

DURATEC LIMITED

ABN 94 141 614 075

CONSOLIDATED FINANCIAL REPORT

30 JUNE 2020

CORPORATE DIRECTORY**Registered Office**

108 Motivation Drive
Wangara WA 6065

Principal place of Business

108 Motivation Drive
Wangara WA 6065

+61 (8) 9206 6900

info@duratecaustralia.com.au

www.duratecaustralia.com.au

Company Secretary

Dennis Wilkins

CORPORATE INFORMATION

The consolidated financial statements cover Duratec Limited as a consolidated entity consisting of Duratec Limited and the entities controlled at the end of, or during, the year. The financial statements are presented in Australian dollars.

Duratec Limited is a for profit company limited by shares, incorporated and domiciled in Australia.

The nature of the operations and principal activities of the consolidated entity are described in the Directors' Report.

The financial statements were authorised for issue, in accordance with resolution of directors, on 11 September 2020.

TABLE OF CONTENTS

DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION.....	9
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	10
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	11
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12
CONSOLIDATED STATEMENT OF CASH FLOWS	13
NOTES TO THE FINANCIAL STATEMENTS.....	14
DIRECTORS' DECLARATION	45
INDEPENDENT AUDITOR'S REPORT	46

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 2020.

Information on Directors

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

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

Robert Phillip Harcourt - Managing Director

Mr Harcourt has over 45 years of experience in the civil and structural engineering industry. During this time Mr Harcourt has held numerous roles including; Senior Project Engineer and CEO of Savcor Finn Pty Ltd, and Chief Operations Officer of the publicly listed company Savcor Group. Mr Harcourt along with two trusted colleagues established Duratec in 2010 and in his role of Managing Director has led the Company through a period of rapid growth to become a highly recognised and reputable specialist civil remediation contracting company. As Managing Director, Mr Harcourt is responsible for the overall management of the Company, Health, Safety, Environment and Quality, strategic planning, new business opportunities and risks and business development.

Other Listed Company Directorships in last 3 years: None

Interests in shares of Duratec Limited: 624

Christopher John Oates - Executive Director – General Manager

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

Other Listed Company Directorships in last 3 years: None
Interests in shares of Duratec Limited: 624

Deane Gerald Diprose - Executive Director – Operations Manager (Resigned 31 August 2020)

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

Other Listed Company Directorships in last 3 years: None
Interests in shares of Duratec Limited: 624

Oliver McKeon - Executive Director – General Manager Eastern States (Resigned 31 August 2020)

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

Other Listed Company Directorships in last 3 years: None
Interests in shares of Duratec Limited: 100

**Gavin Robert Miller - Non-Executive Director
- Company Secretary (Resigned 31 August 2020)**

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
Interests in shares of Duratec Limited: None

James Patrick Giumelli - Non-Executive Director (Resigned 31 August 2020)

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

Other Listed Company Directorships in last 3 years: None
Interests in shares of Duratec Limited: None

Michael David Best - Non-Executive Director (Resigned 31 August 2020)

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

Other Listed Company Directorships in last 3 years: None
Interests in shares of Duratec Limited: None

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
Interests in shares of Duratec Limited: None

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. Since 1994 he has been a director of, and involved in the executive management of, several publicly listed companies with operations in Australia, PNG, Scandinavia and Africa. Mr Wilkins is currently a director of Key Petroleum Limited.

Directors' Meetings

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

Director	Board Meetings	
	Attended	Held
Robert Harcourt	11	11
Christopher Oates	11	11
Deane Diprose	11	11
Oliver McKeon	10*	11
Gavin Miller	11	11
James Giumelli	11	11
Michael Best	11	11

*Appointed 15 October 2019 but attended Board meetings prior to this date as an observer

Principal activities

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

Review of operations

A review of the operations of the consolidated entity during the period and the results of those operations found that changes in market demand and competition have seen an increase in sales of 23% to \$247,282,508 for the year.

	30 June 2020	30 June 2019
	\$'000	\$'000
Revenue from contracts with customers	247,283	200,424
Profit after income tax	13,011	9,659

Significant changes in state of affairs

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

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not financially negatively impacted the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

Apart from the disposal of the Group's interest in Fortec Australia Pty Ltd, no matter or circumstance has arisen since 30 June 2020 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.

Dividends

Dividends paid or declared since the start of the financial year were \$10,228,000 (2019: \$1,238,327)

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.

