E&A Limited

2020 Annual Report

E&A Limited

ABN 22 088 588 425

Annual Financial Report for the Financial Year Ended 30 June 2020

Current Reporting Period:	Financial Year Ended 30 June 2020
Previous Corresponding Period:	Financial Year Ended 30 June 2019

Contents

Review of Operations

For the Financial Year Ended 30 June 2020

Overview

E&A Limited, an investment company (**the 'Company' or 'Group' or 'EAL'**), achieved a statutory net profit after tax of $12.49 million for the year ended 30 June 2020.

EAL reports consolidated financial performance as follows:

- **Revenue of $151.01 million, up 15.4% from 2019, resulting from increased activity from mining and industrial customers, including the acquisition of North Western Mining & Civil in January 2020;**
- **Statutory net profit after tax of $12.49 million;**
- **Underlying EBITDA of $17.15 million, up 62% from 2019;**
- **Received positive cash flow from operations of $27.4 million, up from $5.3 million;**
- **The Group's improved trading results reflect the ongoing strategic focus on recurring revenue generated from providing maintenance, shutdown and skilled labour services to "Essential Industry" asset owners.**
- **During the year, EAL established a $37.5 million, three year loan facility, with Longreach Credit Investors Pty Ltd. The proceeds from this loan were applied to repay the White Oak Loan Facility, the ANZ loan facility, and reduce the NAB facility to $1.43 million which is non-interest bearing and due to be repaid within three years.**
- **The Group acquired North West Mining & Civil (NWMC), based in Pilbara WA, with effect from 1 January 2020. This acquisition will increase EAL's service offerings in the Pilbara region. NWMC contributed revenue of $10.05 million from when it joined the Group in January 2020.**
- **All of EAL's subsidiaries maintained their safety cultures and exceptional safe work record through safety leadership, training and communication. The Group proactively and successfully managed employees and suppliers exposure to COVID-19 by working closely with their customers to mitigate risk whilst continuing to provide "Essential Industry" maintenance and shutdown services across Australia.**
- **As a consequence of the debt refinance and improved earnings, the net debt divided by the trailing 12 months underlying EBITDA is below two times and the lowest in EAL's history.**
- **The Group continues to provide maintenance and shutdown services across Australia to "Essential Industry" asset owners. Notwithstanding COVID-19, the budgeted outlook for revenue and profit for FY21 is an improvement on FY20 financial performance. EAL is pleased to advise that trading results exceed budget for the first quarter of FY21.**

THE 2020 YEAR IN REVIEW

Income Statement

FY20 Results Summary EAL Group	FY20 $'000	FY19 $'000	Percentage change (%)
Revenue from continuing operations	**151,010**	**130,841**	**15%**
Statutory net profit after tax	**12,485**	**22,241**	**(44%)**
Less: profit after tax from discontinued operations	-	(23,531)	-
Income tax expense	5,840	2,133	174%
Statutory profit before tax from continuing operations	**18,325**	**843**	**2074%**
Net finance expense	5,840	6,186	(12%)
Earnings before interest and tax (EBIT) from continuing operations	**23,755**	**7,029**	**238%**
Less: Net debt reduction and refinancing income	(10,888)	-	
Add: Cost of business and asset acquisitions	343	-	
Add: Claim expert, legal, financing establishment, restructuring costs and other	-	1,363	
Add: Bank guarantee called	-	1,141	
Add: Work in progress and inventory impairment	-	990	
Underlying earnings before interest, tax and depreciation (EBITDA) from continuing operations*	**17,149**	**12,400**	**38%**
Underlying EBIT from continuing operations*	**13,210**	**10,523**	**26%**
Cash generated from operations	**27,397**	**5,284**	**418%**

* The underlying profit / (losses) and EBITDA are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information, issued in December 2011. Underlying adjustments have been considered in relation to their size and nature and have been adjusted from the Statutory information for disclosure purposes to assist readers to better understand the financial performance of the underlying business in each reporting period. The exclusion of these items provides a result which, in the Directors' view, is more closely aligned with the ongoing operations of the Consolidated Group. The non-IFRS information has not been subject to review by the auditor.

Cash flow

EAL achieved a record positive cash flow from operations, before interest, borrowings costs and tax of $27.40 million and, after payment of interest and tax, a net inflow of $19.76 million for the year ended 30 June 2020.

Net Debt & Gearing

In January 2020, EAL completed the establishment and draw down of a new three year $37.5 million term loan facility with Longreach Credit Investors Pty Ltd (**LCI**). Funds from the new LCI finance facility were applied to repay all existing financiers, working capital and transaction costs associated with the refinance. The financial impact of the LCI transaction was to immediately strengthen EAL's balance sheet by $10.89 million.

At 30 June 2020, net debt excluding operating leases was $40.06 million and gearing was 49.0% (as measured by the ratio of net debt to net debt plus shareholder equity).

At 30 June 2020, EAL's net debt to statutory EBITDA from continuing operations ratio is 1.49x. This is expected to reduce further in FY21 and beyond as EAL is forecasting strong operating cash flows, combined with the benefit of a deferred tax asset to offset income tax payable.

Legacy Claims

During the year, EAL settled its final two material disputed claims for Air Liquide and Snapper. The net proceeds after costs were applied to debt reduction.

Proactive response to COVID-19

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The spread of COVID-19 caused significant volatility in Australian and International markets, and uncertainty around the breadth and duration of business disruptions related to COVID-19.

EAL has taken, and continues to take, proactive measures to ensure the long-term sustainability of the business amongst the volatility and disruptions, by focussing on three priorities: looking after our people; continuing to deliver products and services to our customers; and managing the economic and social impacts caused by the COVID-19 pandemic.

Proactive measures undertaken included:

- Maintaining a strong focus on revenue, expenses and cashflow, across all subsidiaries.
- Implementing safeguards to ensure all our employees have been able to operate in safe working environments without affecting productivity or work ethic.
- Reducing salaries across Executive and General Management teams across the Group for a short period to preserve cashflow and mitigate the impact of COVID-19 on the business.
- Eligibility for JobKeeper assistance from the Australian Government, the receipt of which has helped EAL manage the impacts from COVID-19 on its financial performance.
- Focussing on business development and execution of work, to ensure our services and products continue to be available to all our customers, while also protecting the safety of customers, suppliers and our employees.

The Group's prudent financial management practices resulted in a strong cash flow from operations for the financial year and a strengthening of the balance sheet.

Whilst the general economic outlook remains uncertain, the markets in which the Group operates, continue to experience demand for products and services. With precautionary measures gradually being lifted in some Australian States, we remain confident of the Group's ability to emerge from this period of unprecedented disruption in a strong competitive position.

Safety

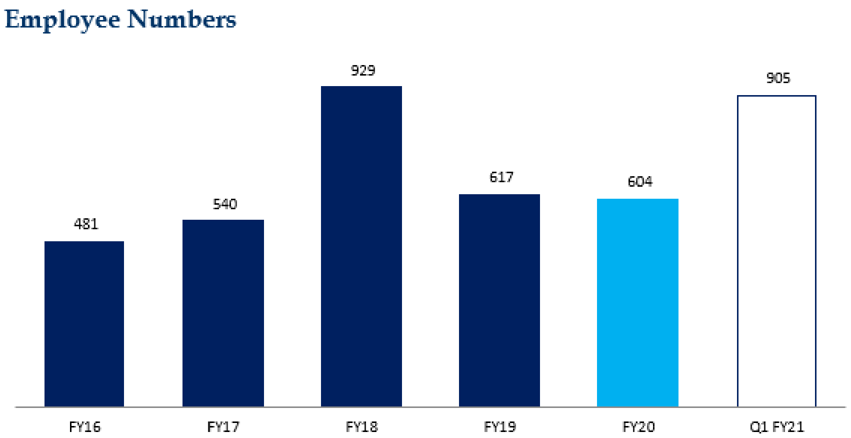
EAL's management and employees share a mutual responsibility to deliver work in a manner which does not harm either the employee or those who work alongside them. EAL's group subsidiary employees maintained their attention to this essential obligation last financial year and once again we are proud to announce another year's lost time injury free performance with the EAL group extending its overall LTI free record to now more than seven years.

EAL subsidiaries maintain workers' compensation self-insurance status for its South Australian operations. The South Australian self-insured license has been extended for four years through to 2022 over the course of the last financial year.

People

EAL's subsidiaries have managed their direct and indirect employment levels in line with project demands often requiring expedited recruitment efforts to match customer requirements. EAL subsidiaries continue to foster essential skills and maintain skilled employment within their respective areas of expertise.

Details of EAL group's employee numbers for its continuing operations over the last five years as at 30 June are presented below:



Dividends

The company has not declared any dividends in respect of the financial year ended 30 June 2020 (2019: Nil).

Outlook for FY21

EAL subsidiaries have made a record earnings start to the financial year as a consequence of the increased revenue generated from maintenance and sustaining projects work sourced primarily from its essential asset customers in the resources, energy, oil & gas and infrastructure sectors.

Annual Financial Report

For the Financial Year Ended 30 June 2020

E&A Limited

ABN 22 088 588 425

COMPANY OVERVIEW

E&A Limited is a diversified Australian based investment and engineering services group comprising the following wholly owned operating businesses:

SEGMENT	OPERATING COMPANIES	SERVICES	INDUSTRY EXPOSURE	EMPLOYEES
Investment & Corporate Advisory	E&A Limited	▪ Comprehensive range of corporate advisory services relating to the analysing, negotiating, financing and completing of business transactions for external and internal clients	▪ Public ▪ Private ▪ Government organisations ▪ E&A Limited subsidiaries	17
	E&A Corporate Services Limited	▪ Holds the investment in Equity & Advisory corporate advisory business and also provides a range of corporate advisory services to E&A Limited subsidiaries as they continue to expand both organically and through acquisition		

COMPANY OVERVIEW (Continued)

SEGMENT	OPERATING COMPANIES	SERVICES	INDUSTRY EXPOSURE	EMPLOYEES
Diversified essential engineering services	AusPress Systems	▪ Drainage and supply systems for industrial and commercial applications	▪ Agriculture ▪ Defence ▪ Food & Beverage Processing ▪ Industrial ▪ Infrastructure ▪ Mining ▪ Oil & Gas ▪ Petro-chemical ▪ Power generation ▪ Quarry ▪ Recycling ▪ Ship Building ▪ Water ▪ Waste Water ▪ Waste Management	587
	Fabtech Australia	▪ Flexible geomembrane liners and floating covers for dams, reservoirs, tunnels, channels and landfills		
	Heavymech	▪ Breakdown and repair services to the heavy industrial, mining and power generation industries		
	ICE Engineering & Construction ICE USG	▪ Electrical engineering including the design of electrical control systems for heavy industry, manufacturing and installations		
	NWMC Mining & Civil	▪ Construction, building and maintenance services including plumbing, waste management and facilities management for mining and commercial clients		
	QMM	▪ Equipment, spare parts, plant construction and repair, and onsite maintenance to the quarry, recycling and mining sectors		
	Tasman Power	▪ Electrical services specialising in the planning, management and execution of electrical maintenance for major iron ore producers in Western Australia		
	Tasman Rope Access	▪ Rope access maintenance and shutdown services		

DIRECTORS' BIOGRAPHIES

Information on directors

The following persons acted as directors of the Company during the year and up to the date of this report.

