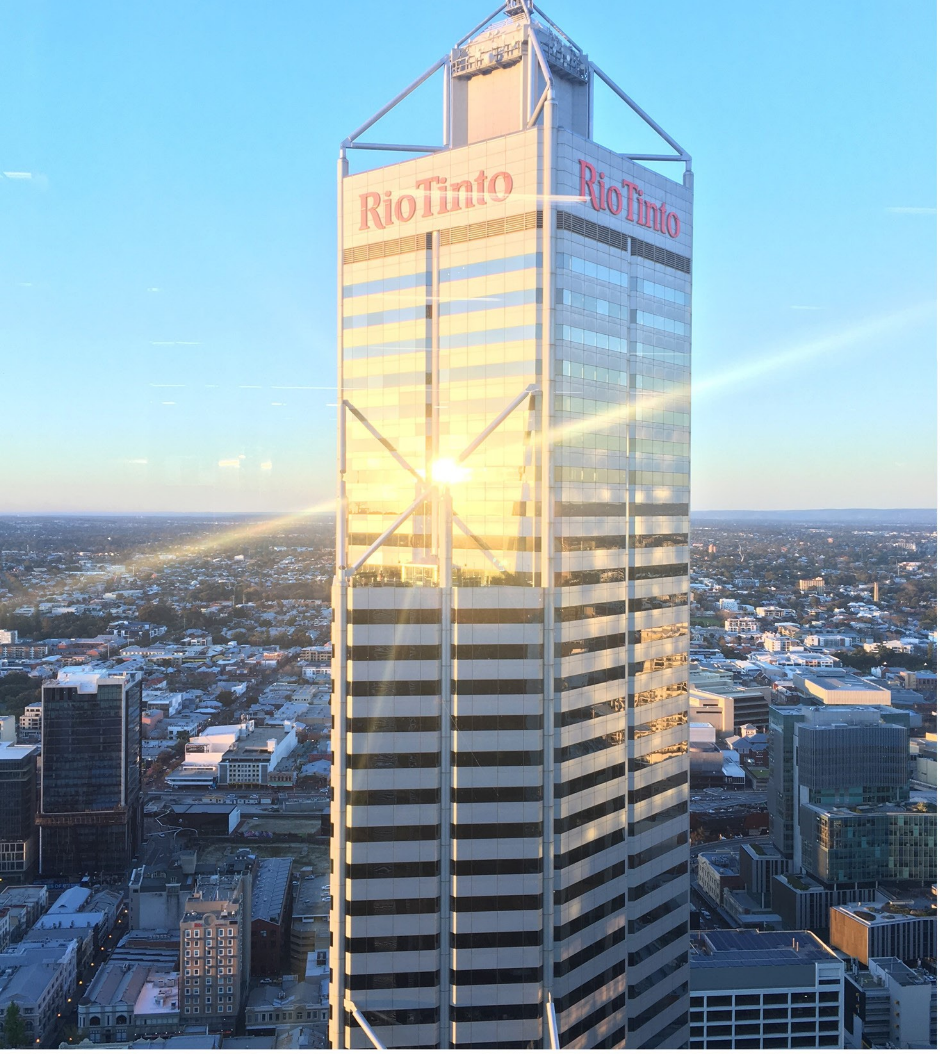

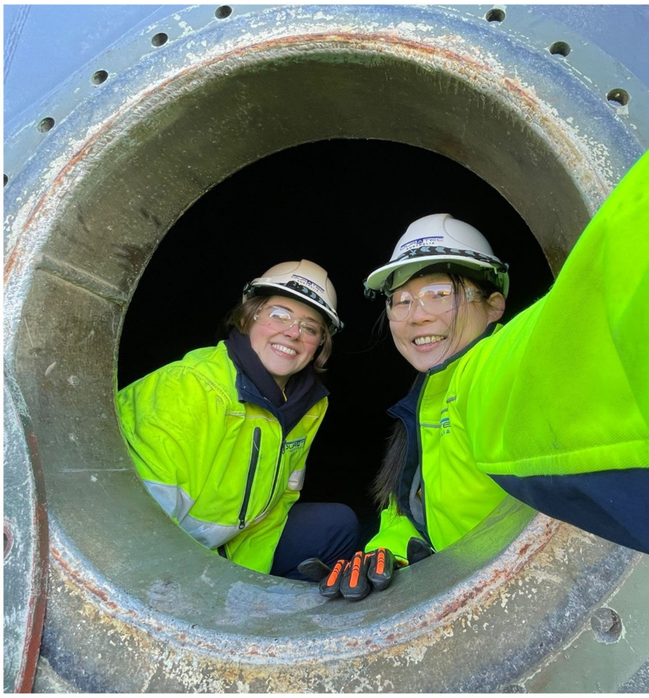

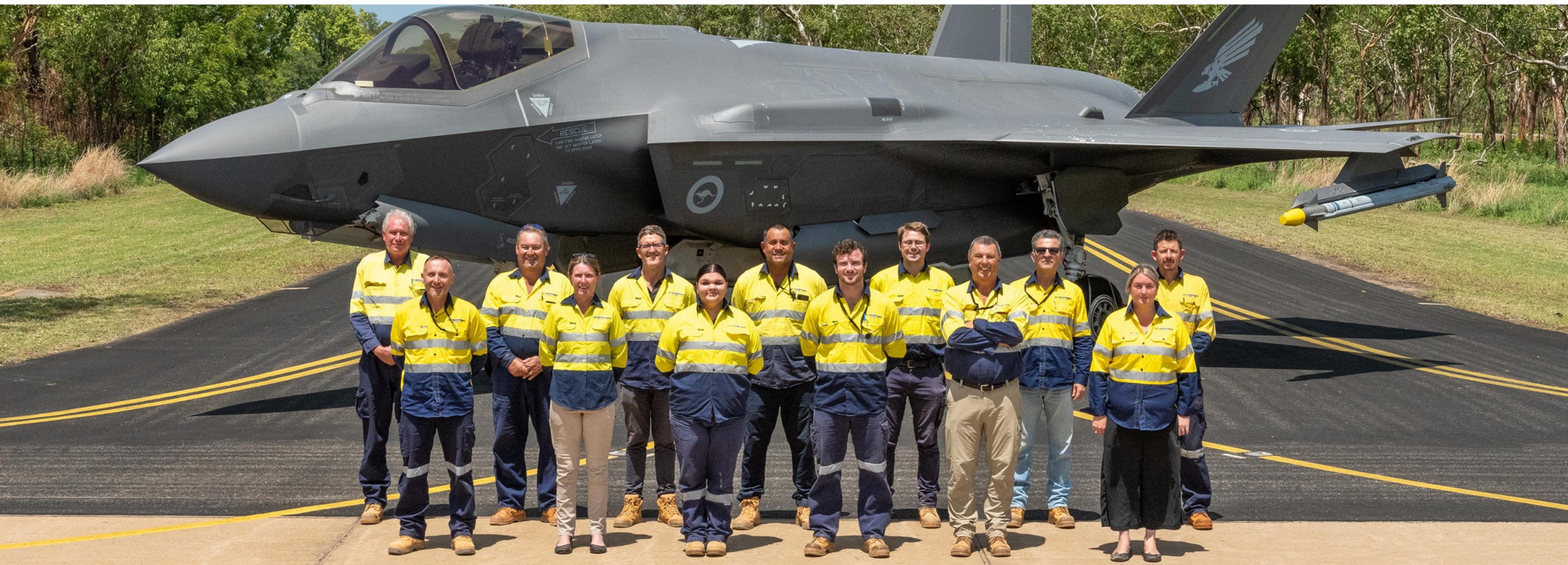

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FINANCIAL REPORT

Contents

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
Internet:	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

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 2022.

Directors and Company Secretary

Name / Position	Period of Directorship
Martin Brydon Non-Executive Chairman	Appointed 1 September 2020
Robert (Phil) Harcourt Executive Director, Managing Director	Appointed 26 August 2010
Christopher Oates Executive Director - General Manager	Appointed 26 August 2010
Gavin Miller Non-Executive Director	Appointed 14 April 2010
Dennis Wilkins 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 2022, the consolidated entity generated revenues of $228.5m, an increase of 74.6% on the previous corresponding period. Profit after income tax for the six-month period was $7.8m, an increase of 980.8% on the previous corresponding period.

