



E&A Limited

ABN 22 088 588 425

**Interim Financial Report
as at 31 December 2020**

Current Reporting Period:

Half year ended 31 December 2020

Previous Corresponding Period:

Half year ended 31 December 2019

Contents

- 1. Review of operations**
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Review of Operations

For the Half Year Ended 31 December 2020

Overview

E&A Limited, an investment company (**the ‘Company’ or ‘Group’ or ‘EAL’**), achieved a statutory net profit after tax from continuing operations of \$6.51 million for the half year ended 31 December 2020. The result is 1,459% higher than the prior corresponding period.

EAL reports consolidated interim financial performance as follows:

- Revenue of \$88.64 million, up 15.9% on the prior corresponding period, primarily due to increased activity from mining and industrial customers, with a contributing factor also being the acquisition of North Western Mining & Civil in January 2020, Auspress MEI in April 2020 and M&B Civil in October 2020;
- Statutory net profit after tax of \$6.51 million;
- EBITDA of \$13.82 million, up 109.9% from \$6.58 million Underlying EBTIDA in 2019;
- Received positive cash flow from operations of \$12.2 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;
- 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 repayments and improved earnings, the net debt divided by the trailing 12 months underlying EBITDA is 1.45x and the lowest in EAL’s history.
- The Group continues to provide maintenance and shutdown services across Australia to “Essential Industry” asset owners. The budgeted outlook for revenue and profit for FY21 is an improvement on FY20 financial performance.

FINANCIAL OVERVIEW

Income Statement

Consolidated Interim Financial Results	H1 FY21 \$'000	H1 FY20 \$'000	Percentage change (%)
Revenue from continuing operations	88,642	76,459	15.9
Statutory net profit/(loss) after tax	6,510	(479)	1,459.1
Add: loss after tax from discontinued operations	-	1,817	100.0
Add: income tax expense	2,622	605	333.3
Statutory profit before tax from continuing operations	9,132	1,943	370.0
Add: net finance expense	2,258	1,902	18.7
Earnings before interest and tax (EBIT) from continuing operations	11,390	3,845	196.2
Add: Financing establishment, legal, restructuring costs and other	-	1,235	(100.0)
Underlying EBIT from continuing operations*	11,390	5,080	124.2
Underlying earnings before interest, tax and depreciation (EBITDA) from continuing operations*	13,822	6,585	109.9
Cash generated from operations	12,244	16,807	(27.1)

* 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 generated a net cash inflow from operations, before interest, borrowings costs and tax of \$12.2 million and, after payment of interest and tax, a net inflow of \$9.90 million for the half year ended 31 December 2020.

Net Debt & Gearing

At 31 December 2020, net debt excluding operating leases was \$36.38 million and gearing was 43.0% (as measured by the ratio of net debt to net debt plus shareholder equity).

At 31 December 2020, EAL's last twelve month rolling net debt to EBITDA ratio is 1.45x. 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.

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 eight years.

EAL subsidiaries maintain workers' compensation self-insurance status for its South Australian operations. The South Australian self-insured license has been extended to 2022.

FINANCIAL OVERVIEW (continued)

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.

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.
- 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 half 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.

Interim dividend

The EAL Board has declared a fully franked interim dividend of 1.0 cent per share. The interim dividend will be paid on 9 June 2021, with the date for determining entitlements being 30 April 2021.

Outlook for FY21

Providing specific earnings guidance for the second half remains difficult, particularly having regard to the uncertain economic conditions. EAL subsidiaries have made a record earnings start to the financial year and we believe the business is well positioned for growth as economic conditions improve.

OPERATING SEGMENTS ACTIVITY

Engineering services

Engineering services	H1 FY21 \$'000	H1 FY20 \$'000	Percentage change (%)
Segment Revenue	84,876	75,599	12.3%
Earnings before interest and tax	10,459	4,660	124.4%

Engineering Services comprises the services provided by AusPress Systems Pty Ltd, Fabtech Australia Pty Ltd, Heavymech Pty Ltd, ICE Engineering & Construction Pty Ltd, North West Mining & Civil Pty Ltd, M&B Civil Pty Ltd, Quarry & Mining Manufacture Pty Ltd, Tasman Power WA Pty Ltd and Tasman Rope Access Pty Ltd.

The Engineering Services segment revenue increased by 12.3% and contributed \$10.46 million EBIT compared to \$4.66 million in the prior corresponding period.