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

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Officers of the company who are former partners of RSM Australia Partners

There are no officers of the company who are former partners of RSM Australia Partners

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

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Auditor

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

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,

A handwritten signature in black ink, appearing to read 'R. Harcourt', with a large, sweeping flourish at the end.

Robert Phillip Harcourt

Managing Director

Date: 11 September 2020

RSM Australia Partners

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

T +61 (0) 8 9261 9100

F +61 (0) 8 9261 9111

www.rsm.com.au

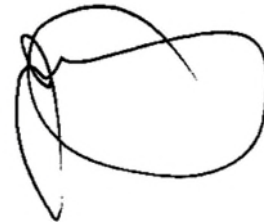
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Duratec Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'RSM' in a stylized, cursive font.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to be 'J A Kominos', written in a cursive style.

J A KOMNINOS
Partner

Perth, WA
Dated: 11 September 2020

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

Consolidated Entity			
	<i>Note</i>	2020 \$'000	2019 \$'000
Revenue	3	247,283	200,424
Contracting cost of sales	4	(199,364)	(162,149)
		47,919	38,275
Other income	3	874	394
Employee benefits expense		(19,500)	(14,999)
Administration expense		(7,606)	(6,126)
Occupancy expense		(1,098)	(1,964)
Depreciation and amortisation expense		(3,825)	(2,194)
Impairment of plant and equipment		(9)	-
Other expenses		1	(9)
Finance costs	4	(587)	(309)
Share of net profits of associates and joint ventures	5	1,791	758
Profit before income tax expense		17,960	13,826
Income tax (expense)/benefit	6	(4,949)	(4,167)
Profit after income tax expense for the year		13,011	9,659
Total comprehensive income for the year, net of tax		13,011	9,659
Profit for the year is attributable to:			
Owners of Duratec Limited		13,011	9,063
Non-Controlling interests		-	596
		13,011	9,659
Total comprehensive income for the year is attributable to:			
Owners of Duratec Limited		13,011	9,063
Non-Controlling interests		-	596
		13,011	9,659

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 2020

		Consolidated Entity	
	Note	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	7	41,276	35,736
Trade and other receivables	8	19,597	29,859
Contract assets	9	6,249	5,646
Inventories	10	273	248
Other current assets	11	966	551
Income tax receivable	20	-	411
Total current assets		68,361	72,451
Non-current assets			
Trade and other receivables	8	36	5
Plant and equipment	14	10,259	7,910
Right-of-use assets	15	3,055	-
Investments accounted for using the equity method	12	2,749	958
Other non-current assets	11	78	87
Deferred tax assets	20	2,142	1,794
Total non-current assets		18,319	10,754
Total Assets		86,680	83,205
Liabilities			
Current liabilities			
Trade and other payables	16	34,932	38,026
Borrowings	18	1,708	1,448
Property lease liabilities	19	1,163	-
Contract liabilities	17	15,681	17,896
Current tax liability	20	500	-
Provisions	21	4,934	3,959
Total current liabilities		58,918	61,329
Non-current liabilities			
Borrowings	18	3,867	3,074
Property lease liabilities	19	2,043	-
Deferred tax liabilities	20	432	187
Provisions	21	612	567
Total non-current liabilities		6,954	3,828
Total liabilities		65,872	65,157
Net assets		20,808	18,048
Equity			
Issued capital	22	500	500
Reserves	23	(231)	(507)
Retained earnings	24	20,539	17,871
Equity attributable to the owners of Duratec Limited		20,808	17,864
Non-controlling interests	25	-	184
Total equity		20,808	18,048

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 2020**

Consolidated Entity		Issued Capital	Retained Earnings	Reserves	Non-Controlling Interest	Total Equity
	<i>Note</i>	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018		500	10,046	-	(419)	10,127
Comprehensive income						
Profit for the year		-	9,063	-	596	9,659
Total comprehensive income for the year		-	9,063	-	596	9,659
Transactions with owners						
Dividends paid	26	-	(1,238)	-	-	(1,238)
Acquisition of non-controlling interest		-	-	(507)	7	(500)
Balance at 30 June 2019		500	17,871	(507)	184	18,048
Balance at 30 June 2019		500	17,871	(507)	184	18,048
Adjustment on initial application AASB16		-	(23)	-	-	(23)
Balance at 1 July 2019 - restated		500	17,848	(507)	184	18,025
Comprehensive income						
Profit for the year		-	13,011	-	-	13,011
Total comprehensive income for the year		-	13,011	-	-	13,011
Transactions with owners						
Dividends paid	26	-	(10,228)	-	-	(10,228)
Acquisition of non-controlling interest		-	(92)	276	(184)	-
Balance at 30 June 2020		500	20,539	(231)	-	20,808

