. Changes in Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	1 July 2022	New leases	Acquired in acquisition	Repayments made	Other non-cash adj	30 June 2023
	$'000	$'000	$'000	$'000	$'000	$'000
Borrowings	12,022	8,078	-	(4,792)	-	15,308
Lease Liabilities	2,786	2,162	395	(2,485)	158	3,016

	1 July 2021	New leases	Acquired in acquisition	Repayments made	Other non-cash adj	30 June 2023
	$'000	$'000	$'000	$'000	$'000	$'000
Borrowings	10,118	5,553		(3,649)	-	12,022
Lease Liabilities	3,297	1,457	-	(1,838)	(130)	2,786

Note 36: Events After the Reporting Period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the result of those operations, or the Group's state of affairs in future financial years.

FY23 has been a year of affirmation of Duratec's ability to perform strongly on the back of the 2H FY22 result.

Directors' Declaration

For the Year Ended 30 June 2023

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 2023 and of its performance as represented by the results of their operations and its cash flows, for the year ended on that date, and

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

d. At the date of this declaration, there are reasonable grounds to believe that the members of Duratec Limited will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in Note 34 to the financial statements.

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

This declaration is made in accordance with a resolution of the directors and in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2023..

On behalf of the Directors,

Robert (Phil) Harcourt
Director

Date: 24 August 2023

We finished FY23 with a very strong balance sheet. We achieved this by our commitment to operating a capital light business...

Independent Auditor's Report

RSM

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DURATEC LIMITED

Opinion

We have audited the financial report of Duratec Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 2023 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.

RSM

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 derived from construction services and services contracts. Construction services and services contracts revenue is recognised by management after assessing all factors relevant to each contract, including specifically assessing the following as applicable: › Estimation of total contract revenue and costs, including the estimation of cost contingencies; › Determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims; › Determination of the stage of completion and measurement of progress towards performance obligations; and › Estimation of project completion dates. The above determinations will also impact on account balances such as contract assets and liabilities. We determined this area to be a key audit matter due to the number and type of estimation events over the course of the contract life, the unique nature of individual contract conditions, leading to complex and judgmental revenue recognition from contracts.	Our audit procedures included: › Assessing contractual terms with customers and substantiating project revenues and costs incurred against underlying supporting documents; › Assessing management's assumptions in determining the stage of completion, total contract revenue and total estimated costs; › Checking the mathematical accuracy of revenue recognised during the year based on the stage of completion; › Reading customers and subcontractor correspondence and discussing the progress of projects with project managers for any potential disputes, variation order claims, known technical issues or significant events that could impact the estimated contract costs; › Discussing the rationale for revisions made to estimated costs with project personnel and management and checking explanations to supporting documentation; › Challenging management's assessment and testing the reasonableness of the provision for foreseeable losses; and › Challenging the judgements made by management in estimating the expected credit loss relating to contract assets.
Acquisition of Wilsons Pipe Fabrication Pty Ltd Refer to Note 17 in the financial statements	
In October 2022, the Group completed the acquisition of Wilsons Pipe Fabrication Pty Ltd. The transaction was treated as a business combination in accordance with AASB 3 Business Combinations. The purchase price allocation has resulted in intangible assets of $15,444,000 consisting of customer relationships and goodwill being recognised. This was considered a key audit matter because the accounting for the transaction is complex and involves significant judgments. These include the recognition and valuation of the consideration paid and the determination of the fair value of the assets acquired and liabilities assumed.	Our audit procedures included: › Obtaining the signed share purchase agreement in order to gain an understanding of the transaction and the related accounting considerations; › Determination that the acquisition met the definition of a business in accordance with Accounting Standards; › Assessing management's determination of the acquisition date, fair value of consideration paid, assets acquired and liabilities assumed; and › Reviewing the adequacy and accuracy of the relevant disclosures in the financial statements.

