

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 & 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 ¹	Associate	-	-	-	149
DDR Australia Pty Ltd	Associate	49	49	808	60
Duratec Ertech JV ²	Joint Arrangement	50	50	NA	NA

¹ 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.

² 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
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

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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
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 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 \$'000	Dec-20 \$'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

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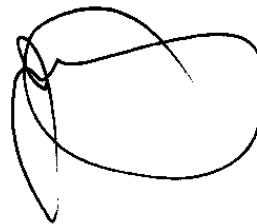
AUDITOR'S INDEPENDENCE DECLARATION

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

RSM AUSTRALIA PARTNERS



J A KOMNINOS
Partner

Perth, WA
Dated: 28 February 2022

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2021

		Consolidated Entity	
		Dec-21	Dec-20
	Note	\$'000	\$'000
Continuing Operations			
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

		Consolidated Entity	
		Dec-21	Jun-21
	Note	\$'000	\$'000
ASSETS			
Current Assets			
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
Total Current Assets		71,157	80,017
Non-Current Assets			
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
Total Non-Current Assets		26,610	25,205
Total Assets		97,767	105,222
LIABILITIES			
Current Liabilities			
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
Total Current Liabilities		61,963	67,174
Non-Current Liabilities			
Borrowings	10	7,240	7,383
Property lease liabilities	11	1,563	1,998
Deferred tax liabilities		1,730	1,936
Provisions		929	812
Total Non-Current Liabilities		11,462	12,129
Total Liabilities		73,425	79,303
Net Assets		24,342	25,919
EQUITY			
Issued capital	12	25,082	23,703
Reserves	13	1,269	1,389
Retained earnings		(2,009)	827
Total Equity		24,342	25,919

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

		Issued Capital	Retained Earnings	Reserves	Total Equity
Consolidated Entity					
	Note	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020		500	20,539	(231)	20,808
Comprehensive income					
Profit for the half year		-	4,642	-	4,642
Total comprehensive income for the half year		-	4,642	-	4,642
Transactions With Owners					
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
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
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

		Consolidated Entity	
		Dec-21	Dec-20
	Note	\$'000	\$'000
Cash flows from operating activities			
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)
Cash flows from investing activities			
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)
Cash flows from financing activities			
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
Net decrease in cash and cash equivalents		(5,004)	(10,231)
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 (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 (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
Disaggregation of revenue from contracts with customers by location		
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

Other income	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
Expenses		
Cost of sales	110,150	100,845
Interest expense for financial liabilities not at fair value through profit or loss		
External - Interest on loans and borrowings	269	204
Interest on lease liabilities	100	98
Total finance costs	369	302
Initial Public Offering (IPO) costs		
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
Employee Expenses		
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
At 30 June 2021							
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
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
At 31 December 2021							
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
Acquisition Reserve		
Balance at the beginning of the financial period	(231)	(231)
Acquisition of non-controlling interest	-	-
Balance at end of the financial period	(231)	(231)
Share Based Payment Reserve		
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
Total Reserves	1,269	1,389

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
Adjustments for:		
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)
Change in operating assets and liabilities:		
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)
Net cash from / (used in) operating activities	2,105	(6,731)

Note 18. Earnings per share

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

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	
1,855,000	31 Aug 2023	177,500	-	1,677,500	Continued employment to vesting date & meeting an earnings per share (EPS) target	
1,997,500	6 Sep 2024	30,000	-	1,967,500		
1,855,000	31 Aug 2023	177,500	-	1,677,500	Continued employment to vesting date & meeting a total shareholder return (TSR) target	
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	
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



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.

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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.

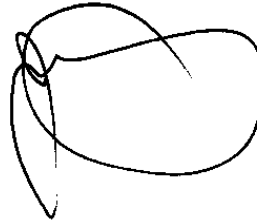
Conclusion

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*.

RSM

RSM AUSTRALIA PARTNERS



Perth, WA
Dated: 28 February 2022

J A KOMNINOS
Partner