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**Annual Report & Appendix 4E**

**For the Financial Year Ended 30 June 2012**

**E&A Limited**

ABN 22 088 588 425

*This Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.*

Current Reporting Period:	Financial Year Ended 30 June 2012
Previous Corresponding Period:	Financial Year Ended 30 June 2011

**Contents**

- 1. Results for Announcement to the Market**
- 2. Review of Operations**
- 3. Annual Report**



## Results for announcement to the market

### Financial Year Ended 30 June 2012

#### Revenue and Net Profit

		% Change		Amount \$'000
Revenue from ordinary activities*	Up	13.5%	To	164,440
Reported net profit from ordinary activities after tax attributable to members	Up	76.2%	To	2,879
Underlying EBIT from ordinary activities**	Down	3.6%	To	8,579
Underlying net profit after tax**	Unchanged	-	To	3,870

\*Excludes other income

\*\* Underlying profit excludes once-off significant write-offs associated with the Honeymoon settlement. Please refer to the reconciliation of underlying profit to reported statutory net profit below.

REPORTED & UNDERLYING NET PROFIT E&A LIMITED (000's)	FULL YEAR FY12	FULL YEAR FY11	PERCENTAGE (%)
Revenue	164,730	145,176	13.5%
Underlying EBIT from continuing operations	8,579	8,895	(3.6%)
Net interest expense	(3,697)	(3,316)	(11.5%)
Underlying profit before tax	4,882	5,579	(12.5%)
Tax expense on underlying profit	(1,012)	(1,710)	(40.8%)
Underlying net profit after tax	3,870	3,869	0.0%
Significant Once-off Items (after tax)			
AE&E bad debt provision	-	(662)	
Honeymoon prolongation claim settlement	(991)	(1,573)	
Reported statutory net profit after tax	2,879	1,634	76.2%

Note 1: The Directors have presented non-IFRS profit information as part of its Review of Operations in order to improve the users' understanding of the Group's underlying performance compared to the prior year. Underlying profit information has been reconciled to reported statutory profit in the above table. The non-IFRS information reported has not been subject to review or audit.

#### Dividends

	Amount per security	Percentage Franked %
Interim dividend	2 cents	100%
Final dividend	2 cents	100%
Record Date for determining entitlements to the dividend	29 October 2012	
Date of dividend payment	9 November 2012	



## Results for announcement to the market (Continued)

### Financial Year Ended 30 June 2012

#### Earnings Per Share

	2012	2011
Earnings per share (diluted)	2.98 cents	1.69 cents
Earnings per share (undiluted)	2.98 cents	1.69 cents
Underlying earnings per share (diluted)	4.01 cents	4.00 cents
Underlying earnings per share (undiluted)	4.01 cents	4.01 cents

#### Net Tangible Assets

	2012	2011
NTA per share (undiluted)	0.71 cents	-1.67 cents

#### Review of Operations

For commentary on current year operations, please refer to the attached Media Release.

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28 August 2012

The Manager  
Company Announcements Platform  
Australian Stock Exchange Ltd

## REVIEW OF OPERATIONS

- Consolidated revenue of \$164.7 million up 13.5% from \$145.2 million.
- Reported statutory net profit after tax of \$2.879 million up 76.2% from \$1.634 million.
- Record cash flow from operations of \$13.2 million before interest and tax up from \$2.6 million.
- Significant improvement in balance sheet strength following \$10.9 million reduction in net debt since 31 December 2011.
- Strong safety culture and performance – in excess of two years and 2 million hours without a lost time injury in our 4 largest operating entities.
- Directors' confidence in outlook underpinned by declaration of final 2 cent fully franked dividend resulting in a cumulative fully franked dividend of 4 cents per share for FY12 which represents an exceptional pre-tax yield of 32.65% based on the 24 August 2012 closing share price.

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Diversified Investment Company, E & A Limited (ASX:EAL) today announced a statutory net profit after tax (NPAT) of \$2.879 million for the year ended 30 June 2012, which is up from the prior year result of \$1.634 million.

The difference between the reported statutory NPAT and the underlying NPAT of \$3.870 million is a result of the \$0.991 million post tax write-down to work in progress recognised as a consequence of Ottoway Engineering agreeing to settle the Honeymoon contract dispute with Uranium One for \$6.0 million, as previously advised to the market.