Impairment of Intangible Assets Refer to Note 17 in the financial statements	
The carrying amount of goodwill is $4,452,000. Management has performed an impairment test on the recoverability of the goodwill as required by Australian Accounting Standards. We determined this area to be a key audit matter due to the size of the goodwill balance and because the directors' assessment of the value-in-use of the cash generating unit (CGU) involves significant management judgement about the identification of CGU, the future underlying cash flows of the business and the discount rate applied.	Our audit procedures included: › Assessing management's determination that the goodwill should be allocated to one CGU; › Assessing the valuation methodology used to determine the recoverable amount of goodwill and the CGU's property plant and equipment and right of use assets; › Challenging the reasonableness of key assumptions, including the cash flow projections, expected revenue growth rates, the discount rates and sensitivities used; › Reviewing management's sensitivity analysis over the key assumptions used in the model; › Checking the mathematical accuracy of the value-in-use model and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; and › Reviewing the appropriateness of disclosures in the financial statements.

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 2023, 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.

RSM

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Duratec Limited, for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Date: 24 August 2023

J A KOMNINOS
Partner

Shareholder Details

Class of Shares and Voting Rights

As at 31 July 2023 there were 1,892 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 as at 31 July 2023

The names of the substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001 (Cth)* are:

Shareholder Name	Nº of Shares
ERTECH HOLDINGS PTY LTD	47,348,514
JAMES ROBERT GIUMELLI	47,348,514 [1]
JAMES PATRICK GIUMELLI	47,748,514 [1]
DENCORT PTY LTD <HARCOURT FAMILY A/C>	26,553,389
MR CHRIS OATES + MRS PAMELA OATES <OATES FAMILY A/C>	26,553,389
KENT COLONY VENTURES PTY LTD <DIPROSE RICHARDS FAMILY A/C>	26,553,389

Distribution of Shareholdings as at 9 August 2023

Size of Share Holding	Total Holders	% Units
1-1,000	228	0.06
1,001-5,000	566	0.68
5,001-10,000	305	1.01
10,001-100,000	701	8.76
100,001 and over	92	89.48

Number of shareholders	Total Shares on Issue	Nº of unmarketable parcels
1,892	244,020,537	43 [2]

1 Each of these holders have a relevant interest in the 47,348,514 shares held by Ertech Holdings Pty Ltd pursuant to the Corporations Act 2001 (Cth)

2. Based on a closing price of $0.175 on 31 July 2023

Top 20 Shareholders as at 31 July 2023

	Shares Held	Nº of Shares	% of Total
1	ERTECH HOLDINGS PTY LTD	47,348,514	19.40
2	DENCORT PTY LTD <HARCOURT FAMILY A/C>	26,653,389	10.92
3	MR CHRIS OATES &	26,653,389	10.92
4	KENT COLONY VENTURES PTY LTD <DIPROSE RICHARDS FAMILY A/C>	26,553,389	10.88
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,482,505	6.34
6	CITICORP NOMINEES PTY LIMITED	13,970,513	5.73
7	NATIONAL NOMINEES LIMITED	10,874,946	4.46
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,671,051	1.91
9	MR OLIVER MCKEON <MT POCKETS BUSINESS A/C>	4,216,120	1.73
10	JAWP INVESTMENTS PTY LTD	3,525,000	1.44
11	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,254,769	1.33
12	BNP PARIBAS NOMS PTY LTD <DRP>	2,802,284	1.15
13	UBS NOMINEES PTY LTD	2,313,303	0.95
14	MR MICHAEL JOHN WILSON	2,300,000	0.94
15	FORT BARAMBA PTY LTD	1,962,951	0.80
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,640,722	0.67
17	ENGINEERED PROCESS SYSTEMS PTY LTD	1,323,476	0.54
18	BNP PARIBAS NOMS(NZ) LTD<DRP>	1,319,561	0.54
19	EXLDATA PTY LTD	1,236,159	0.51
20	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	1,164,270	0.48

On-market Share Buy-back

There is no current on-market buy-back.

Restricted Securities

There are no ordinary shares in the capital of the Company subject to the escrow arrangements.

Unquoted Securities

Class	Number of securities	Number of holders
Performance Rights	11,440,000	64

Distribution of Performance Rights as at 31 July 2023

Range	Total Holders	% Units
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	25	15.91%
100,001 and over	39	84.09%

Duratec's diversified business model continues to prove successful, as demonstrated by our strong FY23 performance and positive outlook for the year ahead

www.duratec.com.au

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