

## DURATEC LIMITED

ABN 94 141 614 075

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

The current reporting period is the half-year ended 31 December 2021 and the prior reporting period is the half-year ended 31 December 2020

|   | Dec-21  | Dec-20  |   | %   |
|---|---------|---------|---|-----|
|   | \$'000  | \$'000  |   |     |
| Revenue from ordinary activities                                  | 130,883 | 124,063 | ↑ | 5%  |
| Profit from ordinary activities after tax attributable to members | 726     | 4,642   | ↓ | 84% |

## Net tangible assets per share

|   | Dec-21 | Dec-20 |
|---|--------|--------|
| Net tangible asset backing per ordinary share (cents per share) | 10.13  | 9.34   |

## Dividends

The board resolved to pay a Final 2021 dividend of 1.5 cents per share (fully franked). The total dividend of \$3.6 million was paid on 13 October 2021.

Since the end of the reporting period, the Directors have declared an Interim 2022 dividend of 0.5 cents per share (fully franked), to be paid on 10 May 2022. The Ex-Dividend date will be 12 April 2022 and the record date for payment will be 13 April 2022.

## Dividend Reinvestment Plan

The Group's dividend reinvestment plan (DRP) was activated for the Final 2021 dividend and applies to the Interim 2022 dividend. The DRP is optional and offers ordinary shareholders in Australia the opportunity to acquire fully paid ordinary shares without transactions costs. Shares issued under the DRP will be derived from new issued ordinary shares. The shares will rank equally with other ordinary shares already on issue. The new shares will be issued at a price equal to the average (rounded to the nearest cent) of the daily volume weighted average market price of Duratec Ltd shares sold in the ordinary course of trading on the ASX over a period of 10 trading days beginning on the day after the relevant dividend record date, discounted by 5%, rounded to 4 decimal places. The last date for the receipt of an election notice for participation in the DRP in relation to the Interim 2022 dividend is 14 April 2022.

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

## Explanation of results

This information is contained in the Half-Year Results Announcement and Half-Year Results Presentation.

## Control gained or lost over entities during the period

There have been no gains or losses of control over entities in the period ended 31 December 2021.

## Details of associates &amp; JV arrangements

| Name                                  | Relationship      | Reporting entity's percentage holding |                   | Contribution to profit / (loss) (where material) |                        |
|---------------------------------------|-------------------|---------------------------------------|-------------------|--|------------------------|
|                                       |                   | Reporting period %                    | Previous period % | Reporting period \$'000                          | Previous period \$'000 |
| Fortec Australia Pty Ltd <sup>1</sup> | Associate         | -                                     | -                 | -  | 149                    |
| DDR Australia Pty Ltd                 | Associate         | 49                                    | 49                | 808  | 60                     |
| Duratec Ertech JV <sup>2</sup>        | Joint Arrangement | 50                                    | 50                | NA   | NA                     |

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

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

## Audit report

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

# **Duratec Limited**

**ABN 94 141 614 075**

**Interim Financial Report**

**31 December 2021**

# Corporate Directory

## Registered Office & Principal Place of Business

108 Motivation Drive, Wangara  
Western Australia 6065

## Contact Details

Phone: +61 (8) 9206 6900  
E-mail: [info@duratec.com.au](mailto:info@duratec.com.au)  
Internet: [www.duratec.com.au](http://www.duratec.com.au)

## Directors

|                        |                                       |
|------------------------|---------------------------------------|
| Martin Brydon          | Non-Executive Director, Chairman      |
| Robert (Phil) Harcourt | Executive Director, Managing Director |
| Chris Oates            | Executive Director, General Manager   |
| Gavin Miller           | Non-Executive Director                |

## Company Secretary

Dennis Wilkins

## Share Registry

Computershare Investor Services Pty Limited  
Level 11, 172 St George's Terrace, Perth  
Western Australia 6000

## Share Trading Facilities

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

## Auditor

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

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# 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 half-year ended 31 December 2021.