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 2020

		Consolidated Entity	
	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers		279,691	201,891
Payments to suppliers and employees		(254,899)	(169,922)
Income tax paid		(4,129)	(5,057)
Interest and finance costs paid		(464)	(309)
Interest received		262	121
Net cashflows from operating activities	34	20,461	26,724
Cash flow from investing activities			
Proceeds from sale of plant and equipment		210	165
Purchase of plant and equipment		(5,223)	(4,668)
Dividends received		367	-
Net cashflows used in investing activities		(4,646)	(4,503)
Cash flow from financing activities			
Dividend paid		(10,228)	(1,238)
Proceeds from borrowings		3,044	3,499
Repayment of borrowings		(1,990)	(1,541)
Repayment of lease liabilities		(1,053)	-
Loans payments made to related parties		(48)	(620)
Acquisition of non-controlling interest		-	(500)
Net cashflows used in financing activities		(10,275)	(400)
Net increase in cash and cash equivalents		5,540	21,821
Cash and cash equivalents at beginning of year		35,736	13,915
Cash and cash equivalents at the end of the financial year	7	41,276	35,736

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

NOTES TO THE FINANCIAL STATEMENTS**Note 1. Significant Accounting Policies****Basis of preparation**

Duratec Limited is a for-profit company limited by shares, incorporated and domiciled in Australia. The Company's registered address is 108 Motivation Drive, Wangara, WA 6065. The consolidated financial statements of the Company as at and for the year ended 30 June 2020 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 .

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

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.

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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

The financial report was authorised for issue on 11 September 2020 by the directors of the company.

(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.

Except as described below, the accounting policies adopted in the preparation of the condensed consolidated financial report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019.

AASB 16 Leases

The Group has adopted AASB 16 *Leases* from 1 July 2019. AASB 16 replaces AASB 117 *Leases* and AASB Interpretation 4 *Determining whether an arrangement contains a lease and* introduces a single, on-balance sheet accounting model for lessees with limited exceptions. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under AASB 117.

Note 1. Significant Accounting Policies (continued)

The effect of adopting AASB 16 is, as follows;

On transition to AASB 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 July 2019
	\$'000
Right-of-use assets presented in property	2,106
Lease liabilities	(2,140)
Retained earnings	34
Retained earnings – tax effect	(11)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the rate implicit in the lease agreement, or the Group's incremental borrowing rate when the rate was not readily determined. The weighted-average rate applied is 6.07%.

	1 July 2019
	\$'000
Operating lease commitment at 30 June 2019 as disclosed in the Group's consolidated financial statements	3,149
Less exempted non-lease components	(434)
Less recognition exemption for leases with less than 12 months of lease term at transition	(314)
Finance lease liabilities recognised as at 30 June 2019	4,522
Lease liabilities recognised at 1 July 2019	6,923

As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group recognised \$2,105,863 of right-of-use assets and \$2,139,852 of lease liabilities as at 1 July 2019.

Also, in relation to those leases under AASB 16, the Group has recognised depreciation and interest expense, instead of operating lease expense. During the year ended 30 June 2020, the Group recognised \$1,169,399 of depreciation and \$182,227 of interest expense from these leases.

i) Nature of the effect of adoption of AASB 16**The Group leases many property assets.**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or operating lease. For operating leases, the leased property was not capitalised, and the lease payments were recognised as an expense in profit or loss on a straight-line basis.

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at either the interest rate implicit in the lease or the Group's incremental borrowing rate.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Note 1. Significant Accounting Policies (continued)

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Applied the exemption to not recognise right-of-use assets and lease liabilities for leases where the right to control the identified asset is for a period of less than 12 months and where the underlying asset is of low value.

The carrying amounts of right-of-use-assets are as below.

	Property \$'000
Balance at 1 July 2019	2,106
Balance at 30 June 2020	3,055

Prior to the initial application, the Group assessed the right of use assets for impairment by applying the practical expedient described in AASB 16 Appendix C10(b) where by, a lessee may rely on its assessment of whether leases are onerous, applying AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review.

The Group presents lease liabilities in 'Interest-bearing loans and borrowings' in the statement of financial position

The Group sub-leases right-of-use assets

The Group sub-leases some of its right-of-use properties. Under AASB 117, the head lease and sub-lease contracts were classified as operating leases.