MR MICHAEL JOHN TERLET *AO, MBA FAIML, FAICD, JP(ret)*

Non-Executive Director & Chairman

Michael Terlet is Chairman of Tidswell Financial Services Ltd.

Michael was responsible for the formation and growth of Australia's largest private sector defence and aerospace company, AWA Defence Industries, from 1978 to 1992. In 1991, he was recognised and made an officer of the General Order of Australia for contributions to industry and export.

He has undertaken a number of directorships in both private and public companies and has served as Chairman of Australia's largest privately owned water company, United Water International Pty Ltd, Workcover, SA Centre for Manufacturing, Defence Manufacturing Council SA (MTIA), South Australian Small Business Advisory Council, SDS Corporation Ltd and International Centre of Excellence in Water Resources Management. Michael has also severed as President of the South Australian Employers Chamber of Commerce and Industry, the Engineering Employers Association and as a director of Statewide Super.

MR STEPHEN ELLIOTT YOUNG *B. Ec, FCA, FAICD*

Managing Director

Stephen Young is the Founder and Managing Director of E&A Limited and is a Director of its subsidiaries. Stephen has a Bachelor of Economics, is a Chartered Accountant and a Fellow of the Institute of Company Directors. Stephen has more than 35 years' experience involving large corporate advisory, corporate recovery, business turnaround, listed public and private advisory and board engagements.

Stephen was Managing Partner of Arthur Andersen's Adelaide office following their merger with Allert Heard & Co from 1989 to 1997. Stephen was a member of the Arthur Andersen Worldwide Advisory Council for a two-year term from 1991 and held a number of national and international leadership positions within the firm. Stephen has been retained on a number of listed public company boards often in a "turnaround" capacity, Government business enterprises, sporting and charitable boards.

Stephen founded Equity & Advisory Limited in 1997 and initiated the Initial Public Offering for E&A Limited in 2007.

MR MARK GABRIEL VARTULI *M. Comm, B.Com, FCA*

Executive Director & Company Secretary

Mark Vartuli is the Managing Director of Equity & Advisory and specialises in providing commercial advice in relation to capital raisings, mergers and acquisitions, divestments, infrastructure projects and corporate restructures.

Mark is an Executive Director and Company Secretary of E&A Limited and sits on the board of its subsidiaries.

For more than twenty years, Mark has acted as the commercial advisor on transactions involving the sale, purchase, valuation of businesses and corporate restructures which have a cumulative value in excess of $6 billion.

Mark is also a retained advisor to a number of leading Australian private companies. Prior to joining Equity & Advisory in April 1998, Mark worked for Arthur Andersen in their Assurance and Business Advisory Division and is a Fellow of the Institute of Chartered Accountants and holds a Masters in Commerce.

ANNUAL FINANCIAL REPORT

For the Financial Year Ended 30 June 2020

DIRECTORS' REPORT

For the Financial Year Ended 30 June 2020

The Directors of E&A Limited submit herewith the annual financial report of the consolidated entity (referred to hereafter as the Group or E&A Limited) consisting of E&A Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020 and the independent auditor's report thereon.

Directors

The following persons were Directors of E&A Limited during the financial year ended 30 June 2020 and up until the date of this report.

Name	Particulars	Appointed
Stephen Young	Managing Director	Appointed 12 July 1999
Mark Vartuli	Executive Director	Appointed 26 July 2007
Michael Terlet	Non-executive Director & Chairman	Appointed 16 October 2007

Directors' biographies are contained on page 4.

Company Secretary

Name	Particulars	Appointed
Mark Vartuli	M. Comm, B.Com, FCA	Appointed 18 January 2016

Mr Mark Vartuli's director biography is contained on page 4.

Principal Activities

During the year the principal continuing activities of the Group consisted of the provision of:

- engineering and maintenance services to the mining and resources industry;
- engineering and maintenance services to the oil and gas industry;
- engineering and maintenance services to the water industry;
- engineering and maintenance services to the defence industry;
- engineering and maintenance services to the power and energy industry; and
- financial advisory services to the corporate sector.

Review of Operations and Financial Results

The review of operations and activities is included in the front section of this Report.

The Group has recorded a profit after tax for the financial year of $12.49 million (2019: $22.24 million). The review of operations is outlined in the front section of this Report.

Dividends

No dividend has been declared, recommended or paid relating to the 30 June 2020 financial year (2019: Nil).

Share Options/Warrants - Unissued Shares

Share options/warrants totalling 85,063,536 over unissued ordinary shares were cancelled during the year in conjunction with the debt refinance. A payment of $225,000 was made to cancel these warrants.

DIRECTORS' REPORT

For the Financial Year Ended 30 June 2020

Significant Changes in State of Affairs

During the year, the following changes occurred within the Group

- Acquisition of North West Mining & Civil Pty Ltd (**NWMC**), based in Pilbara WA, on 1 January 2020. The strategic acquisition will increase EAL's service offering in the Pilbara region. The cost of the acquisition was $12.45 million and comprises both cash and deferred consideration components.
- Establishment and draw down of a new 3 year $37.5 million term loan facility with Longreach Credit Investors Pty Ltd (LCI) in January 2020. Funds from the new LCI finance facility were applied to repay all existing financiers, working capital and transaction costs associated with the refinance. The financial impact of the LCI transaction was to immediately strengthen EAL's balance sheet by $10.89 million.
- EAL settled its final two legacy claims for Air Liquide and Snapper. The net proceeds after costs were applied to debt reduction.
- The Group further developed the ICE business in the Upper Spencer Gulf with the addition of ICE USG to the Group, and purchases of assets with the assistance of Government Grants to deliver its services in the region.

Subsequent Events After the Balance Date

The directors are not aware of any material events occurring subsequent to balance sheet date that have not otherwise been disclosed or presented in this report. The directors note the disclosures in Review of Operations together with note 34 to the Consolidated Financial Statements.

Likely Developments

The Group will continue to deliver essential engineering and maintenance services to the mining & energy, oil & gas, defence & infrastructure, power & renewable energy and water industries. Further information about the likely developments in the operations of the Group and the expected results of these operations in future financial years has not been included in this report because the disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee member).

	BOARD OF DIRECTORS		AUDIT & RISK MANAGEMENT COMMITTEE		NOMINATION, REMUNERATION AND DIVERSITY COMMITTEE	
Director	**Attended**	**Maximum Possible**	**Attended**	**Maximum Possible**	**Attended**	**Maximum Possible**
Stephen Young	9	9	2	2	1	1
Mark Vartuli	9	9	2	2	1	1
Michael Terlet	9	9	2	2	1	1

DIRECTORS' REPORT

For the Financial Year Ended 30 June 2020

Environmental Regulation and Performance

The consolidated entity's operations are subject to environmental regulations under Commonwealth and State legislation. The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Indemnification and Insurance of Directors and Officers

During the financial year, E&A Limited paid premiums in respect of Directors' and Officers' liability. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of Directors' and Officers' liability.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Directors and Officers of entities in the consolidated entity.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Grant Thornton, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Grant Thornton during or since the financial year.

Rounding of amounts

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

Auditor's Independence Declaration

The auditor's independence declaration is set out on page 9 and forms part of the Directors' Report for the financial year ended 30 June 2020.

This report is made in accordance with a resolution of the directors:

Dated at Adelaide this 30th day of September 2020

Stephen Young
Managing Director

Level 3, 170 Frome Street
Adelaide SA 5000

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T +61 8 8372 6666

Auditor's Independence Declaration

To the Directors of E&A Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of E&A Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 30 September 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 30 June 2020

In thousands of $AUD

	Note	2020	2019
Continuing operations			
Revenue from Contracts with Customers	4	151,010	130,841
Cost of sales		(118,183)	(106,044)
Gross profit		**32,827**	**24,797**
Other income	5	1,519	792
Net gain on debt reduction and refinance	5	10,888	-
Administrative expenses	6	(16,931)	(15,159)
Other operating expenses		(4,548)	(3,401)
Operating profit from continuing operations		**23,755**	**7,029**
Finance income		1	1
Finance expenses		(5,431)	(6,187)
Net finance expense	7	**(5,430)**	**(6,186)**
Profit before tax from continuing operations		**18,325**	**843**
Income tax expense	8	(5,840)	(2,133)
Profit/(loss) after tax from continuing operations		**12,485**	**(1,290)**
Discontinued operations			
Profit after tax from discontinued operations	27	-	23,531
Profit for the year		**12,485**	**22,241**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**12,485**	**22,241**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2020

In thousands of $AUD

	Share Capital	Accumulated Losses	Options/ Warrants Reserve	Total Equity
Balance at 1 July 2018	**83,427**	**(97,415)**	**20,889**	**6,901**
Profit for the year	-	22,241	-	22,241
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**22,241**	**-**	**22,241**
Dividends paid	-	-	-	-
Balance at 30 June 2019	**83,427**	**(75,174)**	**20,889**	**29,142**
Balance at 1 July 2019	**83,427**	**(75,174)**	**20,889**	**29,142**
Profit for the year	-	12,485	-	12,485
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**12,485**	**-**	**12,485**
Employee share based compensation	19	-	-	19
Cancellation of share warrants	-	20,889	(20,889)	-
Dividends paid	-	-	-	-
Balance at 30 June 2020	**83,446**	**(41,800)**	**-**	**41,646**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