## Directors and Company Secretary

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

## 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

For the six months ended 31 December 2021, the consolidated entity generated revenues of \$130.9m, an increase of 5.5% on the previous corresponding period. Profit after income tax for the six-month period was \$0.7m, a decrease of 84% on the previous corresponding period.

|                                       | Dec-21  | Dec-20  |
|---------------------------------------|---------|---------|
|                                       | \$'000  | \$'000  |
| Revenue from contracts with customers | 130,883 | 124,063 |
| Profit after income tax               | 726     | 4,642   |

## Significant changes in state of affairs

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

## 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 immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors,



**Robert (Phil) Harcourt**

Managing Director

28 February 2022

**RSM Australia Partners**

Level 32, Exchange Tower  
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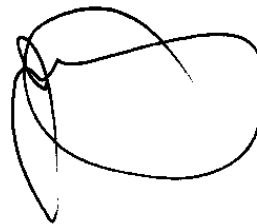
**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Duratec Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



RSM AUSTRALIA PARTNERS



J A KOMNINOS  
Partner

Perth, WA  
Dated: 28 February 2022

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

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RSM Australia Partners ABN 36 965 185 036

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2021

|   | Note | Consolidated Entity |           |
|---|------|---------------------|-----------|
|   |      | Dec-21              | Dec-20    |
|   |      | \$'000              | \$'000    |
| <b>Continuing Operations</b>                                |      |                     |           |
| Revenue from contracts with customers                       | 3    | 130,883             | 124,063   |
| Contracting cost of sales                                   | 4    | (110,150)           | (100,845) |
|   |      | 20,733              | 23,218    |
| Other income  | 3    | 384                 | 1,782     |
| Employee benefits expense                                   | 4    | (13,426)            | (11,090)  |
| Administration expense                                      |      | (3,311)             | (2,435)   |
| Occupancy expense   |      | (573)               | (506)     |
| Depreciation and amortisation expense                       |      | (3,185)             | (2,411)   |
| Gain on disposal of associate                               | 6    | -                   | 151       |
| Initial Public Offering expense                             | 4    | -                   | (2,455)   |
| Finance costs   | 4    | (369)               | (302)     |
| Equity accounted investment results                         | 5    | 808                 | 209       |
| Profit before income tax expense from continuing operations |      | 1,061               | 6,161     |
| Income tax expense  |      | (335)               | (1,519)   |
| Profit for the year from continuing operations              |      | 726                 | 4,642     |

## Profit for the year is attributable to:

|  |     |       |
|--|-----|-------|
| Owners of Duratec Limited                                | 726 | 4,642 |
| Profit for the year                                      | 726 | 4,642 |
| Total comprehensive income for the half year, net of tax | 726 | 4,642 |

## Earnings per share attributable to the owners of Duratec Limited:

|                                    |    | cents | cents |
|------------------------------------|----|-------|-------|
| Basic earnings per share (cents)   | 18 | 0.30  | 2.27  |
| Diluted earnings per share (cents) | 18 | 0.29  | 2.18  |

## Earnings per share from continuing operations attributable to the owners of Duratec Limited:

|                                    |    |      |      |
|------------------------------------|----|------|------|
| Basic earnings per share (cents)   | 18 | 0.30 | 2.27 |
| Diluted earnings per share (cents) | 18 | 0.29 | 2.18 |