	Dec-22	Dec-21
	$'000	$'000
Revenue from contracts with customers	228,532	130,883
Profit after income tax	7,846	726

Significant changes in state of affairs

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

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

27 February 2023

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Duratec Limited for the half-year ended 31 December 2022, 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

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 27 February 2023

J A KOMNINOS
Partner

Consolidated Statement of
Profit or Loss
and Other Comprehensive Income
For the half year ended 31 December 2022

		Consolidated Entity	
		Dec-22	Dec-21
	Note	$'000	$'000
Continuing Operations			
Revenue from contracts with customers	3	228,532	130,883
Contracting cost of sales	4	(192,864)	(110,150)
		35,668	20,733
Other income	3	703	384
Employee benefits expense	4	(16,887)	(13,426)
Administration expense		(4,146)	(3,311)
Occupancy expense		(673)	(573)
Depreciation and amortisation expense		(4,260)	(3,185)
Finance costs	4	(343)	(369)
Equity accounted investment results	5	940	808
Profit before income tax expense from continuing operations		11,002	1,061
Income tax expense		(3,156)	(335)
Profit for the year from continuing operations		7,846	726
Profit for the year is attributable to:			
Owners of Duratec Limited		7,846	726
Profit for the year		7,846	726
Total comprehensive income for the half year, net of tax		7,846	726
Earnings per share attributable to the owners of Duratec Limited:		cents	cents
Basic earnings per share (cents)	19	3.25	0.30
Diluted earnings per share (cents)	19	3.09	0.29
Earnings per share from continuing operations attributable to the owners of Duratec Limited:			
Basic earnings per share (cents)	19	3.25	0.30
Diluted earnings per share (cents)	19	3.09	0.29

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 2022

		Consolidated Entity	
		Dec-22	Jun-22
	Note	$'000	$'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	60,403	58,263
Trade and other receivables		35,354	29,998
Contract assets		11,054	16,661
Inventories		404	317
Current tax receivable		-	208
Other current assets		2,783	1,380
Total Current Assets		109,998	106,827
Non-Current Assets			
Trade and other receivables		4,764	1,998
Property, plant and equipment	8	21,507	18,823
Right-of-use assets	9	2,507	2,525
Intangible assets	10	15,261	-
Investments accounted for using the equity method		4,841	3,901
Other non-current assets		198	121
Deferred tax assets		3,978	3,428
Total Non-Current Assets		53,056	30,796
Total Assets		163,054	137,623
LIABILITIES			
Current Liabilities			
Trade and other payables		59,435	39,426
Contingent consideration payable	6	9,000	-
Borrowings	11	3,958	3,571
Property lease liabilities	12	1,717	1,557
Contract liabilities		29,541	41,690
Current tax liability		447	-
Provisions		8,875	6,824
Total Current Liabilities		112,973	93,068
Non-Current Liabilities			
Borrowings	11	8,728	8,451
Property lease liabilities	12	1,050	1,229
Deferred tax liabilities		2,804	3,186
Provisions		1,193	732
Total Non-Current Liabilities		13,775	13,598
Total Liabilities		126,748	106,666
Net Assets		36,306	30,957
EQUITY			
Issued capital	13	26,641	25,167
Reserves	14	1,603	1,965
Retained earnings		8,062	3,825
Total Equity		36,306	30,957

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

Consolidated Statement of

Changes in Equity

For the half year ended 31 December 2022

Consolidated Entity	Note	Issued Capital $'000	Retained Earnings $'000	Reserves $'000	Total Equity $'000
Balance at 1 July 2021		23,703	827	1,389	25,919
Comprehensive income					
Profit for the half year		-	726	-	726
Total comprehensive income for the half year		-	726	-	726
Transactions With Owners					
Share based payments		-	-	1,064	1,064
Issue of ordinary shares		1,184	-	(1,184)	-
Dividend Reinvestment Plan		195	-	-	195
Dividends paid	15	-	(3,562)	-	(3,562)
Balance at 31 December 2021		25,082	(2,009)	1,269	24,342
Balance at 1 July 2022		25,167	3,825	1,965	30,957
Comprehensive income					
Profit for the half year		-	7,846	-	7,846
Total comprehensive income for the half year		-	7,846	-	7,846
Transactions With Owners					
Share-based payments		-	-	821	821
Transfer from share-based payments reserve		1,183	-	(1,183)	-
Dividend Reinvestment Plan		291	-	-	291
Dividends paid	15	-	(3,609)	-	(3,609)
Balance at 31 December 2022		26,641	8,062	1,603	36,306