In thousands of $AUD

	Note	2020	2019
Current assets			
Cash and cash equivalents	9	5,766	29
Trade and other receivables	10	18,940	23,794
Inventories	11	5,336	4,988
Contract assets	4	10,625	13,651
Prepayments	12	1,241	1,494
Other current assets	13	1,253	240
Total current assets		**43,161**	**44,196**
Non-current assets			
Property, plant and equipment	14	18,389	8,496
Intangible assets	15	52,403	44,721
Deferred tax assets	16	19,248	22,419
Other non-current assets	13	382	640
Total non-current assets		**90,422**	**76,276**
Total assets		**133,583**	**120,472**
Current liabilities			
Trade and other payables	17	19,993	19,134
Contract liabilities	4	6,034	2,923
Current tax liability		1,033	-
Provisions	18	3,884	4,050
Loans and borrowings	19	6,404	22,285
Other current liabilities	26	1,778	-
Total current liabilities		**39,126**	**48,392**
Non-current liabilities			
Trade and other payables	17	1,457	54
Provisions	18	1,330	1,253
Loans and borrowings	19	44,803	40,839
Other non-current liabilities	26	2,303	-
Deferred tax liability	16	2,918	792
Total non-current liabilities		**52,811**	**42,938**
Total liabilities		**91,937**	**91,330**
Net assets		**41,646**	**29,142**
Equity			
Issued share capital	21	83,446	83,427
Reserves	21	-	20,889
Accumulated losses		(41,800)	(75,174)
Total equity attributable to equity holders of the Company		**41,646**	**29,142**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 30 June 2020

In thousands of $AUD

	Note	2020	2019
Cash flows from operating activities			
Cash receipts from customers		179,341	160,691
Cash paid to suppliers and employees		(151,944)	(155,407)
Cash generated from operations		**27,397**	**5,284**
Net interest paid		(5,430)	(6,280)
Borrowing costs		(2,207)	-
Bank guarantee paid		-	(1,142)
Payment of vendor earn-out/settlement liability		-	(575)
Net cash from / (used in) operating activities	9	**19,760**	**(2,713)**
Cash flows from investing activities			
Payments for acquisition of property, plant and equipment		(2,279)	(1,089)
Proceeds from disposal of property, plant and equipment		252	192
Acquisition of controlled entity, net of cash received	26	(8,278)	-
Receipt of government grants		195	-
Net cash from / (used in) investing activities		**(10,110)**	**(897)**
Cash flows from financing activities			
Proceeds from borrowings		42,440	15,077
Repayment of borrowings		(41,251)	(11,274)
Repayment from related parties		-	(662)
Repayment of lease liabilities		(2,413)	-
Net cash from / (used in) financing activities		**(1,224)**	**3,141**
Net increase / (decrease) in cash and cash equivalents		**8,426**	**(467)**
Cash and cash equivalents at 1 July		(2,660)	(2,193)
Cash and cash equivalents at 30 June	9	**5,766**	**(2,660)**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Reporting Entity

E&A Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 1, 33 Richmond Road, Adelaide SA 5035.

The consolidated financial statements of the Company as at and for the year ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is a for-profit consolidated entity and is primarily involved in providing engineering and maintenance services to the mining and resources, water and defence industries and financial advisory services to the corporate sector.

2. Basis of Preparation of the Financial Report

Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AAS) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act* 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 30 September 2020.

Basis of Presentation

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/19 and in accordance with that legislative instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Basis of Measurement

The consolidated financial statements for the year end 30 June 2020 have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the normal course of business at they fall due.

The consolidated financial statements have been prepared under the historical cost convention.

COVID-19 Pandemic

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The spread of COVID-19 caused significant volatility in Australian and International markets, and uncertainty around the breadth and duration of business disruptions related to COVID-19.

2. Basis of Preparation of the Financial Report (continued)

COVID-19 Pandemic (continued)

EAL has taken, and continues to take, proactive measures to preserve the financial performance, financial position and cash flows of the Group during this period by implementing the following:

- Maintaining a strong focus on revenue, expenses and cashflow, across all subsidiaries;
- Reducing salaries across Executive and General Management teams across the Group for a short period; and
- Applied for JobKeeper assistance from the Australian Government.

The Group's prudent financial management practices resulted in a strong cash flow from operations for the financial year and a strengthening of the balance sheet. As at 30 June 2020, the Group had cash reserves of $5.77 million and net current assets of $4.04 million.

The Group is subject to covenants, which are reviewed quarterly. The Group was compliant with all its covenants as at 30 June 2020.

The economic uncertainty associated with the COVID-19 pandemic has been considered by the Board in the assessing the potential financial impact on the Group's ability to generate positive cash flows, to comply with financial covenants and to meet debts as and when they fall due. At the date of this report, the Board are of the opinion that the Group will be successful in managing the impacts of COVID-19 and will continue to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Accounting estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In preparing these consolidated financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty related to:

- Construction, services and mining contracting projects:
  - determination of the stage of completion;
  - estimation of the total contract costs;
  - estimation of total contract revenue, including recognising revenue on contract variations and claims only to the extent it is highly probable that a significant reversal in the amount recognised will not occur in the future;
  - estimation of project completion date; and
  - assumed level of project execution productivity.

2. Basis of Preparation of the Financial Report

Accounting estimates and judgements

- The recoverability of trade and other receivables, and estimation of allowance for expected credit losses on financial assets (note 10).
- Goodwill and property, plant and equipment and the key assumptions underlying the discounted cash flows that are used to support carrying values (note 14 and 15).
- Estimation of the useful life of property, plant and equipment.
- Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax asset that can be recognised, based on the likely timing and the level of future taxable profits, together with future tax planning strategies. Further details on deferred tax balances are disclosed in note 16.

Lease liabilities are determined based on an evaluation of the terms and conditions of the arrangements, including the lease term. Judgements made in respect of options to extend leases beyond the initial term.

3. Significant Accounting Policies

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

(a) Basis of Consolidation

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

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

3. Significant Accounting Policies (continued)

(a) Basis of Consolidation (continued)

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements. Prior year administrative expenses and other operating expenses have been reclassified within the Consolidated Statement of Comprehensive Income to reflect changes in internal reporting and ensure consistent comparability.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Statement of Comprehensive Income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

A list of all subsidiaries appears in Note 24.

3. Significant Accounting Policies (continued)

(b) Revenue Recognition

The Group have three primary categories of revenue: Maintenance and Sustainability, Major Projects and Investment & Advisory services.

Maintenance and Sustainability Services

Rendering of Services

Services revenue is primarily generated from maintenance and other services supplied to infrastructure assets and facilities across different sectors as well as from contract mining services, mining assets and maintenance services.

The Group performs maintenance and other services for a variety of different industries. Contracts entered can cover servicing of related assets which may involve various processes. These processes and activities tend to be highly inter-related and the Group provides a significant service of integration for these assets under contract. Where this is the case, these are taken to be one performance obligation. The total transaction price is allocated across each performance obligation.

The transaction price is allocated to each performance obligation based on contracted prices and revenue is recognised over time as the performance obligation is satisfied using an input method of actual costs incurred as a proportion of total anticipated contract costs as the most appropriate measure for progress towards satisfaction of the performance obligation. Payment is generally due within 30 – 90 days from providing the service.

Sale of goods

Revenue is recognised when the customer obtains control of goods which is deemed to satisfy the performance obligation at a point in time at a fixed price and payment is generally due within 30 – 90 days of delivery. Some contracts provide customers with a right of return, which give rise to variable consideration subject to constraint.

Major Projects

Construction Revenue

The Group derives revenue from the construction and engineering of infrastructure projects. Contracts entered may be for the construction of one or several separate inter-linked pieces of infrastructure. The construction of each individual piece of infrastructure is generally taken to be one performance obligation. Where contracts are entered for the building of several projects the total transaction price is allocated across each project based on stand-alone selling prices. The transaction price is normally fixed at the start of the project. It is normal practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria known as variable consideration.

The performance obligation is fulfilled over time and as such revenue is recognised over time using an input method of actual costs incurred as a proportion of total anticipated contract costs as the most appropriate measure for progress towards satisfaction of the performance obligation. As work is performed on the assets being constructed, they are controlled by the customer and generally have no alternative use to the E&A Group, with the Group having a right to payment for performance to date.

Generally, contracts identify various inter-linked activities required in the construction process.

3. Significant Accounting Policies (continued)

(b) Revenue Recognition (continued)

Revenue is recognised on the measured output of each process based on appraisals that are agreed with the customer on a regular basis.

Revenue earned is typically invoiced monthly or in some cases on achievement of milestones or to match major capital outlay. Invoices are paid on normal commercial terms, which may include the customer withholding a retention amount until finalisation of the construction and payment is generally due within 30 – 90 days of invoicing. Certain construction projects entered into receive payment prior to work being performed in which case revenue is deferred on the balance sheet.

Investment and Corporate Advisory services

Services revenue

Services revenue is generated from provision of transaction and other advisory services to customers. For contracts where the performance obligation is the delivery of advisory services usually on an agreed hourly or daily rate. Revenue is recognised at the point in time when the services are provided and payment is generally due within 30 – 90 days from providing the service. For contracts with fixed or success fee, revenue is recognised over time using an input method of actual costs incurred as a proportion of total anticipated contract costs as the most appropriate measure for progress towards satisfaction of the performance obligation. Success fees are treated as variable consideration.

Other

Contract Modifications

When a modification or variation to an existing contract is made, the Group considers whether the modification shall be accounted for as a separate contract, or as part of the existing unsatisfied performance obligations. This consideration includes whether the variation requires additional goods and services that are distinct and at the Group's stand-alone selling prices.

Contract costs (Tender costs)

Costs incurred during the tender / bid process are expensed, unless they are incremental to obtaining the contract or where they are explicitly chargeable to the customer regardless of whether the contract is obtained. The Group applies the practical expedient available under AASB 15 and does not capitalise incremental costs of obtaining contracts if the amortisation period is one year or less.

Variable consideration

Variable consideration that is contingent on the Group's performance, including key performance payments, liquidated damages and abatements that offset revenue under the contract, is included in the transaction price only to the extent it is highly probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

3. Significant Accounting Policies (continued)

(b) Revenue Recognition (continued)

Contract assets and liabilities

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what is commonly known as 'accrued revenue' and' deferred revenue'. Contract receivables represent receivables in respect of which the Group's right to consideration is unconditional subject only to the passage of time. Contract receivables are non-derivative financial assets accounted for in accordance with the Group's accounting policy for non-derivative financial assets. Contract assets represent the Group's right to consideration for services provided to customers for which the Group's right remains conditional on something other than the passage of time. Contract liabilities arise where payment is received prior to work being performed. Contract assets and contract liabilities are recognised and measured in accordance with this accounting policy.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer represents a financing component. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. The Group applies the practical expedient available under AASB 15 and does not adjust the promised amount of consideration for the effects of a significant financing component if deemed, at contract inception, to be one year or less between transfer of promised good or service to a customer and when the customer pays for that good or service.