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 31 December 2021

|   | Note | Consolidated Entity |                |
|---|------|---------------------|----------------|
|   |      | Dec-21              | Jun-21         |
|   |      | \$'000              | \$'000         |
| <b>ASSETS</b>                                     |      |                     |                |
| <b>Current Assets</b>                             |      |                     |                |
| Cash and cash equivalents                         | 7    | 36,245              | 41,249         |
| Trade and other receivables                       |      | 19,708              | 29,139         |
| Contract assets                                   |      | 12,237              | 7,576          |
| Inventories                                       |      | 352                 | 376            |
| Current tax receivable                            |      | 742                 | 538            |
| Other current assets                              |      | 1,873               | 1,139          |
| <b>Total Current Assets</b>                       |      | <b>71,157</b>       | <b>80,017</b>  |
| <b>Non-Current Assets</b>                         |      |                     |                |
| Trade and other receivables                       |      | 39                  | 146            |
| Property, plant and equipment                     | 8    | 17,524              | 16,846         |
| Right-of-use assets                               | 9    | 2,899               | 3,105          |
| Investments accounted for using the equity method |      | 2,835               | 2,027          |
| Other non-current assets                          |      | 77                  | 90             |
| Deferred tax assets                               |      | 3,236               | 2,991          |
| <b>Total Non-Current Assets</b>                   |      | <b>26,610</b>       | <b>25,205</b>  |
| <b>Total Assets</b>                               |      | <b>97,767</b>       | <b>105,222</b> |
| <b>LIABILITIES</b>                                |      |                     |                |
| <b>Current Liabilities</b>                        |      |                     |                |
| Trade and other payables                          |      | 41,110              | 38,992         |
| Borrowings  | 10   | 2,841               | 2,735          |
| Property lease liabilities                        | 11   | 1,557               | 1,299          |
| Contract liabilities                              |      | 10,961              | 19,356         |
| Provisions  |      | 5,494               | 4,792          |
| <b>Total Current Liabilities</b>                  |      | <b>61,963</b>       | <b>67,174</b>  |
| <b>Non-Current Liabilities</b>                    |      |                     |                |
| Borrowings  | 10   | 7,240               | 7,383          |
| Property lease liabilities                        | 11   | 1,563               | 1,998          |
| Deferred tax liabilities                          |      | 1,730               | 1,936          |
| Provisions  |      | 929                 | 812            |
| <b>Total Non-Current Liabilities</b>              |      | <b>11,462</b>       | <b>12,129</b>  |
| <b>Total Liabilities</b>                          |      | <b>73,425</b>       | <b>79,303</b>  |
| <b>Net Assets</b>                                 |      | <b>24,342</b>       | <b>25,919</b>  |
| <b>EQUITY</b>                                     |      |                     |                |
| Issued capital                                    | 12   | 25,082              | 23,703         |
| Reserves  | 13   | 1,269               | 1,389          |
| Retained earnings                                 |      | (2,009)             | 827            |
| <b>Total Equity</b>                               |      | <b>24,342</b>       | <b>25,919</b>  |

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



# Consolidated Statement of Changes in Equity

For the half year ended 31 December 2021

| Consolidated Entity                          |      | Issued Capital | Retained Earnings | Reserves | Total Equity |
|--|------|----------------|-------------------|----------|--------------|
|  | Note | \$'000         | \$'000            | \$'000   | \$'000       |
| <b>Balance at 1 July 2020</b>                |      | 500            | 20,539            | (231)    | 20,808       |
| <b>Comprehensive income</b>                  |      |                |                   |          |              |
| Profit for the half year                     |      | -              | 4,642             | -        | 4,642        |
| Total comprehensive income for the half year |      | -              | 4,642             | -        | 4,642        |
| <b>Transactions With Owners</b>              |      |                |                   |          |              |
| Share based payments                         |      | -              | -                 | 363      | 363          |
| Issue of ordinary shares                     |      | 23,203         | -                 | -        | 23,203       |
| Dividends paid                               | 14   | -              | (26,842)          | -        | (26,842)     |
| Balance at 31 December 2020                  |      | 23,703         | (1,661)           | 132      | 22,174       |
| <b>Balance at 1 July 2021</b>                |      | 23,703         | 827               | 1,389    | 25,919       |
| <b>Comprehensive income</b>                  |      |                |                   |          |              |
| Profit for the half year                     |      | -              | 726               | -        | 726          |
| Total comprehensive income for the half year |      | -              | 726               | -        | 726          |
| <b>Transactions With Owners</b>              |      |                |                   |          |              |
| Share-based payments                         |      | -              | -                 | 1,064    | 1,064        |
| Transfer from share-based payments reserve   |      | 1,184          | -                 | (1,184)  | -            |
| Dividend Reinvestment Plan                   |      | 195            | -                 | -        | 195          |
| Dividends paid                               | 14   | -              | (3,562)           | -        | (3,562)      |
| Balance at 31 December 2021                  |      | 25,082         | (2,009)           | 1,269    | 24,342       |