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 2022

		Consolidated Entity	
		Dec-22	Dec-21
	Note	$'000	$'000
Cash flows from operating activities			
Receipts from customers		241,933	140,239
Payments to suppliers and employees		(217,613)	(136,897)
Income tax paid		(3,630)	(991)
Interest and finance costs paid		(272)	(298)
Interest received		299	52
Net cashflows from operating activities	18	20,717	2,105
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		323	592
Purchase of property, plant and equipment		(5,116)	(3,439)
Acquisition of subsidiary, net of cash acquired		(9,988)	-
Net cashflows used in investing activities		(14,781)	(2,847)
Cash flows from financing activities			
Dividend paid	15	(3,318)	(3,367)
Proceeds from borrowings		2,840	1,692
Repayment of borrowings		(2,174)	(1,728)
Repayment lease liabilities		(1,144)	(859)
Net cashflows used in financing activities		(3,796)	(4,262)
Net increase/ (decrease) in cash and cash equivalents		2,140	(5,004)
Cash and cash equivalents at beginning of period		58,263	41,249
Cash and cash equivalents at the end of the financial half year	7	60,403	36,245

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 2022 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 2022 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 2022 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, except the following or where otherwise stated.

Business Combinations

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

Intangible assets

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

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

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

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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

A joint arrangement (that is either classified as a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement) is one in with the Group is party to an arrangement of which two or more parties have control. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Duratec Limited is party to 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, Water and Oil & Gas. 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 2022	Defence	Mining & Industrial	Buildings & Façades	Other Segments	Total
	$'000	$'000	$'000	$'000	$'000
Sales to external customers	112,069	55,183	38,093	23,187	228,532
Total revenue	112,069	55,183	38,093	23,187	228,532
Gross profit for reportable segments	15,940	11,853	6,205	1,670	35,668
Unallocated amounts (including corporate overheads)					(20,063)
EBITDA					15,605
Depreciation and amortisation					(4,260)
Finance costs					(343)
Profit before income tax expense					11,002
Income tax expense					(3,156)
Profit after income tax expense					7,846

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 (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

Note 3. Revenue

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

	Dec-22	Dec-21
	$'000	$'000
Revenues from contracts with customers	228,532	130,883
Disaggregation of revenue from contracts with customers by location		
Western Australia	65,896	57,493
New South Wales	57,256	19,021
Victoria	9,879	11,564
Northern Territory	42,487	3,421
South Australia	8,964	7,958
Queensland	20,238	15,905
Tasmania	1,538	2,166
Australian Capital Territory	22,274	13,355
	228,532	130,883

Other income	Dec-22	Dec-21
	$'000	$'000
Rental income	187	163
Interest received	299	52
Sundry income	41	38
Gain on disposal of plant and equipment	176	131
	703	384

Note 4. Expenses

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

	Dec-22	Dec-21
	$'000	$'000
Expenses		
Cost of sales	192,864	110,150
Interest expense for financial liabilities not at fair value through profit or loss		
External - Interest on loans and borrowings	346	269
Interest on lease liabilities	(3)	100
Total finance costs	343	369
Employee Expenses		
Share based payments (refer Note 20)	821	1,064
Other	16,066	12,362
	16,887	13,426

Note 5. Equity accounted investment results

	Dec-22	Dec-21
	$'000	$'000
Equity accounted investment results - associate - DDR Australia Pty Ltd	940	808
	940	808

Note 6. Acquisition

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

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

For the period from acquisition on 20 October 2022, WPF contributed revenue of $3.57m and EBITDA of $0.281m.

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

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

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

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

Goodwill arising from the acquisition has been recognised as follows:

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

The goodwill is attributable mainly to the skills and talent of Wilson's Pipe Fabrication employees.

Note 6. Acquisition (continued)

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of the acquisition, then the accounting for the acquisition will be revised.

The following table summarises the cash flows in relation to the acquisition at 31 December 2022

	31 Dec 2022
	$'000
Initial consideration	9,000
Working capital (based on initial estimate)*	1,471
Cash acquired as part of acquisition	(483)
Acquisition of subsidiary, net of cash acquired	9,988

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

At 31 December WPF had the following finance facilities with NAB; Invoice Finance Facility $600,000, Asset Finance Revolving Leasing Limit $600,000 and Business Card Facility $10,000. Security interests are granted in favour of NAB by way of charge over the Invoice Finance Account and any goods acquired using the Asset Finance Facility.