Warranties and defect periods

Generally, construction and services contracts include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and therefore estimated and included in the total costs of the contracts. Where required, amounts are recognised accordingly in line with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Loss-making contracts

Loss-making contracts continue to be recognised under AASB 137 as onerous contracts. A provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue.

(c) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as measured at amortised cost and fair value through profit or loss.

3. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB15.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss
- Equity instruments at fair value through other comprehensive income
- Debt instruments at fair value through other comprehensive income

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

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

The Group's financial assets at amortised cost includes trade receivables, and loan to an associate and loan to a director included under other non-current financial assets.

3. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

3. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

- Loans and borrowings

This is the category most relevant to the Group. This category generally applies to interest-bearing loans and borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(d) Income Tax

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realised.

3. Significant Accounting Policies (continued)

(d) Income Tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

E&A Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group ("the Group") under the tax consolidation regime. E&A Limited is the head entity of the tax consolidated group.

Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax balances resulting from unused tax losses and tax credits which are immediately assumed by the parent entity.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST unless the GST incurred is not recoverable from the taxation authority, in this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office (ATO), are presented as operating cash flows.

(f) Foreign Currency Transactions and Balances

Foreign currency transactions are initially translated into Australian dollars at the rate of exchange at the date of the transaction. At balance date amounts receivable and payable in foreign currencies are translated into Australian dollars at the rates of exchange current at that date. Resulting exchange variances are brought to account in determining the profit or loss for the year.

(g) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

3. Significant Accounting Policies (continued)

(g) Business Combinations (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 *Financial Instruments*, is measured at fair value with changes in fair value recognised either in either profit or loss. If the contingent consideration is not within the scope of AASB 9, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

(h) Goodwill and Intangibles

(i) Goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non- controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair value of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration and recognised in other expenses.

(ii) Other Intangible Assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets that are acquired by the Group, which have indefinite useful lives, are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period. If there is a change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

3. Significant Accounting Policies (Continued)

(i) Impairment of Non-Financial Assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of goodwill and indefinite life intangible assets are reviewed at each reporting date irrespective of an indication of impairment.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount for an asset that does not generate largely independent cash flows is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the statement of profit or loss unless the asset has been previously revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in the statement of profit or loss. Reversals of impairment losses, other than in respect of goodwill are recognised in the statement of profit or loss.

(j) Impairment of Financial Assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. Significant Accounting Policies (continued)

(k) Property, Plant and Equipment

Property, plant and equipment has been recorded at cost, less accumulated amortisation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss.

Depreciation is calculated on a diminishing value and straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives, as follows:

Asset class	**Useful life**
Plant and Equipment	5 – 20 years
Office Furniture, Fittings and Equipment	5 – 20 years
Motor Vehicles	4 – 10 years

Useful Lives consistent with prior years.

Depreciation on Right Of Use assets is calculated on a straight-line basis to write off the net cost of each item over the term of the lease, as this represents the pattern of benefits derived from the leased assets. Further information on AASB 16 Leases is in note 3(x) and note 20.

(l) Cash and Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(m) Inventories

Raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

In the case of manufactured items, cost comprises materials, labour and an appropriate proportion of fixed and variable factory overhead expenses.

3. Significant Accounting Policies (continued)

(n) Trade and Other Payables

Trade and other payables are carried at amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid.

(o) Employee Entitlements

(i) Wages and Salaries and Annual Leave

Liabilities for wages and salaries and annual leave expected to be paid within twelve months of the reporting date are recognised and are measured at the amounts expected to be paid when the liabilities are settled in respect of employees' services up to that date.

(ii) Long Service Leave

A liability for long service leave is recognised and is measured as the present value of expected future payments to be made in respect of employees' services up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

(iv) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. Significant Accounting Policies (continued)

(q) Finance Income and Expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses are recognised as an expense in the period in which they are incurred. Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of line fees, discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease interest; and
- bank charges.

Borrowing costs are capitalised into the cost of an asset when they relate specifically to a qualifying asset.

(r) Contributed Equity

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

(s) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(t) Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions with be complied with. When the grant relates to an expense item, it is recognised as an expense offset over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

3. Significant Accounting Policies (continued)

(u) Changes in Accounting Policy, Disclosures, Standards and Interpretation

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019 with the exception of AASB 16 *Leases*. Refer note 3(x).

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(v) Joint Venture and Associates

The Group's investment in its joint venture and associates is accounted for using the equity method on a quarterly basis.

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

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture and associates. Unrealised gains and losses resulting from transactions between the Group and the joint venture and associates are eliminated to the extent of the interest in the joint venture and associates.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture and associates. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture and associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and associates and its carrying value, and then recognises the loss as "Share of profit of a joint venture and associates" in the statement of profit or loss.

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

(w) New Standards and Interpretations (Issued but Not Yet Effective)

The AASB has issued new accounting standards, amendments to standards and interpretations which may impact the entity in the period of initial application. Early adoption at 30 June 2020 has not been applied in preparing this financial report. The company is in the process of assessing the impact of the above Standards.

3. Significant Accounting Policies (continued)

(x) New and amended accounting standards adopted by the Group

AASB 16 *Leases*

The Group assesses whether a contract is or contains a lease, at inception of the contract.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

3. Significant Accounting Policies (continued)

(x) New and amended accounting standards adopted by the Group (Continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Short-term leases, defined as leases with a lease term of 12 months or less, and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones), are recognised as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group applies AASB 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (as outlined in note 3(k)).

The Group elected to use the cumulative catch-up approach on transition to AASB 16 at 1 July 2019, and recognised the following balances on transition.

Adjustment recognised on adoption of AASB 16

In thousands of $AUD	**1 July 2019**
Operating lease commitments disclosed as per note 26(b) of the 30 June 2019 consolidated financial statements	4,226
Adjust for options to renew, which are reasonably certain	2,794
Adjust for short term leases, to be expensed as incurred	(82)
Discounted using the Group's incremental borrowing rate (5.0%)	(845)
Amount previously disclosed as finance leases	2,129
Lease liabilities	**8,222**
Current	1,401
Non-current	6,821
Total lease liabilities at transition	**8,222**
Right of use asset	
Plant, equipment and vehicles	2,135
Properties	6,087
Total right of use assets at transition	**8,222**

4. Revenue from Contracts with Customers

In thousands of $AUD	2020	2019
Sales revenue	151,010	130,841

Key information relating to the Group's financial performance, and disaggregated revenue, is detailed below.

For the year ended 30 June 2020

In thousands of $AUD

Type of service	Maintenance and Sustainability	Contracts / Projects	Professional services	Total
Timing of Revenue Recognition				
Revenue recognised at a point of time	22,194	11,866	-	34,060
Revenue recognised over time	91,106	24,327	1,517	116,950
Total revenue from contracts with customers	**113,300**	**36,193**	**1,517**	**151,010**

For the year ended 30 June 2019

In thousands of $AUD

Type of service	Maintenance and Sustainability	Contracts / Projects	Professional services	Total
Timing of Revenue Recognition				
Revenue recognised at a point of time	9,199	274	-	9,473
Revenue recognised over time	90,865	28,623	1,880	121,368
Total revenue from contracts with customers	**100,064**	**28,897**	**1,880**	**130,841**

The Group has one customer which contributes greater than 37% of total revenue and falls within the Engineering Services segment (2019: 39%).

The Group applies the practical expedient available under AASB 15 and does not disclose the amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at balance date, on the basis that they are part of a contract with an original expected duration of one year or less.

Contract Balances

In thousands of $AUD	2020	2019
Trade Receivables	17,026	23,166
Contract Assets	10,625	13,651
Contract Liabilities	(6,034)	(2,923)
	21,617	**33,894**

5. Income

In thousands of $AUD	2020	2019
Net foreign exchange gains / (losses)	6	2
Net gain on sale of PP&E	137	20
Other income	1,376	770
Total other income	**1,519**	**792**
Net gain on debt reduction and refinance	**10,888**	**-**

During the year, the Group established a new loan facility with Longreach Credit Investors Pty Ltd, and settled two material disputed claims for Air Liquide and Snapper. The proceeds from the loan and legal settlements were applied to repay the White Oak loan facility, the ANZ loan facility, and reduce the NAB facility. The NAB forgave $17.57 million of the remaining facility. Costs amounting to $6.68 million were incurred relating to early payment fees, loan establishment fees, legal costs and write offs relating to the legacy claims.

6. Expenses

6a. Profit before income tax includes the following expenses:

In thousands of $AUD	2020	2019
Employee benefits expense	45,891	40,463
Superannuation contributions	4,156	3,693
Impairment of trade receivables	8	3

6b. Administration Expenses

Consulting & Compliance	832	1,915
Indirect Labour	10,785	9,149
Insurance	1,713	1,460
Office & IT	2,706	2,272
Business and asset acquisition costs	343	-
Other administrative costs	552	363
Total	**16,931**	**15,159**

6. Expenses (continued)

6c. Other Operating Expenses

In thousands of $AUD	2020	2019
Rental expense		
Premises	488	1,395
Motor vehicles	119	125
Office equipment	2	4
Total rental expense	**609**	**1,524**
Depreciation		
Plant and equipment	837	657
Motor vehicles	1,664	340
Office equipment, furniture and fittings	327	286
Leasehold improvements	78	138
Assets under finance leases	-	456
Right of use assets	1,031	-
Depreciation expense	**3,937**	**1,877**
Software amortisation expense	**2**	**-**

7. Finance Income and Expenses

In thousands of $AUD	2020	2019
Finance Income		
Interest income on bank deposits	1	1
Finance Expenses		
Interest on bank overdrafts and loans	(4,715)	(5,868)
Interest on plant and equipment leases	(199)	(91)
Interest on property leases	(263)	-
Other interest expense	(254)	(228)
Total Finance Expense	**(5,431)**	**(6,187)**
Net Finance Income / (Expense)	**(5,430)**	**(6,186)**

8. Income Tax Expense

(a) Income Tax Expense

In thousands of $AUD	2020	2019
Current Tax Expense		
Current period	550	(817)
Adjustment for prior periods	-	(581)
	550	**(1,398)**
Deferred Tax Expense		
Origination and Reversal of Temporary Differences	153	544
Utilisation of Deferred Tax Asset on tax losses	5,137	-
Utilisation of tax losses due to debt reduction	-	1,179
	5,290	1,723
Total income tax (benefit) / expense	**5,840**	**325**