Mr Young advised the Board decision to settle this matter was in the best interests of shareholders as it had enabled the Company to:

- Avoid paying further legal costs in order to litigate the dispute;
- Reduce borrowing costs as a consequence of applying the \$6.0 million settlement proceeds to significantly reduce debt and renew banking facilities on more favourable terms;
- Allow management to focus on growth opportunities for a number of E&A Limited entities; and
- Significantly strengthen the Balance Sheet of E&A Limited.

Mr Young confirmed that E&A Limited's subsidiaries remain well positioned for organic revenue and earnings growth. This growth is a result of mining construction activity and ongoing activity in Western Australia and Queensland, where EAL continues to focus its resources.

## **CASHFLOW**

E&A Limited generated a record cash flow from operations of \$13.2 million before payment of interest and tax and \$8.1 million after payment of interest and tax for the 12 month period ending 30 June 2012.

The strong operating cash flow performance was driven by the following:

- Positive operating earnings contribution of the Group;
- Effective working capital management of the Group;
- Collection of insurance debtor proceeds totalling \$2.2 million in settlement of the long outstanding debt owed to Ottoway by AE&E for the Cape Preston Project; and
- Collection of \$6.0 million by Ottoway in settlement of its long outstanding contract dispute with Uranium One, as previously advised to the market.

The strong operating cash flow performance of E&A Limited has enabled the Group to reduce its net debt by \$10.9 million from the half-year to \$23.9 million at 30 June 2012. This represents the Group's lowest level of net debt since December 2007, notwithstanding E&A Limited has doubled its revenue over this period.

The positive underlying earnings contribution of the Group, strong operating cash flow performance and the reduction in net debt has resulted in E&A Limited renewing its banking facilities on more favourable terms. As a consequence, E&A Limited expects its borrowing costs to reduce by greater than \$1.0 million in FY13.

The reduction in net debt significantly increases the balance sheet strength of E&A Limited and allows management to focus on both organic and acquisition opportunities.

## **FINAL DIVIDEND**

E&A Limited Directors are pleased to declare a final fully franked dividend of 2.0 cents per share payable on 9 November 2012.

The final dividend of 2.0 cents per share is in addition to the interim dividend of 2.0 cents per share paid on 29 June 2012, bringing the total dividend return to shareholders of 4.0 cents per share for FY12. Based on the current E&A Limited share price of 17.5 cents, this equates to a pre-tax return of 32.65% to shareholders.

The final dividend of 2.0 cents can be taken in cash or reinvested in E&A Limited shares at a discount of 2.5% to the volume weighted average price of all EAL shares traded on the Australian Securities Exchange during the five trading days after the record date.

The E&A Limited Executive Directors stated it was their intention to continue to reinvest their dividends whilst the EAL share price remained at its current low level.

The record date for the dividend will be 29 October 2012 and the dividend will be paid on 9 November 2012

## **BUILDING SHAREHOLDER VALUE**

The E&A Limited Directors believe that it is appropriate to re-iterate the critical elements of the EAL strategy and structure which it believes is undervalued by the market.

Furthermore, E&A Limited remains committed to growing both organically and by acquisition whilst maintaining a high dividend payout ratio. E&A Limited is a non trading company and only has limited liability to its subsidiaries financiers. As a consequence it is able to isolate itself from the underperformance of any single subsidiary.

E&A Limited subsidiaries comprise a group of different specialised contracting entities who operate in a diversity of geographic locations across a range of industries. E&A Limited subsidiaries generate more than one half of their revenue outside South Australia and approximately one half outside the mining services sector.

Mr Young said the unexpected combination of the dispute with Uranium One in respect of the Honeymoon Project, the dispute with Bemax in respect on the Snapper project, the Queensland floods and the Global Financial Crisis (which caused both the \$5.7 million bad debt from Austrian Energy & Environment, and the contraction of the debt financing markets), had challenged both EAL's management and its shareholders. The 2010 and 2011 Financial Years had been exceptionally challenging and whilst not wished for, the E&A Limited structure had been stress tested and had proven robust.

Mr Young expected that this year's financial report would enable shareholders to re-evaluate EAL's structure and capacity to perform throughout a range of business cycles.

In this regard, Mr Young acknowledged the inherent risk in contracting and summarised EAL's approach to this risk stating:

*"The Directors and Senior Management control more than 70% of the listed entity and all of them have skin in the game, the shareholders risk is their risk and the shareholders gain is their gain and, as a consequence, they truly care about dividends and creating shareholder wealth."*

### **OUTLOOK FOR FY13**

Mr Young confirmed that E&A Limited subsidiaries remain well positioned for organic revenue and earnings growth. This growth is a result of mining construction activity in Western Australia and Queensland, where EAL continues to focus its resources.