On transition to AASB 16, the right-of-use assets recognised from the head leases are presented in Right-of-use Assets – Property, and measured at fair value at that date.

The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset and concluded that they are operating leases under AASB 16.

The Group has applied AASB 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

ii) Summary of new accounting policies**Lease liabilities – Property**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Note 1. Significant Accounting Policies (continued)**Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of one to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the life of the lease term. Right-of-use assets are subject to impairment testing.

(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.

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.

Note 1. Significant Accounting Policies (continued)**Services contracts**

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

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

Variable consideration

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

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

Significant financing component

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

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

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.

Note 1. Significant Accounting Policies (continued)**(e) Operating segments**

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

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call current account with banks and financial institutions.

(g) Trade and other receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section below.

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.

(h) Contract assets and contract liabilities

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

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

(i) Inventories

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

(j) Financial assets

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

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

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

Note 1. Significant Accounting Policies (continued)**Subsequent measurement - Financial assets at amortised cost**

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

Impairment of financial assets

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(k) Plant and Equipment

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

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 Fixed Asset	Depreciation Rate
Plant and Machinery	4 - 50%
Furniture, Fittings and Equipment	8 - 50%
Motor Vehicles	16 - 50%
Computers	20 – 100%

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

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

Note 1. Significant Accounting Policies (continued)**Impairment**

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

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

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

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

Derecognition and disposal

An item of 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) 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.

(m) 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.

(n) Provisions - employee benefits

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

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

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

Note 1. Significant Accounting Policies (continued)**(o) 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.

(p) Critical accounting estimates and judgements

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

Key estimates**Impairment - general**

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

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.

Coronavirus (COVID-19) pandemic

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

Note 1. Significant Accounting Policies (continued)**Allowance for expected credit losses**

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 8, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

(q) Comparatives

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

(r) Investment in associates and joint arrangements

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

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

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

Note 1. Significant Accounting Policies (continued)

A joint operation is a joint arrangement in which the parties with joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. The reporting entity recognises its share of the operation's assets, liabilities, income and expenses that are combined line by line with similar items in the reporting entity's financial statements and accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the financial reporting standards applicable to the particular assets, liabilities, revenues and expenses. When the reporting entity enters into a transaction with a joint operation, such as a sale or contribution of assets, the reporting entity recognises gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

(s) Parent entity financial information

The financial information for the parent entity, Duratec Limited, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below:

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

(t) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2020 – refer note 13. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

Any investment retained is recognised at fair value.

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

Note 1. Significant Accounting Policies (continued)

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

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

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

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(u) Current and non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

(v) Fair value measurement

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

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

Note 1. Significant Accounting Policies (continued)

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

(w) Issued capital

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

(x) Dividends

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

Note 2. Segment reporting

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

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

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

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

Note 2. Segment reporting (continued)

	Defence	Mining & Industrial	Buildings & Facades	Other Segments	Total
Consolidated - 2019	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	121,210	35,748	13,265	30,201	200,424
Total revenue					
Gross profit for reportable segments	22,568	7,862	3,015	4,830	38,275
Unallocated amounts (including corporate overheads)					(21,946)
EBITDA					16,329
Depreciation and amortisation					(2,194)
Finance costs					(309)
Profit before income tax expense					13,826
Income tax expense					(4,167)
Profit after income tax expense					9,659

Note 3. Revenue

	2020 \$'000	2019 \$'000
Revenues from contracts with customers	247,283	200,424
Disaggregation of revenue from contracts with customers by location		
Western Australia	120,329	125,362
New South Wales	59,644	39,441
Victoria	26,230	13,628
Northern Territory	7,010	7,868
South Australia	8,397	6,032
Queensland	20,202	5,886
Tasmania	3,340	2,131
Australian Capital Territory	2,131	76
	247,283	200,424

Note 3. Revenue (continued)

	2020 \$'000	2019 \$'000
Other Income		
Interest received	262	121
Sundry income	27	185
Rental income	206	47
Sale of scrap metal	12	39
Income from training provided	-	2
Dividends received	367	-
	874	394

Note 4. Expenses

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

	2020 \$'000	2019 \$'000
Expenses		
Cost of sales	199,364	162,149
Interest expense for financial liabilities not at fair value through profit or loss		
External – Interest on loans and borrowings	405	306
– Interest on lease liabilities	182	-
Related entities	-	3
Total finance costs	587	309