(b) Numerical Reconciliation of Income Tax Expense / (Benefit) to Prima Facie Tax Payable

	2020	2019
Profit before tax from continuing operations	18,325	843
Profit before tax from discontinued operations	-	21,722
Profit for the period before tax	**18,325**	**22,565**
Tax at the domestic tax rate of 30% (2019: 30%)	5,598	6,770
Non-deductible expenses	(33)	(7,043)
Tax on entity profits before joining the tax consolidated group	275	-
Prior Year Adjustment	-	597
Income tax expense / (benefit)	**5,840**	**324**
Reconciliation of total income tax expense		
Income tax expense reported in the statement of comprehensive income	5,840	2,133
Income tax attributable to a discontinued operation	-	(1,809)
Total income tax (benefit) / expense	**5,840**	**324**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2020

9. Cash and Cash Equivalents

In thousands of $AUD	**2020**	**2019**
Cash at bank and in hand	5,766	29
Bank overdrafts (Note 19)	-	(2,689)
Balances per Statement of Cash flows	**5,766**	**(2,660)**

Reconciliation of Profit for the Period to Net Cash Flows from Operating Activities

In thousands of $AUD	**2020**	**2019**
Profit / (Loss) after tax from continuing operations	12,483	(1,290)
Profit / (Loss) after tax from discontinued operations	-	23,531
Net profit for the year after tax	**12,483**	**22,241**
Non-cash debt reduction	(17,574)	(14,500)
Write down of legacy claims provisions	2,268	-
Depreciation and amortisation	3,939	1,877
Government grant income	(195)	-
Net gain on disposal of assets	(137)	(20)
Share based payment expenses	19	-
Other non-cash expenses	(96)	(40)
Changes in operating assets and liabilities, net of effects from acquisition of businesses:		
(Increase) / decrease in assets:		
Trade receivables and other assets	9,604	2,779
Contract assets and liabilities	3,869	-
Inventories	(348)	(1,447)
Prepayments	391	117
Current and deferred tax	5,311	325
Increase / (decrease) in liabilities:		
Trade payables and other liabilities	296	(12,912)
Other provisions	(70)	(1,014)
Net cash provided by / (used in) operating activities	**19,760**	**(2,711)**

10. Trade and Other Receivables

In thousands of $AUD	2020	2019
Current		
Trade receivables	17,026	23,166
Provision for impairment of receivables (Note 30)	(356)	(375)
	16,670	22,791
Other receivables	2,270	1,003
Total Current Trade and Other Receivables	**18,940**	**23,794**

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

Provision for impairment of receivables

In thousands of $AUD	2020	2019
Opening provision for impairment of receivables	(375)	(126)
Charge for the year	(8)	(252)
Utilised	27	3
Closing provision for impairment of receivables	**(356)**	**(375)**

During the year ended 30 June 2020, write-downs of trade receivables to their recoverable amount were $270,000 (2019: $3,000).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 30.

11. Inventories

In thousands of $AUD	2020	2019
Raw materials	452	452
Finished goods	5,146	4,536
Provision for impairment of inventory	(262)	-
	5,336	**4,988**

12. Prepayments

In thousands of $AUD	2020	2019
Insurance	78	365
Other prepayments	1,163	1,129
Total prepayments	**1,241**	**1,494**

13. Other Assets

In thousands of $AUD	2020	2019
Other assets	1,337	253
Related party loan	298	627
Total other assets	**1,635**	**880**
Current	1,253	240
Non-current	382	640
Total other assets	**1,635**	**880**

14. Property Plant and Equipment

Reconciliation of carrying amounts at the beginning and end of the period

In thousands of $AUD

	Plant & Equipment	Office Furniture & Equipment	Commercial Vehicles & Trucks	Leasehold Improve-ments	Leases – Plant, equipment & Vehicles	Leases – Properties	Total
Carrying Amounts							
As at 1 July 2018	4,036	804	554	465	1,989	-	7,848
As at 30 June 2019	**3,785**	**736**	**1,012**	**625**	**2,338**	**-**	**8,496**
As at 30 June 2020	**5,029**	**723**	**2,230**	**607**	**5,796**	**4,004**	**18,389**

Property Plant and Equipment are pledged as a security to loans.

The Group adopted AASB 16 Leases on 1 July 2019 and recognised right of use assets at the amount equal to the lease liability. Right of use assets are depreciated over the lease term. Refer to Note 3(x) for further information regarding the associated changes to accounting policies, and Note 19 for the associated lease liability.

14. Property Plant and Equipment (continued)

Reconciliation of carrying amounts at the beginning and end of the period (continued)

In thousands of $AUD	Plant & Equipment	Office Furniture & Equipment	Commercial Vehicles & Trucks	Leasehold Improve-ments	Leases – Plant, equipment & Vehicles	Leases – Properties	Total
Cost or Deemed Cost							
Balance at 1 July 2018	**10,842**	**3,085**	**3,002**	**1,170**	4,249	**-**	**22,348**
Additions	617	189	407	213	1,273	-	**2,699**
Transfers	(36)	-	1,733	108	(1,805)	-	**-**
Disposals	(617)	(879)	(897)	(92)	(173)	-	**(2,658)**
Balance at 30 June 2019	**10,806**	**2,395**	**4,245**	**1,399**	**3,544**	**-**	**22,389**
Balance at 1 July 2019	**10,806**	**2,395**	**4,245**	**1,399**	**3,544**	**-**	**22,389**
Recognised on transition to AASB 16	**-**	**-**	**-**	**-**	**-**	6,093	**6,093**
Additions	1,409	315	441	114	4,686	114	**7,079**
Additions – Business combination	150	21	833	31	590	-	**1,625**
Transfers	322	-	352	-	(352)	(1,013)	**(691)**
Transfer lease incentive	-	-	-	-	-	(159)	**(159)**
Disposals	(64)	(166)	(315)	(42)	(322)	-	**(909)**
Balance at 30 June 2020	**12,623**	**2,565**	**5,556**	**1,502**	**8,146**	**5,035**	**35,427**
Accumulated Depreciation and Impairment							
Balance at 1 July 2018	**6,806**	**2,281**	**2,448**	**705**	**2,260**	**-**	**14,500**
Disposals	(429)	(908)	(747)	(78)	(322)	-	**(2,484)**
Transfers	(13)	-	1,192	9	(1,188)	-	**-**
Depreciation expense	657	286	340	138	456	-	**1,877**
Balance at 30 June 2019	**7,021**	**1,659**	**3,233**	**774**	**1,206**	**-**	**13,893**
Balance at 1 July 2019	**7,021**	**1,659**	**3,233**	**774**	**1,206**	**-**	**13,893**
Disposals	(44)	(166)	(297)	(42)	(245)	-	**(794)**
Transfers	-	-	(201)	-	201	-	**-**
Depreciation expense	617	349	591	163	1,188	1,031	**3,939**
Balance at 30 June 2020	**7,594**	**1,842**	**3,326**	**895**	**2,350**	**1,031**	**17,038**

15. Intangible Assets

	Goodwill		Intangibles		Total	
In thousands of $AUD	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Cost						
Balance at 1 July	**63,331**	**63,331**	**200**	**200**	**63,531**	**63,531**
Additions	7,680	-	2	-	7,682	-
Balance at 30 June	**71,011**	**63,331**	**202**	**200**	**71,213**	**63,531**
Amortisation and Impairment Losses						
Balance at 1 July	(18,610)	(18,610)	(200)	(200)	(18,810)	(18,810)
Amortisation for the year	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Balance at 30 June	**(18,610)**	**(18,610)**	**(200)**	**(200)**	**(18,810)**	**(18,810)**
Carrying amounts	**52,401**	**44,721**	**2**	**-**	**52,403**	**44,721**

At 30 June 2020, goodwill and other indefinite life intangibles are allocated for impairment testing purposes to cash generating units (`CGUs') as follows:

In thousands of $AUD	**2020**	**2019**
Investment & Corporate Advisory	1,060	1,060
Engineering Services	39,578	31,898
Water and Fluid	11,763	11,763
Total Goodwill and other Intangibles	**52,401**	**44,721**

The Group performs its impairment test at each reporting date. The cash generating units are consistent with those in the prior comparative period.

The recoverable amount of each CGU has been determined based on a value in use ('VIU') calculation using five-year cash flow projections based on actual and forecast operating results. The FY21 and FY22 financial forecast is prepared on the basis of the successful integration of NWMC and no further one-off items. After taking into account the FY21 and FY22 forecasts, these earnings were extrapolated for all CGUs using real annual growth rates of 2.5% (2019: 2.00 - 2.74%), consistent with the growth prospects of each CGU, and a 1.00% terminal value growth rate (2019: 1.00%), which is less than the historical Australian 20 year real growth rate of 3.2% (2019: 3.2%).

A post-tax discount rate of 8.3% (2019: 7.70%) has been applied to each CGU in determining the VIU and is based on the target gearing level for E&A Limited (post-tax real WACC).

At 30 June 2020, whilst the modelling shows a range of possible outcomes the recoverable amount of all CGUs exceeds the carrying amount. The calculation of VIU for each CGU is most sensitive to assumptions in relation to forecast earnings and discount rates.

16. Deferred Tax Assets and Liabilities

(a) Deferred tax assets and liabilities are attributable to the following:

In thousands of $AUD	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Property, plant and equipment	248	18	(344)	(254)	(96)	(236)
Employee provisions	1,356	1,055	(45)	-	1,311	1,055
Other provisions and accrued expenses	255	522	(326)	(517)	(71)	5
Leases	1,631	-	(1,660)	-	(29)	-
Carried forward tax losses	15,610	20,757	-	-	15,610	20,757
Other items	148	67	(543)	(21)	(395)	46
Tax assets (liabilities)	**19,248**	**22,419**	**(2,918)**	**(792)**	**16,330**	**21,627**

(b) Movement in temporary differences during the year:

In thousands of $AUD	Balance 1 July 2019	Recognised in Profit or Loss	Recognised in Equity	Balance 30 June 2020
Property, plant and equipment	(236)	140	-	(96)
Employee provisions	1,055	256	-	1,311
Other provisions and accrued expenses	5	(76)	-	(71)
Leases	-	(29)	-	(29)
Carried forward tax losses	20,757	(5,147)	-	15,610
Other items	46	(441)	-	(395)
Tax assets (liabilities)	**21,627**	**(5,297)**	**-**	**16,330**

The Group has tax losses that are available for offsetting against future taxable profits of the Group. Deferred tax assets have been recognised in respect of these losses as it is probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. Management has reviewed the recoverability of the deferred tax asset based on board-approved budgets and the forecasts used for the purpose of impairment testing.