Mr Young indicated that EAL forecast to deliver improved earnings and dividends in FY13.

Mr Young advised five of EAL's operating subsidiaries are involved in providing maintenance and upgrade services to BHP Billiton's Olympic Dam operations.

EAL anticipates that their existing level of activity with BHP Billiton, which comprises less than 10% of EAL's total turnover, will continue unaffected by their decision to defer its proposed expansion of the Olympic Dam mine.

EAL is confident that BHP Billiton will find a less capital intensive way of expanding Olympic Dam, however, we accept that this will take some while longer.

Whilst an announcement of the proposed expansion had been anticipated, it was not factored into EAL's operating subsidiary budgets for FY13.

Recently BIS Schrapnel advised that in their opinion the mining construction boom would continue for at least another 24 months. This is consistent with EAL's view and recent contract wins where EAL has secured pipe spooling, pipe supply and geomembrane installation work with a number of Tier 1 contractors who are engaged in constructing upstream gas transmission infrastructure for the Coal Seam Gas sector in Southeast Queensland. Additionally, both ICE Engineering and Ottoway have secured significant new and ongoing contracts in Western Australia as previously advised to the market.

Furthermore, Mr Young advised the Directors continue to evaluate a number of further strategic acquisition opportunities and remain committed to building shareholder value through delivering a blend of organic and acquisition growth.

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## SAFETY & OUR PEOPLE

The safety of E&A Limited's operating entities' employees and those who work alongside them continues to be management's primary objective and is a key performance measure for all of its operating subsidiaries.

As E&A Limited subsidiaries continue to grow their employee numbers, they continue to enhance their safety culture through visible safety leadership, training and communicating with their employees, ensuring safe workplaces, processes, and procedures.

During the year a number of E&A Limited's subsidiaries achieved significant milestones:

- ICE completed its 5th year without a Lost Time Injury (LTI) and has worked more than 705,995 hours on site without a LTI claim.
- Ottoway Engineering has completed over 700 days without a LTI and has now worked more than 500,000 hours in the workshop and on site without a LTI.
- E&A Contractors has completed two years without a LTI and has now worked more than 305,559 hours in the workshop and on site without a LTI.
- Fabtech has established industry leading safety systems and procedures, including AS4801 safety accreditation and has been LTI free for 1175 days.

The other subsidiaries, who have smaller numbers of employees, all improved their safety records.

E&A Limited's subsidiaries recent outstanding safety performance is reflective of the substantial investment E&A Limited has made in improving the culture, processes and management focus on safety, quality and contract management, consistent with our clients' expectations for mature specialist engineering firms.

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## OPERATING SEGMENTS COMMENTARY

Detailed comments in respect of E&A Limited's operating segments are presented below:

### HEAVY MECHANICAL & ELECTRICAL ENGINEERING

#### Operating Businesses

This segment comprises the services provided by Ottoway Engineering Pty Ltd (**Ottoway**), ICE Engineering & Construction Pty Ltd (**ICE**) and E&A Contractors Pty Ltd (**EAC**).

Ottoway, ICE and EAC offer services across a range of industries including industrial, mining, water, defence, power generation oil and gas, petro-chemical and infrastructure.

#### Services

Ottoway operates as a structural, mechanical and piping fabrication and construction business and offers turn-key project management including design, engineering, procurement, manufacture, fabrication, machining, installation and maintenance.

ICE provides industrial electrical and instrumentation solutions and contract labour services.

EAC offers its clients fully integrated solutions including design, drafting, engineering, procurement, fabrication and on-site construction.

#### Operating Performance

The following table provides a summary of the financial performance of the Heavy Mechanical and Electrical Engineering segment for the year ended 30 June 2012 in comparison to the prior year.

SEGMENT REPORTING	FULL YEAR FY12	FULL YEAR FY11	PERCENTAGE (%) INCREASE / (DECREASE)
HEAVY MECHANICAL & ELECTRICAL ENGINEERING <i>(in thousands)</i>			
Segment Revenue*	118,604	106,454	11.41%
Underlying Operating Results (Before Finance Expense and Income Tax)**	6,735	7,799	(13.64%)
Operating Results (Before Finance Expense and Income Tax Expense)	5,319	4,606	15.48%

\*Includes intersegment sales & other income. Refer to Note 26 for further breakdown

\*\* Underlying Operating Results excludes significant provisioning raised on account of the Honeymoon prolongation settlement

The Heavy Mechanical & Electrical Engineering segment delivered an increase in revenue of 11.41%, with operating earnings increasing by 15.48% compared to the prior year.