Note 5. Share of profits of associates and joint ventures accounted for using the equity method

	2020 \$'000	2019 \$'000
Share of profit – joint venture	1,271	135
Share of profit – associate	520	623
	1,791	758

Note 6. Income tax expense

	2020 \$'000	2019 \$'000
Current income tax		
Current tax expense	6,588	3,850
Adjustments in respect of previous years	(24)	21
Tax offsets	(1,443)	-
Deferred income tax		
(Originating)/reversing temporary differences	(103)	288
Adjustments in respect of previous years	(69)	8
Aggregate income tax expense	4,949	4,167

	2020 \$'000	2019 \$'000
Deferred tax included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 20)	(348)	101
Increase in deferred tax liabilities (note 20)	245	187
Deferred tax - origination and reversal of temporary differences	(103)	288
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	17,960	13,826
Tax at the statutory tax rate of 30% (2019- 30%)	5,388	4,148
Tax effect of:		
Adjustment recognised for prior periods	(24)	21
Other non-allowable items	69	39
Notional profit on associates not subject to tax	(537)	(228)
Dividends	1,333	-
Tax offsets	(1,443)	-
DTL on expected disposal of investment in Fortec Australia Pty Ltd	163	187
Income tax expense	4,949	4,167

Note 7. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Cash at bank and on hand	18,276	21,736
Short-term deposits	23,000	14,000
Total cash and cash equivalents	41,276	35,736

Note 8. Trade and other receivables

	2020	2019
	\$'000	\$'000
Current		
Trade receivables	19,400	30,064
Less: allowance for expected credit losses	(172)	(664)
	19,228	29,400
Other receivables	369	459
Total current trade and other receivables	19,597	29,859
Non-Current		
Trade receivables	31	-
Amounts receivable from related parties	5	5
Total non-current trade and other receivables	36	5

Allowance for expected credit losses

These trade receivables shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The trade receivables are considered to have low credit risk individually. At the end of the reporting year a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. A loss allowance balance of \$171,857 is recognised in respect of the expected credit losses for the year ended 30 June 2020.

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

	2020	2019
	\$'000	\$'000
Opening balance	664	1,003
Additional provisions recognised	398	542
Receivables written off during the year as uncollectable	(751)	(173)
Unused amounts reversed	(139)	(708)
Closing balance	172	664

Note 9. Contract assets

	2020 \$'000	2019 \$'000
Current		
Contract assets	6,249	5,646

Note 10. Inventories

	2020 \$'000	2019 \$'000
Current		
Consumable stock	273	248
Total inventories	273	248

Note 11. Other assets

	2020 \$'000	2019 \$'000
Current		
Prepayments	966	551
	966	551
Non-current		
Security deposits	78	87
	78	87

Note 12. Investments accounted for using the equity method

	2020 \$'000	2019 \$'000
Non-current		
Fortec Australia Pty Ltd	1,342	823
Duratec Australia - Dundee Rock JV Pty Ltd	1,407	135
	2,749	958

Refer note 13 for further information on interests in associates and joint ventures.

Note 13. Interests in subsidiaries, associates and joint ventures**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. 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.

Name of entity	Principal place of business and country of incorporation	Ownership interest held by the Group		Non-controlling interest	
		2020 %	2019 %	2020 %	2019 %
Duratec Australia (ES) Pty Ltd	Australia	100	90	-	10
MeND Consulting Pty Ltd	Australia	100	100	-	-
Duratec New Zealand Ltd	New Zealand	100	-	-	-

Duratec Limited purchased the remaining 10% of Duratec Australia (ES) Pty Ltd in November 2019.

Duratec New Zealand Limited was incorporated in November 2019 but is not yet trading.

Associates and joint ventures

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

Name of entity	Principal place of business and country of incorporation	Classification	Proportion of ordinary share interests/ participating share	
			2020 %	2019 %
Fortec Australia Pty Ltd	Australia	Associate	40	40
Duratec Australia - Dundee Rock JV Pty Ltd	Australia	Joint Venture	49	49
Duratec Ertech JV	Australia	Joint Operation	50	-

Information about associate

At reporting date, the Group had a 40% interest in Fortec Australia Pty Ltd, an entity involved in specialised concrete works. In August 2020 Duratec Limited disposed of its 40% interest in Fortec Australia Pty Ltd by way of an in-specie distribution to Duratec's shareholders.