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

# Consolidated Statement of Cash Flows

For the half year ended 31 December 2021

|  | Note | Consolidated Entity |                 |
|--|------|---------------------|-----------------|
|  |      | Dec-21              | Dec-20          |
|  |      | \$'000              | \$'000          |
| <b>Cash flows from operating activities</b>                            |      |                     |                 |
| Receipts from customers  |      | 140,239             | 134,011         |
| Payments to suppliers and employees                                    |      | (136,897)           | (134,110)       |
| Income tax paid  |      | (991)               | (2,721)         |
| Interest and finance costs paid  |      | (298)               | (235)           |
| Interest received  |      | 52                  | 86              |
| Cashflows from/(used in) operating activities (excluding IPO payments) |      | 2,105               | (2,969)         |
| Payments for IPO   |      | -                   | (3,762)         |
| Net cashflows from/(used in) operating activities                      | 17   | 2,105               | (6,731)         |
| <b>Cash flows from investing activities</b>                            |      |                     |                 |
| Proceeds from sale of property, plant and equipment                    |      | 592                 | 191             |
| Purchase of property, plant and equipment                              |      | (3,439)             | (5,930)         |
| Dividends received   |      | -                   | 1,407           |
| Net cashflows used in investing activities                             |      | (2,847)             | (4,332)         |
| <b>Cash flows from financing activities</b>                            |      |                     |                 |
| Dividend paid  |      | (3,367)             | (25,200)        |
| Proceeds from share issue  |      | -                   | 24,000          |
| Proceeds from borrowings   |      | 1,692               | 4,099           |
| Repayment of borrowings  |      | (1,728)             | (1,341)         |
| Repayment lease liabilities  |      | (859)               | (731)           |
| Loans payments from related parties                                    |      | -                   | 5               |
| Net cashflows (used in) / from financing activities                    |      | (4,262)             | 832             |
| <b>Net decrease in cash and cash equivalents</b>                       |      | <b>(5,004)</b>      | <b>(10,231)</b> |
| Cash and cash equivalents at beginning of period                       |      | 41,249              | 41,276          |
| Cash and cash equivalents at the end of the financial half year        | 7    | 36,245              | 31,045          |

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

# Note 1. Significant accounting policies

## (a) Basis of preparation

Duratec Limited is a for-profit company limited by shares, incorporated and domiciled in Australia. The Company's registered address is 108 Motivation Drive, Wangara, WA 6065. The consolidated financial statements of the Company as at and for the financial half-year ended 31 December 2021 comprises the Company and its subsidiaries (together referred to as the "Group" or the "consolidated entity"). The Group provides assessment, protection, remediation and refurbishment services to a broad range of assets, in particular steel and concrete infrastructure.

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

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the consolidated financial report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### **New or amended Accounting Standards and interpretations adopted by the Group**

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

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

## (b) Principles of consolidation and equity accounting

### *(i) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

### *(ii) Associates*

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

### *(iii) Joint arrangements*

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Duratec Limited has a joint operation.

### *Joint operations*

Duratec Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

### *(iv) Equity accounting method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

## Note 2. Segment reporting

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

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

Defence - dedicated to the delivery of capital facilities, infrastructure and estate works program projects

Mining & Industrial - provision of tailored preventative maintenance programmes

Buildings & Façades - completion of façade condition assessments and façade restorations

| Consolidated - December 2021                           | Defence | Mining & Industrial | Buildings & Façades | Other Segments | Total    |
|--|---------|---------------------|---------------------|----------------|----------|
|  | \$'000  | \$'000              | \$'000              | \$'000         | \$'000   |
| Sales to external customers                            | 54,976  | 32,289              | 26,957              | 16,661         | 130,883  |
| Total revenue  | 54,976  | 32,289              | 26,957              | 16,661         | 130,883  |
| Gross profit for reportable segments                   | 7,118   | 8,408               | 3,369               | 1,838          | 20,733   |
| Unallocated amounts<br>(including corporate overheads) |         |                     |                     |                | (16,118) |
| EBITDA   |         |                     |                     |                | 4,615    |
| Depreciation and amortisation                          |         |                     |                     |                | (3,185)  |
| Finance costs  |         |                     |                     |                | (369)    |
| Profit before income tax expense                       |         |                     |                     |                | 1,061    |
| Income tax expense                                     |         |                     |                     |                | (335)    |
| Profit after income tax expense                        |         |                     |                     |                | 726      |