Ottoway was the major contributor to both revenue and earnings for this sector during FY12. Ottoway averaged in excess of 100 skilled tradespeople working on the Sino Iron Ore Project, including the Cape Preston Power Station.

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During the year, Ottoway undertook the relocation of Iluka's sand mining plant from Kulwin to the Woornack, Rownack and Pirro deposits, which are 30 kilometres South East of Ouyen. This large contract was completed ahead of schedule and within budgeted cost.

During FY12, ICE has established a branch network throughout Australia. ICE now has branch operations located in Adelaide, Perth, Whyalla and Roxby Downs. As part of this expansion, ICE has established an executive and operational management support structure in order to ensure ICE delivers on their customers' expectations. Since January 2012, ICE has secured more than \$30 million of contract work principally in Western Australia. The outlook of ICE as a consequence of these recent wins continues to improve.

E&A Contractors increased its fabrication workload with ASC's Air Warfare Destroyer Program during the year. This increased level of activity is forecast to continue during FY13. E&A Contractors has also secured a number of different aspects of Arrium's iron ore export expansion program in Whyalla.

E&A Contractors Roxby Downs office also continues to support BHP Billiton. During May 2012, a number of operational changes were made at E&A Contractors to more closely align its fabricating capacity with Ottoway's. This arrangement is expected to increase the capacity of both companies and enable the provision of additional capability to their respective clients.

## **WATER & FLUID SOLUTIONS**

### **Operating Businesses**

This segment comprises the services provided by Fabtech SA Pty Ltd (**Fabtech**) and Blucher (Australia) Pty Ltd (**Blucher**).

### **Services**

Fabtech is a national leader in the provision of flexible geomembrane liners and floating covers for dams, reservoirs, channels and tunnels in such industries as mining, resources, potable and waste water containment, waste management and agriculture.

Blucher supplies high quality stainless steel products for both drainage and supply systems for industrial and commercial applications.

### **Operating Performance**

The following table provides a summary of the financial performance of the Water & Fluid Solutions segment for the year ended 30 June 2012 in comparison to the prior year.

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SEGMENT REPORTING	FULL YEAR	FULL YEAR	PERCENTAGE (%)
WATER & FLUID SOLUTIONS (in thousands)	FY12	FY11	INCREASE / (DECREASE)
Segment Revenue *	29,452	24,190	21.75%
Operating Results (Before Finance Expense and Income Tax Expense)	1,816	481	277.55%

\*Includes intersegment sales & other income. Refer to Note 26 for further breakdown

The Water & Fluid Solutions segment saw an increase in revenue of 21.75%, with operating earnings increasing by 277.55% compared to the prior year.

Fabtech experienced an increase in sales and also operating result during FY12. The sales increase was driven primarily out of the coal seam gas sector in South East Queensland. The increased earnings contribution of Fabtech was due to improved weather and productivity levels achieved on site for its larger projects.

The outlook for Fabtech remains positive with Fabtech having record secured orders in hand as it commences FY13, which is all being driven by the Coal Seam Gas sector.

Blucher experienced increases in sales and in operating results throughout FY12 as a result of an increase in sales into the mining, food production and coal seam gas industries.

Blucher is focussed on innovation of new product lines and improvement of margin to further grow the business in FY13, maintaining its position as the leader in the stainless steel drainage and pressure piping market. Blucher's continued revenue growth is linked to the coal seam gas industry, mining, food production and new construction activity. Blucher management expects to achieve earnings growth in FY13 from a combination of revenue growth, margin improvement and overhead savings.

## MAINTENANCE ENGINEERING & PLANT CONSTRUCTION

### Operating Businesses

This segment comprises the services provided by Quarry & Mining Manufacture Pty Ltd (**QMM**) and Heavymech Pty Ltd (**Heavymech**).

### Services

QMM is a provider of maintenance, engineering and plant construction services to the quarry, recycling and mining sectors.