Information about joint ventures

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

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

Note 14. Plant and equipment

	2020	2019
	\$'000	\$'000
Plant and equipment		
At cost	8,836	6,624
Accumulated depreciation	(4,480)	(3,432)
	4,356	3,192
Motor vehicles		
At cost	6,807	5,621
Accumulated depreciation	(3,127)	(2,423)
	3,680	3,198
Office furniture, fixtures, fittings		
At cost	299	272
Accumulated depreciation	(177)	(134)
	122	138
Information technology		
At cost	1,550	907
Accumulated depreciation	(457)	(340)
	1,093	567
Leasehold improvements		
At cost	1,070	767
Accumulated depreciation	(523)	(395)
	547	372
Capital work in progress		
At cost	461	443
Total plant and equipment	10,259	7,910

Note 14. Plant and equipment (continued)

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

	Plant and Equipment	Motor Vehicles	Office Furniture	Information Technology	Leasehold Improvement	Capital WIP	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	2,547	2,424	106	81	392	60	5,610
Additions	1,603	1,720	65	806	91	383	4,668
Disposals	(83)	(89)	-	(2)	-	-	(174)
Depreciation expense	(875)	(857)	(33)	(318)	(111)	-	(2,194)
Balance at 30 June 2019	3,192	3,198	138	567	372	443	7,910
Additions	2,243	1,724	27	851	360	18	5,223
Disposals	(5)	(180)	-	(11)	(13)	-	(209)
Impairment	(9)	-	-	-	-	-	(9)
Depreciation expense	(1,065)	(1,062)	(43)	(314)	(172)	-	(2,656)
Balance at 30 June 2020	4,356	3,680	122	1,093	547	461	10,259

Note 15. Right of use assets

	2020 \$'000	2019 \$'000
Land and buildings		
Right-of-use	4,161	-
Accumulated depreciation	(1,106)	-
	3,055	-

	Cost	Accumulated Depreciation	Carrying value
Initial application AASB 16 – 1 July 2019	2,233	(127)	2,106
Additions during the year	2,118	-	2,118
Leases expired during the year	(190)	190	-
Depreciation expense	-	(1,169)	(1,169)
Closing carrying value 30 June 2020	4,161	(1,106)	3,055

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.

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

Note 16. Trade and other payables

	2020 \$'000	2019 \$'000
Current		
Trade payables	21,102	17,499
Sundry payables and accrued expenses	8,790	16,153
Other payables	1,647	2,857
Employee entitlements	3,393	1,469
Other payables, payable to:		
Other related parties	-	48
	34,932	38,026

Note 17. Contract liabilities

	2020 \$'000	2019 \$'000
Current		
Total contract liabilities	15,681	17,896

Note 18. Borrowings

	2020 \$'000	2019 \$'000
Current		
Lease liability secured	1,708	1,448
Total current borrowings	1,708	1,448
Non-current		
Lease liability secured	3,867	3,074
Total non-current borrowings	3,867	3,074
Total borrowings	5,575	4,522

Refer note 27 for further information on financial instruments.

Note 19. Property lease liabilities

	2020 \$'000	2019 \$'000
Current		
Lease liabilities – Property (AASB 16)	1,163	-
Total current property lease liabilities	1,163	-
Non-current		
Lease liabilities – Property (AASB 16)	2,043	-
Total non-current property lease liabilities	2,043	-
Total property lease liabilities	3,206	-

Refer note 27 for further information on financial instruments.

Note 20. Tax

	2020 \$'000	2019 \$'000
Current		
Provision for income tax payable/ (refundable)	500	(411)
Total current liability/ (receivable)	500	(411)
Non-current		
Deferred tax assets	2,142	1,794
Deferred tax liabilities	(432)	(187)
Net	1,710	1,607
Deferred tax asset		
Non-current		
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Provisions and accruals	1,648	1,358
Plant and equipment	100	115
Accrued expenses	269	110
Provision for expected credit loss	52	199
Work in progress	61	-
Borrowing costs	12	12
Deferred tax asset	2,142	1,794
Movements:		
Opening balance	1,794	1,895
Charged to profit or loss	348	(101)
Closing balance	2,142	1,794

Note 20. Tax (continued)

	2020 \$'000	2019 \$'000
Deferred tax liability		
Non-current		
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Consumable stock	82	-
Tax on expected disposal of investment in Fortec Australia Pty Ltd	350	187
Deferred tax liability	432	187
Movements:		
Opening balance	187	-
Charged to profit or loss	245	187
Closing balance	432	187