| Consolidated - December 2020                           | Defence | Mining & Industrial | Buildings & Façades | Other Segments | Total    |
|--|---------|---------------------|---------------------|----------------|----------|
|  | \$'000  | \$'000              | \$'000              | \$'000         | \$'000   |
| Sales to external customers                            | 54,106  | 27,588              | 15,301              | 27,068         | 124,063  |
| Total revenue  | 54,106  | 27,588              | 15,301              | 27,068         | 124,063  |
| Gross profit for reportable segments                   | 8,905   | 4,563               | 4,190               | 5,560          | 23,218   |
| Unallocated amounts<br>(including corporate overheads) |         |                     |                     |                | (14,335) |
| EBITDA   |         |                     |                     |                | 8,883    |
| Depreciation and amortisation                          |         |                     |                     |                | (2,420)  |
| Finance costs  |         |                     |                     |                | (302)    |
| Profit before income tax expense                       |         |                     |                     |                | 6,161    |
| Income tax expense                                     |         |                     |                     |                | (1,519)  |
| Profit after income tax expense                        |         |                     |                     |                | 4,642    |

## Note 3. Revenue

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

|  | Dec-21  | Dec-20  |
|--|---------|---------|
|  | \$'000  | \$'000  |
| Revenues from contracts with customers                                     | 130,883 | 124,063 |
| <b>Disaggregation of revenue from contracts with customers by location</b> |         |         |
| Western Australia  | 57,493  | 53,774  |
| New South Wales  | 19,021  | 25,859  |
| Victoria   | 11,564  | 10,688  |
| Northern Territory   | 3,421   | 7,082   |
| South Australia  | 7,958   | 8,780   |
| Queensland   | 15,905  | 9,463   |
| Tasmania   | 2,166   | 775     |
| Australian Capital Territory   | 13,355  | 7,642   |
|  | 130,883 | 124,063 |

| <b>Other income</b>                     | Dec-21 | Dec-20 |
|---|--------|--------|
|   | \$'000 | \$'000 |
| Dividends received                      | -      | 1,407  |
| Rental income                           | 163    | 154    |
| Interest received                       | 52     | 86     |
| Sundry income                           | 38     | 27     |
| Gain on disposal of plant and equipment | 131    | 108    |
|   | 384    | 1,782  |

## Note 4. Expenses

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

|  | Dec-21  | Dec-20  |
|--|---------|---------|
|  | \$'000  | \$'000  |
| <b>Expenses</b>  |         |         |
| Cost of sales  | 110,150 | 100,845 |
| <b>Interest expense for financial liabilities not at fair value through profit or loss</b> |         |         |
| External - Interest on loans and borrowings  | 269     | 204     |
| Interest on lease liabilities  | 100     | 98      |
| Total finance costs  | 369     | 302     |
| <b>Initial Public Offering (IPO) costs</b>   |         |         |
| Expensed in equity:  | -       | 2,455   |
| Before tax   | -       | 1,138   |
| Tax effect   | -       | (342)   |
| Recognised in equity (net of tax)  | -       | 796     |
| Total IPO costs for the period   | -       | 3,251   |
| <b>Employee Expenses</b>   |         |         |
| Share based payments (refer Note 19)   | 1,064   | 363     |
| Other  | 12,362  | 10,727  |
|  | 13,426  | 11,090  |

## Note 5. Equity accounted investment results

|  | Dec-21 | Dec-20 |
|--|--------|--------|
|  | \$'000 | \$'000 |
| Equity accounted investment results - associate - DDR Australia Pty Ltd    | 808    | 60     |
| Equity accounted investment results - associate - Fortec Australia Pty Ltd | -      | 149    |
|  | 808    | 209    |