All operating entities generated a positive EBIT result with Tasman Power, Tasman Rope Access, North West Mining & Civil, and Fabtech being the highest contributors to profitability for the six months period ended 31 December 2020. These entities continue to have positive outlooks for the current financial year.

Tasman Power and Tasman Rope Access have continued to build on their strong service record and, with North West Mining & Civil, they have increased their site presence throughout the Pilbara.

Investment and corporate advisory services

Investment & Corporate Advisory	H1 FY21 \$'000	H1 FY20 \$'000	Percentage change (%)
Segment Revenue	3,766	3,587	5.0%
Earnings before interest and tax	931	420	121.7%

The Investment and Corporate Advisory segment comprise the services provided by Equity & Advisory Pty Ltd (Equity & Advisory), E&A Limited (EAL) and E&A Corporate Services Limited.

This segment's revenue has increased by 5% compared to the prior corresponding period and generated an underlying EBIT of \$0.93 million compared to an underlying EBIT of \$0.42 million in the prior corresponding period.

The external advisory business has delivered strong first half performance and continues to secure a strong pipeline of mandates.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2020

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DIRECTORS' REPORT

For the half year ended 31 December 2020

The Directors of E&A Limited present their report together with the consolidated interim financial report for the half year ended 31 December 2020 for E&A Limited (referred to hereafter as the Group or E&A Limited) and the independent auditor's review report thereon.

Directors

The names of the Company Directors in office during the half year and up until the date of this report are.

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

Company Secretary

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

Review of Operations and Financial Results

The Group has recorded a profit after tax for the half year of \$6.51 million (H1 FY20: loss after tax of \$0.48 million). The review of operations is outlined in the front section of the interim financial report.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the consolidated entity during the half year under review.

Dividends

The EAL Board has declared a fully franked interim dividend of 1.0 cent per share. The interim dividend will be paid on 9 June 2021, with the date for determining entitlements being 30 April 2021.

Subsequent Events After the Balance Date

Other than the EAL Board declaring an interim dividend, there has not arisen in the interval between the end of the financial period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' REPORT (continued)

For the half year ended 31 December 2020

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 26 and forms part of the Directors' Report for the half year ended 31 December 2020.

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

Dated at Adelaide this 31st day of March 2021



Stephen Young
Managing Director



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Half Year Ended 31 December 2020

In thousands of \$AUD

	Note	31 December 2020	31 December 2019
Continuing operations			
Revenue from contracts with customers	4	88,642	76,459
Cost of sales		(67,396)	(61,588)
Gross profit		21,246	14,871
Other income	5	1,373	316
Net gain on debt reduction and refinance		-	-
Administrative expenses		(8,798)	(8,379)
Other operating expenses		(2,431)	(2,963)
Operating profit from continuing operations		11,390	3,845
Finance income		-	-
Finance expenses		(2,258)	(1,902)
Net finance expense		(2,258)	(1,902)
Profit before tax from continuing operations		9,132	1,943
Income tax expense	6	(2,622)	(605)
Profit after tax from continuing operations		6,510	1,338
Discontinued operations			
Loss after tax from discontinued operations	14	-	(1,817)
Profit/(loss) after tax for the period		6,510	(479)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		6,510	(479)

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

In thousands of \$AUD

	Note	31 December 2020	30 June 2020
Current assets			
Cash and cash equivalents	7	7,317	5,766
Trade and other receivables	8	23,654	18,940
Inventories		5,440	5,336
Contract assets	4	11,163	10,625
Prepayments		1,914	1,241
Other current assets		2,645	1,253
Total current assets		52,133	43,161
Non-current assets			
Property, plant and equipment		19,437	18,389
Intangible assets	9	53,349	52,403
Deferred tax assets		15,913	19,248
Other non-current assets		185	382
Total non-current assets		88,884	90,422
Total assets		141,017	133,583
Current liabilities			
Trade and other payables	10	22,957	19,993
Contract liabilities	4	8,104	6,034
Current tax liability		935	1,033
Provisions		4,388	3,884
Loans and borrowings	11	7,981	6,404
Other current liabilities		1,578	1,778
Total current liabilities		45,943	39,126
Non-current liabilities			
Trade and other payables	10	2,516	1,457
Provisions		1,097	1,330
Loans and borrowings	11	41,093	44,803
Other non-current liabilities		-	2,303
Deferred tax liability		2,212	2,918
Total non-current liabilities		46,918	52,811
Total liabilities		92,861	91,937
Net assets		48,156	41,646
Equity			
Issued share capital	12	83,446	83,446
Accumulated losses		(35,290)	(41,800)
Total equity attributable to equity holders of the Company		48,156	41,646