Note 21. Provisions

	2020 \$'000	2019 \$'000
Current		
Employee benefits		
Carrying amount at the start of the year	3,958	1,944
Additional provisions recognised	2,718	4,645
Amounts used	(1,742)	(2,631)
Current carrying amount at the end of the year	4,934	3,958
Non-current		
Employee benefits		
Carrying amount at the start of the year	567	58
Additional provisions recognised	45	509
Non-current carrying amount at the end of the year	612	567

Note 22. Issued capital

	2020 Shares	2019 Shares	2020 \$'000	2019 \$'000
Ordinary shares – fully paid	1,000	1,000	500	500

Note 22. Issued capital (continued)**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.

Capital risk management

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

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

The capital risk management policy remains unchanged from 30 June 2019.

Note 23. Reserves

	2020 \$'000	2019 \$'000
Acquisition Reserve		
Balance at beginning of the financial year	(507)	-
Acquisition of non-controlling interest	276	(507)
Balance at end of the financial year	(231)	(507)

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

Note 24. Retained earnings

	2020 \$'000	2019 \$'000
Retained profits at beginning of the financial year	17,871	10,046
Profit after income tax expense for the year	13,011	9,063
Dividends paid (note 26)	(10,228)	(1,238)
Adjustment adoption AASB16	(23)	-
Acquisition non-controlling interest	(92)	-
Retained profits at end of the financial year	20,539	17,871

Note 25. Non-controlling interest

	2020 \$'000	2019 \$'000
Issued capital	-	157
Retained profits	-	27
	<u>-</u>	<u>184</u>

There is no longer a non-controlling interest equity holding in Duratec Australia (ES) Pty Ltd (2019: 10%).

Note 26. Dividends

Dividends paid during the financial year were as follows:

	2020 \$'000	2019 \$'000
Declared fully franked ordinary dividends franked at 30% (2019: 30%)	<u>10,228</u>	<u>1,238</u>

Note 27. Financial Instruments

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

Market risk

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

Interest rate risk

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

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.

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 27. Financial Instruments (continued)

2020	Weighted average interest rate %	Carrying Amount	Contractual Cashflow	1 year or less	1 - 2 years	2 - 5 years	Over 5 years
Non-derivate financial liabilities		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	-	34,932	34,932	34,932	-	-	-
Loans and borrowings	4.11%	5,575	6,001	1,903	1,558	2,540	-
Lease liabilities	-	3,206	3,560	1,323	809	1,428	-
		43,713	44,493	38,158	2,367	3,968	-

2019	Weighted average interest rate %	Carrying Amount	Contractual Cashflow	1 year or less	1 - 2 years	2 - 5 years	Over 5 years
Non-derivate financial liabilities		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	-	38,026	38,026	38,026	-	-	-
Loans and borrowings	4.74%	4,522	4,925	1,629	1,325	1,971	-
Lease liabilities	-	-	-	-	-	-	-
		42,548	42,951	39,655	1,325	1,971	-

Capital Management

The Board's policy is to maintain a strong capital base however no formal capital management policy is in place.

Currency risk

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

Fair value of financial instruments

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

Note 28. 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:

	2020 \$'000	2019 \$'000
Audit services – RSM Australia Partners		
Audit or review of the financial statements	210	-
Other services – RSM Australia Partners		
Investigating Accountants Report	40	-
	250	-
Audit services – Ernst & Young		
Audit or review of the financial statements	-	127
Other services – Ernst & Young	-	10
	-	137

Note 29. 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.

	2020 \$'000	2019 \$'000
Bonds & Guarantees in issue at end of financial year	27,524	16,599

The consolidated entity has given bank guarantees as at 30 June 2020 of \$251,345 (2019: \$100,858) to various landlords.

Note 30. Capital commitments

	2020 \$'000	2019 \$'000
Committed at the reporting date but not recognised as liabilities, payable:		
Plant and equipment	361	3,149

Note 31. Related party transactions

The Group's main related parties are as follows:

Key Management Personnel

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

Entities subject to significant influence by the Group

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity that holds significant influence. Significant influence may be gained by share ownership, statute or agreement. Fortec Australia Pty Ltd is an entity over which the Group exercises significant influence by holding 40% voting power. For further details of interests held in joint ventures, refer to note 13.

Note 31. Related party transactions (continued)**Joint ventures in which the parent is a venturer**

The Group has a 49% interest in the joint venture Duratec Australia – Dundee Rock JV Pty Ltd. For details of interests held in joint ventures, refer to note 13.