## Note 6. Disposal of associate

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

|  | Dec-21 | Dec-20 |
|--|--------|--------|
|  | \$'000 | \$'000 |
| Opening balance - Investment in Fortec Australia Pty Ltd | -      | 1,342  |
| Share or profits for the period                          | -      | 149    |
| Investment in Fortec Australia Pty Ltd                   | -      | 1,491  |
| In specie dividend distribution                          | -      | 1,642  |
| Gain on disposal of associate                            | -      | 151    |

## Note 7. Cash and cash equivalents

|                                 | Dec-21 | Jun-21 |
|---------------------------------|--------|--------|
|                                 | \$'000 | \$'000 |
| Cash at bank and on hand        | 36,245 | 32,249 |
| Short-term deposits             | -      | 9,000  |
| Total cash and cash equivalents | 36,245 | 41,249 |

## Note 8. Plant and equipment

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

|                             | Land and Buildings | Plant and Machinery | Motor Vehicles | Office and IT Equipment | Leasehold Improvements | Capital WIP | Total    |
|-----------------------------|--------------------|---------------------|----------------|-------------------------|------------------------|-------------|----------|
| Consolidated                | \$'000             | \$'000              | \$'000         | \$'000                  | \$'000                 | \$'000      | \$'000   |
| <b>At 30 June 2021</b>      |                    |                     |                |                         |                        |             |          |
| At cost                     | 624                | 12,342              | 9,971          | 3,069                   | 2,178                  | 135         | 28,319   |
| Accumulated depreciation    | (1)                | (5,377)             | (4,048)        | (1,260)                 | (787)                  | -           | (11,473) |
|                             | 623                | 6,965               | 5,923          | 1,809                   | 1,391                  | 135         | 16,846   |
| <b>At 31 December 2021</b>  |                    |                     |                |                         |                        |             |          |
| Balance at 1 July 2021      | 623                | 6,965               | 5,923          | 1,809                   | 1,391                  | 135         | 16,846   |
| Additions                   | -                  | 963                 | 1,585          | 358                     | 245                    | 297         | 3,448    |
| Disposals                   | -                  | (130)               | (322)          | (16)                    | -                      | -           | (468)    |
| Depreciation                | (3)                | (779)               | (954)          | (379)                   | (187)                  | -           | (2,302)  |
| Balance at 31 December 2021 | 620                | 7,019               | 6,232          | 1,772                   | 1,449                  | 432         | 17,524   |
| <b>At 31 December 2021</b>  |                    |                     |                |                         |                        |             |          |
| At cost                     | 624                | 12,246              | 10,464         | 3,318                   | 2,423                  | 432         | 29,507   |
| Accumulated depreciation    | (4)                | (5,227)             | (4,232)        | (1,546)                 | (974)                  | -           | (11,983) |
|                             | 620                | 7,019               | 6,232          | 1,772                   | 1,449                  | 432         | 17,524   |

## Note 9. Right of use assets

|                          | Dec-21  | Jun-21  |
|--------------------------|---------|---------|
|                          | \$'000  | \$'000  |
| Land and buildings       |         |         |
| Right-of-use             | 5,057   | 4,950   |
| Accumulated depreciation | (2,158) | (1,845) |
|                          | 2,899   | 3,105   |

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

|                                     | Cost  | Accumulated Depreciation | Carrying Value |
|-------------------------------------|-------|--------------------------|----------------|
| Balance at 1 July 2021              | 4,950 | (1,845)                  | 3,105          |
| Additions during the half-year      | 682   | -                        | 682            |
| Leases expired during the half-year | (575) | 575                      | -              |
| Depreciation expense                | -     | (888)                    | (888)          |
| Balance at 31 December 2021         | 5,057 | (2,158)                  | 2,899          |

## Note 10. Borrowings

|                              | Dec-21 | Jun-21 |
|------------------------------|--------|--------|
|                              | \$'000 | \$'000 |
| Current                      |        |        |
| Equipment finance            | 2,841  | 2,735  |
| Total current borrowings     | 2,841  | 2,735  |
| Non-current                  |        |        |
| Equipment finance            | 7,240  | 7,383  |
| Total non-current borrowings | 7,240  | 7,383  |
| Total borrowings             | 10,081 | 10,118 |