The deferred tax asset value at 30 June 2020 attributed to tax losses is $15.6 million (2019 - $20.7 million).

17. Trade and Other Payables

In thousands of $AUD	2020	2019
Current		
Trade payables	7,974	10,209
Related parties	611	811
Other payables and accrued expenses	11,408	8,114
Total current trade and other payables	**19,993**	**19,134**
Non-Current		
Other payables and accrued expenses	1,457	54
Total non-current trade and other payables	**1,457**	**54**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 30.

18. Provisions

In thousands of $AUD	2020	2019
Employee benefits		
Opening Provision recognised at 1 July	4,187	4,353
Net movement	331	(166)
Closing Provision at 30 June	**4,518**	**4,187**
Workers' Compensation Self-Insurance Provision		
Opening provision recognised at 1 July:	741	795
Charge for the year	-	65
Utilised	(45)	(119)
Unused amounts reversed	-	-
Closing provision at 30 June	**696**	**741**
Lease incentive provision		
Opening Provision recognised at 1 July	-	225
Charge for the year	-	24
Utilised	-	(91)
Closing Provision at 30 June	**-**	**158**

18. Provisions (continued)

In thousands of $AUD	**2020**	**2019**
Other provisions		
Opening Provision recognised at 1 July	216	942
Charge for the year	-	-
Utilised	(216)	(726)
Unused amounts reversed	-	-
Closing Provision at 30 June	**-**	**216**
Total provisions		
Opening Provision recognised at 1 July	5,303	6,316
Net movement	(89)	(1,013)
Closing Provision at 30 June	**5,214**	**5,303**
Current	**3,884**	**4,050**
Non-Current	**1,330**	**1,253**

Workers' Compensation Self-Insurance

From 1 July 2014, EAL has been granted workers' compensation self-insurance status by Return To Work SA in South Australia. As part of the transition to self-insurance, Return To Work SA engaged an independent actuary to estimate the liability for outstanding claims in relation to South Australian workers' compensation claims against the Group. This estimated liability includes consideration of EAL's claims history and a review of specific case estimates for current individual claims.

19. Loans and Borrowings

The following loans and borrowings at their carrying amounts are disclosed below:

	AS AT 30 JUNE 2020			AS AT 30 JUNE 2019		
In thousands of $AUD	**Total facility**	**Drawn facilities**	**Undrawn amount**	**Total facility**	**Drawn facilities**	**Undrawn amount**
Current						
Bank overdrafts (Note 9)	-	-	-	9,975	2,689	7,286
Term loan	4,000	4,000	-	-	-	-
Working capital facilities	-	-	-	18,421	17,783	638
Commercial bills	-	-	-	400	400	-
Lease liabilities – Bank	1,150	1,150	-	638	638	-
Lease liabilities - Other	897	897	-	-	-	-
Credit cards / other finances	375	40	335	400	170	230
Government loan	132	132	-	400	400	-
Other loans	185	185	-	205	205	-
Total current borrowings	**6,739**	**6,404**	**335**	**30,439**	**22,285**	**8,154**
Non-current						
Term loan	32,500	32,500	-	-	-	-
Commercial bills	-	-	-	39,348	39,348	-
Lease liabilities – Bank	7,641	7,641	-	1,491	1,491	-
Lease liabilities - Other	4,481	4,481	-	-	-	-
Government loan	181	181	-	-	-	-
Total non-current borrowings	**44,803**	**44,803**	**-**	**40,839**	**40,839**	**-**
Total borrowings	**51,542**	**51,207**	**344**	**71,278**	**63,124**	**8,154**

E&A Limited transitioned to AABS 16 Leases on 1 July 2019. Lease liabilities – Bank represents leases where title transfers to the Group on expiry of the lease, formerly Finance Leases. Lease liabilities – Other represents amounts recognised in respect of property leases and equipment leases for which title does not transfer, formerly Operating Leases. Further information on the impact of AASB 16 is reported in Note 3(x) and Note 20.

The Weighted Average Interest Rate (WAIR) for current borrowings was 12.0% (2019: 14.6%) and for non-current borrowings 12.0% (2019: 7.4%). The current borrowings WAIR incurred in FY19 is a consequence of the LIM Opportunistic Credit Master Fund (LIM OCFM) facility being a current borrowing during FY19.

19. Loans and Borrowings (continued)

E&A Limited's various finance facilities include both fixed and floating interest rates depending on the nature of the facility. The maturity terms of the various finance facilities are reflected in the Current / Non-current split shown above.

E&A Limited's banking facilities require a number of standard representations, warranties and undertakings (including financial and reporting obligations) from E&A Limited and E&A Limited Group companies in favour of the respective lenders. The facilities also include a cross-guarantee between the parent and the majority of Group companies with staged security enforcement rights and obligations. Further details of security arrangements are outlined in Note 30. Fixed and floating security has been placed over all Group assets.

Movement in the loans and borrowings (non-current and current) during the year ended 30 June 2020 is outlined below:

In thousands of $AUD	1 July 2019	Cash flow	New Funding	Acquired	Other	30 June 2020
Bank overdrafts	2,689	(2,689)	-	-	-	-
Term loan	-	(1,000)	37,500	-	-	36,500
Working capital facilities	17,783	(3,243)	5,509	-	(20,049)	-
Commercial bills	39,748	(2,450)	-	-	(37,298)	-
Lease liabilities – Bank	2,129	(1,532)	7,495	699	-	8,791
Lease liabilities - Other	-	(881)	6,259	-	-	5,378
Government loan	400	(86)	-	-	-	314
Credit cards	170	(139)	-	-	-	40
Other loans	205	(1,069)	970	68	10	184
Total borrowings	**63,124**	**(13,089)**	**57,733**	**767**	**(57,337)**	**51,207**

In thousands of $AUD	1 July 2018	Cash flow	New Funding	Acquired	Other	30 June 2019
Bank overdrafts	2,265	4,924	-	-	(4,500)	2,689
Working capital facilities	11,399	(7,816)	14,200	-	-	17,783
Commercial bills	50,173	(425)	-	-	(10,000)	39,748
Lease liabilities – Bank	1,250	(732)	1,611	-	-	2,129
Government loan	400	-	-	-	-	400
Credit cards	151	19	-	-	-	170
Other loans	6,182	(6,854)	877	-	-	205
Total borrowings	**71,820**	**(10,884)**	**16,688**	**-**	**(14,500)**	**63,124**

20. Lease liabilities

The Group leases properties, equipment and motor vehicles. On 1 July 2019, the Group transitioned to AASB 16 Leases using the modified retrospective approach. The right-of-use assets were measured at the amount equal to the discounted lease liability, and the net impact on retained earnings at transition was nil. The comparative information has not been restated.

Further information regarding he impact on transition to AASB 16 on the Group is disclosed in Note 3(x).

Lease liabilities

In thousands of $AUD	**30 June 2020**	**1 July 2019**
Property, plant & equipment leases – Bank financed	8,791	2,129
Property leases - Other	5,378	6,087
Plant and equipment Leases - Other	-	6
Total lease liabilities	**14,169**	**8,222**
Current	2,047	1,401
Non-current	12,122	6,821
Total lease liabilities	**14,169**	**8,222**

Amounts recognised in the statement of comprehensive income

In thousands of $AUD	**30 June 2020**
Interest on lease liabilities	462
Depreciation of leased assets	2,219
Lease payments relating to leases of short term leases, not included in lease liabilities	609

Amounts recognised in the statement of cash flows

In thousands of $AUD	**30 June 2020**
Total cash outflow for leases	2,413

The Group leases various properties and office equipment under non-cancellable operating leases. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated. Refer to Note 14 for the Right of use asset recognised in respect of operating leases.

The Group leases various plant and motor vehicles with a carrying amount of $2.51 million (2019: $2.13 million) under financed bank leases expiring within one to five years. Under the terms of the leases, the Group acquires the assets following the final payment. Refer to Note 14 for the asset recognised in respect of finance leases.

21. Issued Capital and Reserves

	2020		2019	
	Shares	Total $'000	Shares	Total $'000
Ordinary shares issued and fully paid:				
Balance as at 1 July	189,124,808	83,427	189,124,808	83,427
Share issue	4,759,830	19	-	-
Balance as at 30 June	193,884,638	83,446	189,124,808	83,427

In thousands of $AUD	2020	2019
Share options/warrants reserve	-	20,889

The share options/warrants reserve related to share warrants granted by the Company to Equity Management Unity Holdings Pty Ltd ('EMUH'). On 30 June 2017, 85,063,536 10-year share warrants were issued to EMUH, and if fully exercised EMUH would have acquired a further 85,063,536 shares for no consideration. The share warrants granted to EMUH were cancelled by a once off payment of $225,000 in conjunction with the debt extinguishment and refinance transaction completed on 16 January 2020.

There were no share options/warrants issued or converted during the year ended 30 June 2020.

22. Share based payments

Shares issued under share based payment arrangements

The share-based compensation expense recognised in the current year was $19,300 (2019: nil). This represents ordinary shares issued to employees under the Employee Share Scheme based, at the time of agreement to the issue, on an agreed share price valuation. The share price valuation was also adopted in the Independent Expert Report, prepared by an independent accounting firm, prior to the approval by shareholders of the Refinance Transaction in November 2019.

Shares Issued on the Exercise of Options/Warrants

There were no shares issued on the exercise of options during the year (2019: nil).

23. Franking Account Balance

In thousands of $AUD	2020	2019
Franking credits available for subsequent financial years based on a tax rate of 30% (2019: 30%)	6,247	4,093

The above amounts represent the balance of the franking account as at the end of the financial year. The consolidated amounts include franking credits that would be available to the Company if distributable profits of subsidiaries were paid as dividends.