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half Year Ended 31 December 2020

In thousands of \$AUD

	Share Capital	Accumulated Losses	Options/ Warrants Reserve	Total Equity
Balance at 1 July 2020	83,446	(41,800)	-	41,646
Profit for the half year	-	6,510	-	6,510
Other comprehensive income	-	-	-	-
Total comprehensive income	-	6,510	-	6,510
Dividends paid	-	-	-	-
Balance at 31 December 2020	83,446	(35,290)	-	48,156
Balance at 1 July 2019	83,427	(75,174)	20,889	29,142
Loss for the half year	-	(479)	-	(479)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(479)	-	(479)
Employee share based compensation	19	-	-	19
Dividends paid	-	-	-	-
Balance at 31 December 2019	83,446	(75,653)	20,889	28,682

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



CONSOLIDATED STATEMENT OF CASH FLOWS

For the Half Year Ended 31 December 2020

In thousands of \$AUD

	Note	31 December 2020	31 December 2019
Cash flows from operating activities			
Cash receipts from customers		94,450	95,565
Cash paid to suppliers and employees		(82,206)	(78,758)
Cash generated from operations		12,244	16,807
Net interest paid		(2,258)	(3,037)
Income tax paid		(90)	-
Net cash from operating activities		9,896	13,770
Cash flows from investing activities			
Payments for acquisition of property, plant and equipment		(1,581)	(1,200)
Proceeds from disposal of property, plant and equipment		-	47
Acquisition of controlled entity, net of cash received	13	(580)	-
Payment of deferred acquisition consideration		(500)	(54)
Receipt of government grants		-	195
Net cash used in investing activities		(2,661)	(1,012)
Cash flows from financing activities			
Repayment of borrowings		(3,377)	(4,684)
Proceeds from borrowings		-	2,884
Repayment of lease liabilities		(1,307)	-
Loans to / Repayments from related parties		(1,000)	32
Net cash used in financing activities		(5,684)	(1,768)
Net increase in cash and cash equivalents		1,551	10,991
Cash and cash equivalents at 1 July		5,766	(2,660)
Cash and cash equivalents at 31 December	7	7,317	8,331

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



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Half Year Ended 31 December 2020

1. Reporting entity

E&A Limited (the “Company”) is a company domiciled in Australia. The address of the Company’s registered office is 75 Verde Drive Jandakot WA 6164.

The consolidated interim financial statements of the Company as at and for the half year ended 31 December 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.

These interim financial statements were authorised for issue by the Company’s board of directors on 31 March 2021.

2. Basis of accounting

These interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting*, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 30 June 2020 (“last annual financial statements”). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements. The policies have been consistently applied to all the years presented unless otherwise stated.

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 1 July 2020 has not been applied in preparing this financial report. The company is in the process of assessing the impact of any new standards.

These interim 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 interim financial statements and directors’ report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates 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.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Half Year Ended 31 December 2020

4. Revenue from contracts with customers

In thousands of \$AUD

	31 Dec 2020	31 Dec 2019
Sales revenue	88,642	76,459

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

Disaggregation of revenue

Key information relating to the Group's interim financial performance, and revenue disaggregated by major service lines and timing of revenue recognition, is detailed below.

For the half year ended 31 December 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	9,019	8,907	-	17,926
Revenue recognised over time	55,425	14,910	381	70,716
Total revenue from contracts with customers	64,444	23,817	381	88,642

For the half year ended 31 December 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	9,682	562	-	10,244
Revenue recognised over time	45,737	19,618	860	66,215
Total revenue from contracts with customers	55,419	20,180	860	76,459

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

In thousands of \$AUD

	31 Dec 2020	30 June 2020
Trade Receivables	20,891	17,026
Contract Assets	11,163	10,625
Contract Liabilities	(8,104)	(6,034)
	23,950	21,617



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Half Year Ended 31 December 2020

5. Other Income

In thousands of \$AUD

	31 Dec 2020	31 Dec 2019
Government grant income	435	-
Net gain on sale of PP&E	48	-
Other income	890	316
Total other income	1,373	316