Note 7. Cash and cash equivalents

	Dec-22	Jun-22
	$'000	$'000
Cash at bank and on hand	56,403	43,263
Short-term deposits	4,000	15,000
Total cash and cash equivalents	60,403	58,263

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
At 30 June 2022							
At cost	624	13,848	12,373	3,568	2,516	182	33,111
Accumulated depreciation	(7)	(6,129)	(5,042)	(1,932)	(1,178)	-	(14,288)
	617	7,719	7,331	1,636	1,338	182	18,823
Balance at 1 July 2022	617	7,719	7,331	1,636	1,338	182	18,823
Additions	1,989	604	2,129	505	7	(118)	5,116
Acquired in subsidiary	-	605	30	22	-	-	657
Disposals	-	(68)	(77)	(2)	-	-	(147)
Depreciation	(8)	(1,081)	(1,216)	(414)	(223)	-	(2,942)
Balance at 31 December 2022	2,598	7,779	8,197	1,747	1,122	64	21,507
At 31 December 2022							
At cost	2,613	14,843	14,136	4,090	2,523	64	38,269
Accumulated depreciation	(15)	(7,064)	(5,939)	(2,343)	(1,401)	-	(16,762)
	2,598	7,779	8,197	1,747	1,122	64	21,507

Note 9. Right of use assets

	Dec-22	Jun-22
	$'000	$'000
Land and buildings		
Right-of-use	5,871	5,224
Accumulated depreciation	(3,364)	(2,699)
	2,507	2,525

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 2022	5,224	(2,699)	2,525
Additions during the half-year	722	-	722
Acquired from subsidiary	407	(12)	395
Leases expired during the half-year	(482)	482	-
Depreciation expense	-	(1,135)	(1,135)
Balance at 31 December 2022	5,871	(3,364)	2,507

Note 10. Intangible assets

	Dec-22	Jun-22
	$'000	$'000
Goodwill	4,452	-
Less: Impairment	-	-
	4,452	-
Customer relationships	10,992	-
Less: Accumulated amortisation	(183)	-
	10,809	-
Total intangibles	15,261	-

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

	Goodwill	Customer Relationships	Total
	$'000	$'000	$'000
Balance at 1 July 2022	-	-	-
Additions through business combinations	4,452	10,992	15,444
Amortisation expense	-	(183)	(183)
Balance at 31 December 2022	4,452	10,809	15,261

Note 11. Borrowings

	Dec-22	Jun-22
	$'000	$'000
Current		
Equipment finance	3,958	3,571
Total current borrowings	3,958	3,571
Non-current		
Equipment finance	8,728	8,451
Total non-current borrowings	8,728	8,451
Total borrowings	12,686	12,022

Note 12. Property lease liabilities

	Dec-22	Jun-22
	$'000	$'000
Current		
Lease liabilities - Property (AASB 16)	1,717	1,557
Total current property lease liabilities	1,717	1,557
Non-current		
Lease liabilities - Property (AASB 16)	1,050	1,229
Total non-current property lease liabilities	1,050	1,229
Total property lease liabilities	2,767	2,786

Note 13. Issued capital

	Dec-22	Jun-22	Dec-22	Jun-22
	Shares	Shares	$'000	$'000
Ordinary shares - fully paid	243,702,042	240,573,404	26,641	25,167

Movement in ordinary share capital:

Details	Date	Shares	Cumulative Shares	Issue price ($)	$'000
Balance	1 Jul 2022	240,573,404	240,573,404	-	25,167
Dividend Reinvestment Plan	5 Oct 2022	761,138	241,334,542	0.38	291
Conversion of Performance Rights	5 Nov 2021	2,367,500	243,702,042	0.50	1,183
Balance	31 Dec 2022	243,702,042	243,702,042	-	26,641

Note 14. Reserves

	Dec-22	Jun-22
	$'000	$'000
Acquisition Reserve		
Balance at the beginning of the financial period	(231)	(231)
Balance at end of the financial period	(231)	(231)
Share Based Payment Reserve		
Balance at the beginning of the financial period	2,196	1,620
Share-based payments	821	1,760
Transfer from share-based payments reserve	(1,183)	(1,184)
Balance at end of the financial period	1,834	2,196
Total Reserves	1,603	1,965