24. Subsidiaries

Name of Entity	Country of Incorporation	Ownership interest (%) 2020	Ownership interest (%) 2019
Parent entity			
E&A Limited	Australia		
Subsidiaries			
AusPress Holdings Pty Ltd	Australia	100	100
AusPress Systems Pty Ltd	Australia	100	100
AusPress MEI Pty Ltd	Australia	100	-
E&A Group Pty Ltd	Australia	100	100
E&A Corporate Services Ltd	Australia	100	100
Fabtech Holdings Pty Limited	Australia	100	100
Fabtech Australia Pty Ltd	Australia	100	100
Heavymech Pty Ltd	Australia	100	100
ICE Engineering & Construction Holdings Pty Ltd	Australia	100	100
ICE Engineering & Construction Pty Ltd	Australia	100	100
ICE USG Mining & Civil Pty Ltd	Australia	100	-
Louminco Pty Ltd	Australia	100	100
NWMC Mining & Civil Pty Ltd	Australia	100	-
Quarry & Mining Manufacture (QLD) Pty Ltd	Australia	100	100
Quarry & Mining Manufacture (USG) Pty Ltd	Australia	100	100
Starboard Tack Pty Ltd	Australia	100	100
Tasman Power Holdings Pty Ltd	Australia	100	100
Tasman Power WA Pty Ltd	Australia	100	100
Tasman Recruitment WA Pty Ltd	Australia	100	100
Tasman Mechanical WA Pty Ltd	Australia	100	100
Tasman Rope Access Pty Ltd	Australia	100	100
Yura Services Pty Ltd	Australia	100	100
ACN 125 531 428 Pty Ltd	Australia	100	100
ACN 126 470 942 Pty Ltd	Australia	100	100
ACN 135 269 859 Pty Ltd	Australia	100	100

25. Interests in Associates

Names and principal activities of associates, and the percentage interest held by entities in the Group in those associates:

Name	Principal Activity	% Interest Held 2020	% Interest Held 2019
Equity & Advisory Pty Ltd - Associate	Corporate Advisory Services	49%	49%

26. Business Combinations

NWMC Mining & Civil

On 1 January 2020, the Group acquired North Western Mining & Civil (NWMC), a Pilbara, WA based business. The acquisition was made to enhance the Group's position as preferred service provider in the Pilbara region.

The details of the business combination are as follows:

In thousands of $AUD	1 January 2020
Fair value of consideration transferred	
Amount settled cash	8,518
Contingent consideration	3,929
Total consideration	**12,447**
Recognised amounts of identifiable net assets	
Cash	240
Trade debtors	4,750
Prepayments	139
Other current assets	955
Property, plant and equipment	1,624
Trade and other creditors	(1,025)
Current tax liability	(1,019)
Loans and borrowings	(68)
Other current liabilities	(130)
Leases – Plant, equipment and motor vehicles	(699)
Total identifiable net assets acquired	**4,767**
Goodwill on acquisition	**7,680**

26. Business Combinations (continued)

In thousands of $AUD	**1 January 2020**
Consideration transferred, settled in cash	8,518
Cash acquired	(240)
Net cash outflow on acquisition	**8,278**

Contingent consideration

In thousands of $AUD	**30 June 2020**	**1 January 2020**
Other current liabilities	1,778	500
Other non-current liabilities	2,303	3,429
Total contingent consideration	**4,081**	**3,929**

Provisional accounting

The fair values of net assets acquired have been determined on a provisional basis. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, the acquisition accounting will be revised.

NWMC contribution to the Group results

NWMC contributed $ 10,047,000 of revenue for the six months from 1 January to 30 June 2020. If NWMC had been acquired on 1 July 2019, revenue contribution to the Group for FY20 would have been $20,979,000.

Consideration transferred

The acquisition of NWMC was settled in cash of $8,518,000.

The purchase agreement included an additional consideration of $3,929,000, payable subject to NWMC business performance on a calendar year basis in CY20-CY22. The earnout amounts are based on the NWMC's earnings targets, and are payable to the vendors.

The additional consideration will be paid over a three year period. The $3,929,000 fair value of the contingent consideration liability initially recognised represents the present value of the Group's probability weighted estimate of the cash outflow. It reflects management's estimate of a 100% probability that the targets will be achieved and is discounted using an interest rate of 7.8%.

As at 30 June 2020, there have been no changes in the estimate of the probable cash outflow however the liability has increased to $4,081,000 due to the unwinding of the discount.

Acquisition-related costs, outside of the consolidated Group, amounting to $132,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of other expenses.

26. Business Combinations (continued)

Goodwill

Goodwill of $7,680,000 is primarily related to growth expectations, expected future profitability, and expected cost synergies. Goodwill has been allocated to the Engineering cash-generating unit at 30 June 2020. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

27. Discontinued Operations

On 29 June 2018, EAL sold the assets of two loss making subsidaries, Ottoway Enginering Pty Ltd and Ottoway Fabrication Pty Ltd, to Ferretti International. The two companies ceased to trade and entered voluntary administration on 11 July 2018.

The net asset sale included plant and equipment, intangible assets, inventory, completion of all work-in-progress with the purchaser also taking over all employee liabilities and operating and finance leases associated with the transferring plant and equipment. This transaction also included the sale of the Whyalla land and buildings by E&A Group, a non-trading asset holding company, as the purchaser wished to own the property from which Ottoway Fabrication operates.

The loss after tax associated with discontinued operations is disclosed in the Consolidated Statement of Comprehensive Income.

In thousands of $AUD	**2019**
Revenue	-
Cost of sales	(1,193)
Gross loss	**(1,193)**
Other income	23,627
Administrative expenses	(712)
Profit before tax from discontinued operations	**21,722**
Income tax benefit	1,809
Profit after tax from discontinued operations	**23,531**

Note: Other income include debt forgiveness and creditor compromise, which was due to the Group losing control of the subsidiaries as a result of them being placed into liquidation.

The net cash flows incurred for discontinued operations are, as follows:

In thousands of $AUD	**2019**
Operating	(55)
Investing	-
Financing	5,241
Net cash (outflows)/inflow	**5,186**

28. Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2020, the parent company of the group was E&A Limited.

In thousands of $AUD	Company	
	2020	**2019**
Results of the Parent Entity		
Loss for the year	(1,340)	(2,553)
Total comprehensive income for the year	**(1,340)**	**(2,553)**
Financial position of parent entity at year end		
Current assets	1,837	893
Non-Current assets	37,241	65,724
Current liabilities	(3,637)	(14,869)
Non-Current liabilities	(34,330)	(49,316)
Total equity of the parent entity comprising of:		
Share capital	83,446	83,427
Options/Warrants reserve	-	20,889
Accumulated Losses	(82,335)	(101,884)
Total Equity	**1,111**	**2,432**

Parent Entity Contingencies

The parent entity has no contingent liabilities and no capital commitments for property, plant and equipment for the years ended 30 June 2020 and 2019.

The Company as part of financing facilities has provided a number of standard representations, warranties and undertakings (including financial and reporting obligations) in favour of the respective lenders. The facilities also include a cross-guarantee between the parent and all group companies with staged security enforcement rights and obligations.

29. Related Parties

(a) Parent and Ultimate Controlling Party

The ultimate controlling entity of the Group is E&A Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 24.

(c) Key Management Personnel

Key management of the Group include the Executive Directors and Non-Executive Directors

Key Management Personnel Compensation

The key management personnel compensation included in employee benefits expense (see Note 6a) are as follows:

	2020	2019
Short-term employee benefits	1,593,000	988,000
Post-employee benefits	-	25,000
Share-based payments	10,000	-
Total	1,603,000	1,013,000

Loans to Directors and Key Management Personnel

As at 30 June 2020, the balance of unsecured loans receivable from directors and key management personnel was $279,000. Interest is payable on non-current amounts owing.

	Balance at Beginning of Period	Advancement/ (Repayment) of Loans	Balance Outstanding
	1 July 2019		30 June 2020
S Young	208,000	(44,000)	164,000
M Vartuli	5,000	110,000	115,000
Total	**213,000**	**66,000**	**279,000**

29. Related Parties (continued)

(d) Other Related Party Transactions

Port Tack is an entity controlled by Stephen Young, the Managing Director of E&A Limited. In addition, Regent Street Pty Ltd (Regent Street) is an associated entity of Stephen Young. The following related party transactions have been entered into as at 30 June 2020.

(i) Regent Street lease of Northfield premises

Regent Street entered into a lease agreement dated 14 February 2015 with Heavymech to lease the Heavymech premises for $120,528 per annum (exclusive of GST). The lease commenced on 14 February 2015 for a period of 5 years until 14 February 2020. A new lease arrangement commenced on 15 February 2020 for $126,000 per annum a period of 6 years to 14 February 2025.

(ii) Regent Street lease of Mt Isa premises

Regent Street entered into a lease agreement dated 1 August 2017 with Ottoway Fabrication to lease the Mount Isa premises for $71,456 per annum (exclusive of GST) for a period of 5 years, which was assigned to Heavymech on 1 January 2018. The lease will expire 31 July 2022. It is expected that this lease will be renewed on commercial terms at that time.

(iii) Regent Street lease of Duncan Court premises

Regent Street entered into a lease agreement dated 1 June 2015 with Quarry & Mining Manufacture Pty Ltd with initial expiry on 31 January 2020, and three five year extension clauses. The first renewal period commenced on 1 February 2020 for $150,221 per annum (exclusive of GST).

30. Financial Instruments

In thousands of $AUD	**2020**	**2019**
Financial Assets		
Financial assets at amortised cost		
Trade receivables	17,026	23,166
Loan to an associate	268	415
Loan to a director	271	213
Total Financial Assets	**17,565**	**23,794**
Total Current	17,026	23,166
Total Non-Current	539	628
Financial Liabilities		
Other Financial Liabilities at fair value		
Trade and other payables	22,153	19,188
Other liabilities	4,081	-
Interest bearing loans and borrowings	51,207	63,124
Total Financial Liabilities	**77,441**	**82,312**
Total Current	28,878	41,473
Total Non-Current	48,563	40,839

The Group is exposed to the following financial risks throughout the normal course of business:

- Credit risk;
- Liquidity risk;
- Currency risk; and
- Interest rate risk.

The Board reviews and agrees policies for managing each of these risks and the Audit and Risk Management Committee is responsible for monitoring compliance with risk management strategies throughout the Group. The Group uses basic financial instruments to manage financial risk. The Group uses derivative financial instruments, such as forward currency contracts to economically hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value through profit and loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

30. Financial Instruments (Continued)

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and contract assets) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The credit policy under which each new and existing customer is assessed for creditworthiness is determined separately by each operating subsidiary of the Group and accordingly reflects the different nature of each business's industry, customers and associated risks. Generally, however, customer credit reviews include external ratings, when available, and in some cases bank references. Customers that fail to meet the relevant benchmark creditworthiness may transact with the Group only on a prepayment basis. Credit quality of a customer is assessed based on a credit rating review and individual credit limits are defined in accordance with this assessment. The Group holds insurance policies to protect the recoverability of trade receivables where economically viable or insurance is available against the debtor.