6. Tax

Income Tax Expense

In thousands of \$AUD

Current Tax Expense

	31 Dec 2020	31 Dec 2019
Current period	(55)	(583)
Adjustment for prior periods	-	-
	(55)	(583)

Deferred Tax Expense

Origination and Reversal of Temporary Differences	648	(22)
Utilisation of Deferred Tax Asset on tax losses	(3,201)	-
Adjustment for prior periods	127	-
Other	(141)	-
	(2,567)	(22)
Total income tax (expense) / benefit	(2,622)	(605)

7. Cash and Cash Equivalents

In thousands of \$AUD

	31 Dec 2020	30 June 2020
Cash at bank and in hand	7,317	5,766
Bank overdrafts	-	-
Balances per Statement of Cash flows	7,317	5,766



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Half Year Ended 31 December 2020

8. Trade and Other Receivables

In thousands of \$AUD

Current

	31 Dec 2020	30 June 2020
Trade receivables	20,891	17,026
Provision for impairment of receivables (Note 30)	(356)	(356)
Other receivables	3,119	2,270
Total Current Trade and Other Receivables	23,654	18,940

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. Other receivables includes a \$1.0 million short term loan to a related entity which has subsequently been repaid.

9. Intangible Assets

At 31 December 2020, goodwill and other indefinite life intangibles are allocated to cash generating units ('CGUs') as follows:

In thousands of \$AUD

	31 Dec 2020	30 June 2020
Investment & Corporate Advisory	1,060	1,060
Engineering Services	40,526	39,578
Water and Fluid	11,763	11,763
Total Goodwill and other Intangibles	53,349	52,401

The Group is required to consider whether there are any impairment indicators at each reporting date. Accordingly, Management has analysed EBITDA actual results to budget for each CGU for the six months ended 31 December 2020 and has concluded that there are no impairment indicators. The Group will undertake a full impairment analysis at 30 June 2021.

10. Trade and Other Payables

In thousands of \$AUD

Current

	31 Dec 2020	30 June 2020
Trade payables	10,019	7,974
Related parties	475	611
Other payables and accrued expenses	12,463	11,408
Total current trade and other payables	22,957	19,993

Non-Current

	31 Dec 2020	30 June 2020
Other payables and accrued expenses	2,516	1,457
Total non-current trade and other payables	2,516	1,457



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Half Year Ended 31 December 2020

11. Loans and Borrowings

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

<i>In thousands of \$AUD</i>	AS AT 31 DECEMBER 2020			AS AT 30 JUNE 2020		
	Total facility	Drawn facilities	Undrawn amount	Total facility	Drawn facilities	Undrawn amount
Current						
Term loan	4,000	4,000	-	4,000	4,000	-
Lease liabilities – Bank	3,008	3,008	-	1,150	1,150	-
Lease liabilities - Other	954	954	-	897	897	-
Credit cards / other finances	375	(219)	594	375	40	335
Government loan	134	134	-	132	132	-
Other loans	104	104	-	185	185	-
Total current borrowings	8,575	7,981	594	6,739	6,404	335
Non-current						
Term loan	30,500	30,500	-	32,500	32,500	-
Lease liabilities – Bank	6,506	6,506	-	7,641	7,641	-
Lease liabilities - Other	3,972	3,972	-	4,481	4,481	-
Government loan	115	115	-	181	181	-
Total non-current borrowings	41,093	41,093	-	44,803	44,803	-
Total borrowings	49,668	49,074	594	51,542	51,207	344

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. Fixed and floating security has been placed over all Group assets.



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Half Year Ended 31 December 2020

12. Share Capital

	31 Dec 2020	30 June 2020
	\$'000	\$'000
Ordinary shares on issue	83,446	83,446

All shares on issue are fully paid. The Company does not have authorised capital or par value in respect of its issued shares.

Movements in ordinary shares on issue	Shares	\$'000
At 1 July 2020	193,884,638	83,446
At 31 December 2020	193,884,638	83,446



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Half Year Ended 31 December 2020

13. Business Combinations

M&B Civil

On 1 October 2020, the Group acquired M&B Civil, a Cooper Basin, SA based business. The acquisition was made to enhance the Group's position as preferred service provider in the Cooper Basin region.