Note 15. Dividends

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

	Dec-22	Dec-21
	$'000	$'000
Other dividends (cash)	3,318	3,367
Dividend Reinvestment Plan	291	195
Declared fully franked ordinary dividends franked at 30% (2021: 30%)	3,609	3,562

Note 16. 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-22	Dec-21
	$'000	$'000
Bonds & Guarantees on issue at end of financial half-year	37,353	26,639

Note 17. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 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 18. Reconciliation of profit after income tax to net cash from operating activities

	Dec-22	Dec-21
	$'000	$'000
Profit after income tax expense for the half-year	7,846	726
Adjustments for:		
Depreciation and amortisation	4,260	3,185
Share of profits of associates and joint ventures	(940)	(808)
Gain on sale of fixed assets	(176)	(131)
Share based payment expense	821	1,064
Change in operating assets and liabilities:		
(Increase)/ Decrease in trade and other receivables	(4,233)	9,539
Decrease / (Increase) in contract assets	6,532	(4,661)
(Increase)/ Decrease in inventories	(88)	24
(Increase) in other assets	(1,138)	(721)
Increase in trade and other payables	9,424	2,120
Increase in contingent liabilities	9,000	-
(Decrease) in contract liabilities	(12,149)	(8,396)
Increase in provisions	2,033	820
(Decrease) in tax balances	(475)	(656)
Net cash from operating activities	20,717	2,105

Note 19. Earnings per share

	Dec-22	Dec-21
	$'000	$'000
Earnings used to calculate basic EPS ($'000)	7,846	726
Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS (number of shares)	241,666,700	238,399,022
Basic earnings per share (cents per share)	3.25	0.30
Earnings used to calculate diluted EPS ($'000)	7,846	726
Weighted average number of ordinary shares outstanding during the period used in calculating diluted EPS (number of shares)	253,726,700	250,874,022
Diluted earnings per share (cents per share)	3.09	0.29

Note 20. Share-based payments

As at 31 December 2022, the Company had the following share-based payment arrangements:

a) IPO Rights Offer

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

Number of Rights granted	Vesting Date	Lapsed	Vested	Balance
2,407,500	4 Nov 2021	40,000	2,367,500	-
2,407,500	4 Nov 2022	40,000	2,367,500	-
4,815,000		80,000	4,735,000	-

Vesting Hurdles	
50%	50%
Continued employment for 12 months to 4 Nov 2021	Continued employment for 24 months to 4 Nov 2022

b) Hurdled Performance Rights

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

On 19 August 2022, a new offer of 4,910,000 Rights was made to senior executives and key managers, as determined by the Board of Directors.

Number of Rights granted	Vesting Date	Lapsed	Vested	Balance
1,855,000	31 Aug 2023	320,000	-	1,535,000[1]
1,997,500	6 Sep 2024	157,500	-	1,840,000[2]
1,855,000	31 Aug 2023	320,000	-	1,535,000[1]
1,997,500	6 Sep 2024	157,500	-	1,840,000[2]
2,455,000	5 Sep 2025	-	-	2,455,000[1]
2,455,000	5 Sep 2025	-	-	2,455,000[2]
12,615,000		955,000	-	11,660,000

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

c) Non-Hurdled Performance Rights

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

Number of Rights granted	Vesting Date	Lapsed	Vested	Balance
450,000	31 Aug 2023	50,000	-	400,000
450,000		50,000	-	400,000

Vesting Hurdles
Continued employment to 31 August 2023

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

Directors' Declaration

For the half year ended 31 December 2022

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 2022 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

Robert (Phil) Harcourt
Director
Perth
27 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT
To the Members of Duratec Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Duratec Limited which comprises the consolidated statement of financial position as at 31 December 2022, the statement of comprehensive income, 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.

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 2022 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards) (the Code) that are relevant to our audit of the annual 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 Duratec Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Directors' Responsibility for the Half-Year Financial Report

The directors of Duratec Limited 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 for the Review of the Financial Report

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 2022 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*.

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.

RSM

RSM AUSTRALIA PARTNERS

J A KOMNINOS
Partner

Perth, WA
Dated: 27 February 2023