Goods are, where possible, sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. At 30 June 2020, over 80% of the Groups trade receivables are covered by letters of credit and other forms of credit insurance (2019: 72%).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Exposure to credit risk

The Group's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2020 and 2019 is the carrying amounts as illustrated in the table above except for derivative financial instruments. The Group's maximum exposure relating to financial derivative instruments is noted in the liquidity table below.

30. Financial Instruments (Continued)

The Group manages its credit risk by maintaining strong relationships with a broad range of quality clients. There are no significant concentrations of credit risk within the Group.

The Group's maximum exposure to credit risk for trade receivables and contract assets at the reporting date by type of customer was:

In thousands of $AUD	2020	2019
Industrial (oil & gas, mining, defence, water)	26,539	35,054
Corporate (advisory clients)	1,112	1,763
Total trade receivables and contract assets	**27,651**	**36,817**

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

30 June 2020		**Trade Receivables**					
		Days past due					
	Contract Assets	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	0.0%	0.5%	3.0%	6.0%	12.0%	15.0%	-
Estimated total gross carrying amount at default	10,625	11,395	3,511	1,290	290	540	27,651
Expected credit loss	-	57	105	77	35	82	356

30 June 2019		**Trade Receivables**					
		Days past due					
	Contract Assets	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	0.0%	0.5%	3.0%	6.0%	12.0%	15.0%	-
Estimated total gross carrying amount at default	13,651	19,674	1,811	396	65	1,220	36,817
Expected credit loss	-	106	54	24	8	183	375

30. Financial Instruments (Continued)

Impairment losses

The ageing of the Group's trade receivables at the reporting date was:

In thousands of $AUD	**Gross**	**Impairment**	**Gross**	**Impairment**
	2020	**2020**	**2019**	**2019**
Not past due	11,394	-	19,674	-
Past due 0 – 30 days	3,511	-	1,811	-
Past due 31 – 121 days	1,291	-	470	-
Past due 121 days to one year	290	-	168	-
Past due more than one year	540	(356)	1,043	(375)
	17,026	**(356)**	**23,166**	**(375)**

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Furthermore, the Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

Available cash and trade receivables used to manage liquidity risk are outlined in Notes 9 & 10 respectively. The maturity profile of trade receivables is outlined under the credit risk disclosure above.

The Group's credit facilities are outlined in Note 19 to this financial report.

Guarantees

E&A Limited has extended the term of its banking facilities with its principal financier. The provision of these facilities requires a number of standard representations, warranties and undertakings (including financial and reporting obligations) from E&A Limited and E&A Limited Group companies in favour of the respective lenders. The facilities also include a cross-guarantee between the parent and all Group companies with staged security enforcement rights and obligations. Fixed and floating security has been placed over all Group assets.

30. Financial Instruments (Continued)

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

In thousands of $AUD	Note	AT 30 JUNE 2020					
		Carrying Amount	Contractual Cash Flows	Less than 1 year	1 – 2 years	2 – 5 years	More Than 5 years
Non-Derivative Financial Liabilities							
Secured bank loans	19	36,500	44,039	7,538	7,033	29,468	-
Lease liabilities – Bank	19	8,791	9,431	2,940	2,758	3,733	-
Lease liabilities - Other	19	5,378	6,198	1,171	1,191	3,240	596
Government loan	19	315	315	315	-	-	-
Trade and other payables	17	22,153	22,153	20,696	-	1,457	-
Other liabilities	26	4,081	4,537	1,778	1,346	1,413	-
Other loans (secured)	19	185	185	185	-	-	-
		77,403	**86,858**	**34,623**	**12,328**	**39,311**	**596**

In thousands of $AUD	Note	AT 30 JUNE 2019					
		Carrying Amount	Contractual Cash Flows	Less than 1 year	1 – 2 years	2 – 5 years	More Than 5 years
Non-Derivative Financial Liabilities							
Secured bank loans	19	39,748	54,000	2,519	7,375	23,794	20,312
Finance lease liabilities	19	2,129	2,307	744	670	892	-
Government loan	19	400	400	400	-	-	-
Trade and other payables	17	19,188	18,377	18,323	54	-	-
Working capital facilities	19	17,783	17,783	17,783	-	-	-
Bank overdraft	19	2,689	2,689	2,689	-	-	-
Other loans (secured)	19	205	206	206	-	-	-
		82,142	**95,762**	**42,664**	**8,099**	**24,686**	**20,312**

30. Financial Instruments (Continued)

Currency Risk

The Group, through its subsidiaries Fabtech and AusPress Systems, is exposed to currency risk on purchases that are denominated in a currency other than the Australian dollar (AUD), primarily the US dollar (USD), euro (EUR) and Sterling (GBP).

Fabtech and AusPress Systems use forward exchange contracts to hedge its currency risk with its foreign suppliers, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Total purchase transactions denominated in foreign currency account for less than 10% of total Group purchases.

The Group uses forward exchange contracts to minimise the risk of currency movements.

Exposure to currency risk
The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

In thousands of $AUD	AUD	USD	GBP	Euro	AUD	USD	GBP	Euro
	30 June 2020				30 June 2019			
Trade receivables	17,026	-	-	-	23,167	-	-	-
Trade payables	(7,239)	(266)	(3)	(466)	(9,131)	(121)	-	(327)
Net exposure	9,787	(266)	(3)	(466)	14,036	(121)	-	(327)

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2020	2019	2020	2019
USD	0.672	0.715	0.686	0.701
Euro	0.607	0.627	0.611	0.617

Currency risk sensitivity analysis

A 10% strengthening of the Australian dollar against the following currencies at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019.

A 10% weakening of the Australian dollar against the above currencies at reporting date would have had an equal but opposite effect on the following currencies to the amounts shown below, on the basis that all other variables remain constant.

30. Financial Instruments (Continued)

In thousands of $AUD	30 JUNE 2020		30 JUNE 2019	
	Equity	Profit or loss	Equity	Profit or loss
USD	-	24	-	11
Euro	-	42	-	30

Interest Rate Risk

The Group has limited exposure to interest rate risk, following the refinancing of its variable rate facilities to fixed rate facilities in January 2020.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In thousands of $AUD	2020	2019
Fixed Rate Instruments		
Term loan	36,500	
Lease liabilities – Bank	8,791	-
Variable Rate Instruments		
Financial liabilities (Note 19)	-	47,682

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019.

	AT 30 JUNE 2020			
	Profit or loss		Equity	
In thousands of $AUD	100bp increase	100bp decrease	100bp increase	100bp decrease
Variable rate instruments	-	-	-	-

	AT 30 JUNE 2019			
	Profit or loss		Equity	
In thousands of $AUD	100bp increase	100bp decrease	100bp increase	100bp decrease
Variable rate instruments	(681)	681	-	-

30. Financial Instruments (Continued)

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income before interest divided by total shareholder equity, excluding minority earnings and outstanding executive options. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Fair Values

Fair values versus carrying amounts

The fair values of all financial assets and liabilities are equivalent to their carrying amount as at balance sheet date.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs from the asset or liability that are not based on observable market data (unobservable inputs).

In thousands of $AUD

For the year ended **30 June 2020**	Level 1	Level 2	Level 3	Total
Derivative assets	-	-	-	-
Derivative liabilities	-	-	-	-
For the year ended **30 June 2019**				
Derivative assets	-	-	-	-
Derivative liabilities	-	-	-	-

The Groups foreign currency forward contracts (derivative assets and liabilities) is estimated by discounting future cash flows based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. These have been determined under a Level 2 fair value hierarchy.

31. Contingent Liabilities

The Group had contingent liabilities in respect of:

In thousands of $AUD	2020	2019
Guarantee Facilities		
Amount used	708	2,306
Amount available	753	1,001

In the normal course of business certain E&A Limited Companies are required to enter into contracts that include performance obligations. These commitments only give rise to a liability where the respective entity fails to perform its contractual obligations. Claims of this nature arise in the ordinary course of construction contracting. Where appropriate a provision is made for these issues.

The Directors are not aware of any material claims that are considered probable, which have not been appropriately provided for in the financial statements at 30 June 2020.

32. Commitments

(a) Capital Commitments

Capital expenditure contracted for at balance date but not recognised as liabilities is as follows:

In thousands of $AUD

	2020	2019
Total	-	150

(b) Lease Commitments

Non-Cancellable Operating Leases

The Group leases various properties and office equipment under non-cancellable operating leases expiring within one to five years. From 1 July 2019, non-cancellable operating leases are recognised on the balance sheet. Commitments for minimum lease payments in relation to non-cancellable operating leases prior to transition to AASB 16 Leases are payable as follows:

In thousands of $AUD	2020	2019
Within one year	-	1,182
Between one and five years	-	2,693
More than five years	-	351
	-	**4,045**

33. Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

Audit Services	**2020**	**2019**
Grant Thornton		
Audit and review of financial reports	185,000	-
EY		
Audit and review of financial reports	-	265,160
	185,000	**265,160**
Non-audit Services		
Grant Thornton		
Tax	58,400	-
Valuation services	45,000	-
	103,400	-

34. Subsequent Events

No adjusting or signficant non-adjusting events have occurred between the reporting date and the date of authorisation.

Directors' Declaration

1. In the opinion of the directors of E&A Limited ("the Company"):

   (a) The consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:

      (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

      (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) There are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

2. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Adelaide this 30th day of September 2020

Stephen Young

Managing Director

Grant Thornton

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Adelaide SA 5000

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Adelaide SA 5001

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Independent Auditor's Report

To the Members of E&A Limited

Report on the audit of the financial report

Opinion

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

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

a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Information other than the financial report and auditor's report thereon

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

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

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

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

Responsibilities of the Directors' for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 30 September 2020

E&A LIMITED - CORPORATE DIRECTORY

Directors	Mr Stephen Young Mr Mark Vartuli Mr Michael Terlet	Managing Director Executive Director Non-executive Director & Chairman
Company secretary	Mr Mark Vartuli	
Registered Office	75 Verde Drive Jandakot WA 6164 Phone: 08 8212 2929 Web: www.ealimited.com.au	
Solicitors	Various	
Auditors	Grant Thornton Audit Pty Ltd	
Share Register	Link Market Services Limited Level 9, 333 Collins Street Melbourne, Victoria 3000 Phone: 1300 554 474 Web: www.linkmarketservices.com.au	
ACN	088 588 425	
ABN	22 088 588 425	

E&A