## Note 11. Property lease liabilities

|  | Dec-21 | Jun-21 |
|--|--------|--------|
|  | \$'000 | \$'000 |
| Current                                      |        |        |
| Lease liabilities - Property (AASB 16)       | 1,557  | 1,299  |
| Total current property lease liabilities     | 1,557  | 1,299  |
| Non-current                                  |        |        |
| Lease liabilities - Property (AASB 16)       | 1,563  | 1,998  |
| Total non-current property lease liabilities | 1,563  | 1,998  |
| Total property lease liabilities             | 3,120  | 3,297  |



## Note 12. Issued capital

|                              | Dec-21      | Jun-21      | Dec-21 | Jun-21 |
|------------------------------|-------------|-------------|--------|--------|
|                              | Shares      | Shares      | \$'000 | \$'000 |
| Ordinary shares - fully paid | 240,349,760 | 237,444,801 | 25,082 | 23,703 |

Movement in ordinary share capital:

| Details                          | Date        | Shares      | Cumulative Shares | Issue price (\$) | \$'000 |
|----------------------------------|-------------|-------------|-------------------|------------------|--------|
| Balance                          | 1 Jul 2021  | 237,444,801 | 237,444,801       | -                | 23,703 |
| Dividend Reinvestment Plan       | 13 Oct 2021 | 537,459     | 237,982,260       | 0.36             | 195    |
| IPO Rights issue (refer Note 19) | 5 Nov 2021  | 2,367,500   | 240,349,760       | -                | 1,184  |
| Balance                          | 31 Dec 2021 | 240,349,760 | 240,349,760       | -                | 25,082 |

## Note 13. Reserves

|  | Dec-21       | Jun-21       |
|--|--------------|--------------|
|  | \$'000       | \$'000       |
| <b>Acquisition Reserve</b>                       |              |              |
| Balance at the beginning of the financial period | (231)        | (231)        |
| Acquisition of non-controlling interest          | -            | -            |
| Balance at end of the financial period           | (231)        | (231)        |
| <b>Share Based Payment Reserve</b>               |              |              |
| Balance at the beginning of the financial period | 1,620        | -            |
| Share-based payments                             | 1,064        | -            |
| Transfer from share-based payments reserve       | (1,184)      | 1,620        |
| Balance at end of the financial period           | 1,500        | 1,620        |
| <b>Total Reserves</b>                            | <b>1,269</b> | <b>1,389</b> |

## Note 14. Dividends

Dividends paid during the financial half-year were as follows:

|   | Dec-21 | Dec-20 |
|---|--------|--------|
|   | \$'000 | \$'000 |
| Disposal of Fortec Australia Pty Ltd by way of a dividend in specie to the Company's shareholders | -      | 1,642  |
| Other dividends (cash)  | 3,367  | 25,200 |
| Dividend Reinvestment Plan  | 195    | -      |
| Declared fully franked ordinary dividends franked at 30% (2020: 30%)                              | 3,562  | 26,842 |

## Note 15. 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.

|   | Dec-21 | Dec-20 |
|---|--------|--------|
|   | \$'000 | \$'000 |
| Bonds & Guarantees on issue at end of financial half-year | 26,639 | 26,390 |

## Note 16. Events after the reporting period

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

No matter or circumstance has arisen since 31 December 2021 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 17. Reconciliation of profit after income tax to net cash from operating activities