The ultimate parent

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

Other entities

Subsidiaries of the ultimate company that are not subject to significant influence by the Group.

Transactions with related parties

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

The following transactions occurred with related parties during the year:

		Sales to related parties	Purchases from related parties	Related party balances in Trade Receivables	Related party balances in Trade Payables	Loan balances payable to related parties	Loan balances receivable from related parties
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Ultimate Parent							
Ertech Holdings Pty Ltd	2020	-	-	-	41	-	-
	2019	-	-	-	-	-	-
Entity subject to significant influence by Group							
Fortec Australia Pty Ltd	2020	415	151	7	3	-	-
	2019	19	-	-	-	48	-
Joint venture in which parent is venturer							
Duratec Australia – Dundee Rock JV Pty Ltd	2020	10,205	137	1,644	16	-	5
	2019	5,996	-	721	12	-	5
Duratec Ertech JV	2020	23,128	-	2,587	-	-	-
	2019	-	-	-	-	-	-
Other entities							
Ertech Pty Ltd	2020	3,322	-	63	-	-	-
	2019	762	-	125	-	-	-
Total	2020	37,070	288	4,301	60	-	5
Total	2019	6,777	-	846	12	48	5

Compensation of Key Management Personnel of the Group

	2020 \$'000	2019 \$'000
Short-term employee benefits	1,751	1,948
Total compensation paid to Key Management Personnel	1,751	1,948

Note 32. Parent entity information

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

	2020 \$'000	2019 \$'000
Statement of profit or loss and other comprehensive income		
Profit after income tax	12,130	5,897
Total comprehensive income	12,130	5,897
Statement of financial position		
Assets		
Current assets	66,243	57,515
Non-current assets	16,084	9,623
Total assets	82,327	67,138
Liabilities		
Current liabilities	57,417	47,331
Non-current liabilities	6,460	3,235
Total liabilities	63,877	50,566
Equity		
Issued capital	500	500
Retained earnings	17,950	16,072
Total Equity	18,450	16,572

Guarantees

Duratec Limited has not entered any guarantees in the current or previous financial year, in relation to the debts of its subsidiaries. A guarantee is currently in place to support the shared Ertech Group banking facilities.

Note 33. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not financially negatively impacted the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

Apart from the disposal of the Group's interest in Fortec Australia Pty Ltd, no matter or circumstance has arisen since 30 June 2020 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.

Note 34. Reconciliation of profit after income tax to net cash from operating activities

	2020 \$'000	2019 \$'000
Profit after income tax expense for the year	13,011	9,659
Adjustments for:		
Depreciation	3,825	2,194
Share of profit – joint venture	(1,271)	(135)
Share of profit – associates	(520)	(623)
Dividends received	(367)	-
(Gain)/ loss on sale of fixed assets	(1)	9
Asset Impairment	9	-
Change in operating assets and liabilities:		
Decrease/ (increase) in trade and other receivables	10,231	(10,677)
Decrease/ (increase) in contract assets	(603)	(5,646)
Decrease/ (increase) in inventories	(25)	(39)
Decrease/ (increase) in other assets	(406)	(342)
Increase/ (decrease) in trade and other payables	(3,047)	13,306
Increase/ (decrease) in contract liabilities	(2,215)	17,897
Increase/ (decrease) in provisions	1,021	2,010
Increase/ (decrease) in tax balances	819	(889)
Net cash from operating activities	20,461	26,724

Note 35. Non-cash investing and financing activities

	2020 \$'000	2019 \$'000
Additions to the right-of-use assets	4,161	-

**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2020**

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 2020 and of its performance as represented by the results of their operations and its cash flows, for the year ended on that date; and
- c. Comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

This declaration is made in accordance with a resolution of the directors and in accordance with Section 295A of the Corporations Act 2001 for the year ended 30 June 2020.

On behalf of the Directors



Robert Phillip Harcourt

Director

Perth

Date: 11 September 2020

RSM Australia Partners

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

T +61 (0) 8 92619100
F +61 (0) 8 92619111

www.rsm.com.au

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
DURATEC LIMITED**

Opinion

We have audited the financial report of Duratec Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

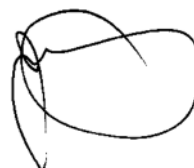
Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.



RSM AUSTRALIA PARTNERS



J A KOMNINOS
Partner

Perth, WA
Dated: 11 September 2020