The details of the business combination are as follows:

In thousands of \$AUD

	1 October 2020
Fair value of consideration transferred	
Amount settled cash	1,270
Deferred consideration	513
Total consideration	1,783
Recognised amounts of identifiable net assets	
Cash	690
Trade debtors	575
Prepayments	150
Other current assets	140
Property, plant and equipment	101
Intangible assets	50
Other non-current assets	70
Trade and other creditors	(304)
Employee benefits provisions	(432)
Loans and borrowings	(155)
Total identifiable net assets acquired	885
Goodwill on acquisition	898
 Consideration transferred, settled in cash	 (1,270)
Cash acquired	690
Net cash inflow/(outflow) on acquisition	(580)

Contingent consideration

In thousands of \$AUD

	31 Dec 2020	1 October 2020
Other current liabilities	300	300
Other non-current liabilities	213	213
Total contingent consideration	513	513



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Half Year Ended 31 December 2020

13. Business Combinations (continued)

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.

M&B Civil contribution to the Group results

M&B Civil contributed \$ 1.1 million of revenue for the three months from 1 October to 31 December 2020. If M&B Civil had been acquired on 1 July 2020, revenue contribution to the Group for the half year would have been \$2.2 million.

Consideration transferred

The acquisition of M&B Civil was settled in cash of \$1,270,000.

The purchase agreement included an additional consideration of \$550,000, with \$50,000 payable subject to transfer of the Quarry Licences, \$250,000 payable subject to M&B Civil business performance for the 9 month period ended 30 June 2021, and \$250,000 payable subject to M&B Civil business performance for the financial year ended 30 June 2022. The earnout amounts are based on M&B Civil's earnings targets, and are payable to the vendors.

The additional consideration will be paid over a two year period. The \$513,313 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 31 December 2020, there have been no changes in the estimate of the probable cash outflow.

Acquisition-related costs, outside of the consolidated Group, amounting to \$55,000 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.

Goodwill

Goodwill of \$898,000 is primarily related to growth expectations, expected future profitability, and expected cost synergies. Goodwill has been allocated to the Engineering cash-generating unit at 31 December 2020.



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Half Year Ended 31 December 2020

14. Discontinued Operations

On 29 June 2018, EAL sold the assets of two loss making subsidiaries, Ottoway Engineering 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 results for the half year ended 31 December 2019 includes some loss after tax associated with these discontinued operations, as follows:

<i>In thousands of \$AUD</i>	31 Dec 2019
Administrative expenses	(24)
Other operating expenses	(1,750)
Finance costs	(822)
Profit before tax from discontinued operations	(2,596)
Income tax benefit	779
Loss after tax from discontinued operations	(1,817)

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

<i>In thousands of \$AUD</i>	31 Dec 2019
Operating	1,437
Investing	-
Financing	(1,319)
Net cash (outflows)/inflow	118



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Half Year Ended 31 December 2020

15. 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 the same as those disclosed in the Group's last annual financial statements.

(c) Key Management Personnel

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

Loans to Directors and Key Management Personnel

As at 31 December 2020, the balance of unsecured loans receivable from directors and key management personnel was \$286,000. Interest is payable on non-current amounts owing.

	Balance at Beginning of Period	Advancement/ (Repayment) of Loans	Balance Outstanding
	1 July 2020		31 Dec 2020
S Young	164,000	2,000	166,000
M Vartuli	115,000	5,000	120,000
Total	279,000	7,000	286,000

(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. There have been no new related party transactions entered into other than those disclosed in the Group's last annual financial statements.



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Half Year Ended 31 December 2020

16. Financial Instruments

Borrowings and repayment of debt

Refer to Note 11 for advancements and repayments.

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.

17. Contingencies

The Group had contingent liabilities in respect of:

In thousands of \$AUD

Guarantee Facilities

	31 Dec 2020	30 June 2020
Amount used	236	708
Amount available	326	753

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 31 December 2020.

18. Subsequent Events

Other than the EAL Board declaring an interim dividend, no adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.



E&A LIMITED

Directors' Declaration

For the half year ended 31 December 2020

In the opinion of the Directors of E&A Limited:

- (a) The consolidated interim financial statements and notes for the half year ended 31 December 2020 are in accordance with the *Corporations Act* 2001, including:
 - (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
 - (ii) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations* 2001.
- (b) There are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Stephen Young
Managing Director

Adelaide, 31 March 2021

Independent Auditor's Report

To the Members of E&A Limited

Report on the review of the half year-financial report

Conclusion

We have reviewed the accompanying half-year financial report of E&A Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of E&A Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the E&A Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 31 March 2021

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 review of E&A Limited for the period ended 31 December 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 31 March 2021

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