|   | Dec-21       | Dec-20         |
|---|--------------|----------------|
|   | \$'000       | \$'000         |
| Profit after income tax expense for the half-year     | 726          | 4,642          |
| <b>Adjustments for:</b>                               |              |                |
| Depreciation  | 3,186        | 2,420          |
| Share of profits of associates and joint ventures     | (808)        | (209)          |
| Dividends received                                    | -            | (1,407)        |
| Gain on sale of fixed assets                          | (131)        | (117)          |
| Gain on disposal of investment                        | -            | (151)          |
| Share based payment expense                           | 1,064        | 363            |
| IPO costs reallocated to equity (before tax)          | -            | (1,138)        |
| <b>Change in operating assets and liabilities:</b>    |              |                |
| Decrease in trade and other receivables               | 9,539        | 1,147          |
| (Increase) / decrease in contract assets              | (4,661)      | 27             |
| Decrease in inventories                               | 24           | 1              |
| Increase in other assets                              | (721)        | (926)          |
| Increase / (decrease) in trade and other payables     | 2,119        | (5,843)        |
| Decrease in contract liabilities                      | (8,396)      | (4,108)        |
| Increase / (decrease) in provisions                   | 820          | (231)          |
| Increase in tax balances                              | (656)        | (1,201)        |
| <b>Net cash from / (used in) operating activities</b> | <b>2,105</b> | <b>(6,731)</b> |

## Note 18. Earnings per share

|   | Dec-21      | Dec-20       |
|---|-------------|--------------|
|   | \$'000      | \$'000       |
| <b>Earnings used to calculate basic EPS (\$'000)</b>  | <b>726</b>  | <b>4,642</b> |
| Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS (number of shares)   | 238,399,022 | 204,395,620  |
| <b>Basic earnings per share (cents per share)</b>   | <b>0.30</b> | <b>2.27</b>  |
| <b>Earnings used to calculate diluted EPS (\$'000)</b>  | <b>726</b>  | <b>4,642</b> |
| Weighted average number of ordinary shares outstanding during the period used in calculating diluted EPS (number of shares) | 250,874,022 | 213,370,620  |
| <b>Diluted earnings per share (cents per share)</b>   | <b>0.29</b> | <b>2.18</b>  |

## Note 19. Share-based payments

As at 31 December 2021, the Company had the following share-based payment arrangements:

### a) IPO Rights Offer

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

| Number of Rights granted | Vesting Date | Lapsed | Vested    | Balance   | Vesting Hurdles                                  |  |
|--------------------------|--------------|--------|-----------|-----------|--|--|
|                          |              |        |           |           | 50%  | 50%  |
| 2,407,500                | 4 Nov 2021   | 40,000 | 2,367,500 | -         | Continued employment for 12 months to 4 Nov 2021 | Continued employment for 24 months to 4 Nov 2022 |
| 2,407,500                | 4 Nov 2022   | 40,000 | -         | 2,367,500 |  |  |
| 4,815,000                |              | 80,000 | 2,367,500 | 2,367,500 |  |  |

### b) Hurdled Performance Rights

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

| Number of Rights granted | Vesting Date | Lapsed  | Vested | Balance   | Vesting Hurdles   |  |
|--------------------------|--------------|---------|--------|-----------|---|--|
|                          |              |         |        |           | 50%   | 50%  |
| 1,855,000                | 31 Aug 2023  | 177,500 | -      | 1,677,500 | Continued employment to vesting date & meeting an earnings per share (EPS) target | Continued employment to vesting date & meeting a total shareholder return (TSR) target |
| 1,997,500                | 6 Sep 2024   | 30,000  | -      | 1,967,500 |   |  |
| 1,855,000                | 31 Aug 2023  | 177,500 | -      | 1,677,500 |   |  |
| 1,997,500                | 6 Sep 2024   | 30,000  | -      | 1,967,500 |   |  |
| 7,705,000                |              | 415,000 | -      | 7,290,000 |   |  |

### c) Non-Hurdled Performance Rights

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

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

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

# Directors' Declaration

For the half year ended 31 December 2021

In the Directors' opinion:

- a. the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- b. the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- c. there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to Section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read "R. Harcourt".

**Robert (Phil) Harcourt**

Director

Perth

28 February 2022



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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DURATEC LIMITED

We have reviewed the accompanying half-year financial report of Duratec Limited which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Duratec Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

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### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Duratec Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

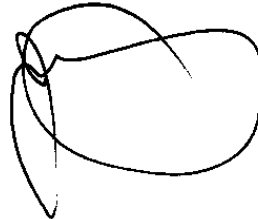
### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Duratec Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

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

Perth, WA  
Dated: 28 February 2022

J A KOMNINOS  
Partner