Heavymech provides emergency breakdown, maintenance and machining services to a wide variety of industries including mining, earthmoving, foundry, water, marine, defence and power generation. Heavymech operates from a large machine shop located in the northern suburbs of Adelaide and a smaller Whyalla workshop, which it established during FY11.

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## Operating Performance

The following table provides a summary of the financial performance of the Maintenance Engineering & Plant Construction segment for the year ended 30 June 2012 in comparison to the prior year.

SEGMENT REPORTING	FULL YEAR	FULL YEAR	PERCENTAGE (%)
MAINTENANCE ENGINEERING & PLANT CONSTRUCTION <i>(in thousands)</i>	FY12	FY11	INCREASE / (DECREASE)
Segment Revenue *	18,562	19,818	(6.34%)
Operating Results (Before Finance Expense and Income Tax Expense)	576	881	(34.62%)

\*Includes intersegment sales & other income. Refer to Note 26 for further breakdown

The Maintenance Engineering & Plant Construction segment saw a reduction in revenue of 6.34%, with operating earnings falling by 34.62% compared to the prior year.

Heavymech experienced solid revenue and profit growth throughout FY12 through the contribution of the Company's newly established workshop in Whyalla and the strengthening of its on-site shutdown capacity and service offering to existing and new customers.

Heavymech's revenue remains closely linked to the level of activity in the broader industrial, construction, mining, water and power generation markets. Heavymech management expects to achieve modest revenue and earnings growth during FY13.

QMM experienced a reduction in turnover and profitability as a consequence of no major materials handling plant upgrades being completed throughout FY12.

Notwithstanding the lack of major plant upgrade activity, QMM experienced a significant increase in repair and maintenance activity across its major construction materials handling clients, including Boral, Holcim, Fulton Hogan, Jeffries and Lucas Earthmovers. In addition, QMM also experienced solid growth in its specialist mine maintenance shutdown services provided to BHP Billiton, Oz Minerals, Terramin, Hillgrove and ERA.

As a consequence of subdued major plant upgrade activity in Australia, QMM has undertaken the following strategic initiatives in order to deliver improved earnings in FY13:

- Merged the design and fabrication capacity of the business into the one location by consolidating the Queensland based workshop operations and relocating to new state of the art 2,700 sqm workshop facilities in Pooraka, South Australia;
- Re-aligned the company's business model to focus on repair and maintenance activity, whilst retaining the ability to deliver national plant upgrade opportunities;
- Continued focus on expanding the specialist mine maintenance shutdown services offered throughout Australia given significant growth opportunities within the market; and
- Strengthened the business development capability of QMM through key executive appointments.

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The QMM management team is confident the above measures will result in earnings growth in FY13.

## INVESTMENT & CORPORATE ADVISORY

### Operating Businesses

This segment comprises the services provided by Equity & Advisory Ltd (**Equity & Advisory**) and includes the listing and corporate costs associated with the parent entity, EAL.

### Services

The Investment & Corporate Advisory segment provides a comprehensive range of corporate advisory services relating to the analysing, negotiating, financing and completing of business transactions for external and internal clients. Equity & Advisory provides corporate advisory services to public, private and government organisations. In addition, Equity & Advisory provides a range of corporate advisory and management services to EAL subsidiaries.

### Operating Performance

The following table provides a summary of the financial performance of the Investment & Corporate Advisory segment for the year ended 30 June 2012 in comparison to the prior year.

SEGMENT REPORTING	FULL YEAR	FULL YEAR	PERCENTAGE (%)
INVESTMENT & CORPORATE ADVISORY (in thousands)	FY12	FY11	INCREASE / (DECREASE)
Segment Revenue *	2,978	2,876	3.55%
Operating Results (Before Finance Expense and Income Tax Expense)	(548)	(266)	(106.02%)

\*Excludes Intercompany dividend revenue & includes intersegment sales. Refer to Note 26 for further breakdown

The Investment & Corporate Advisory segment revenue increased marginally by 3.55% compared to the prior year.

Given subdued merger and acquisition activity throughout the year, the corporate advisory team was principally engaged internally by E&A Limited operating subsidiaries, including leading negotiations in relation to the AE&E Insurance proceeds and settlement of the Honeymoon contract dispute with Uranium One. The corporate advisory team also spent considerable time in improving the operating and financial information reporting systems across the operating subsidiaries during FY12.

Management of the Corporate Advisory team expect to deliver an improved performance during FY13 as a consequence of securing a number of new advisory mandates.

The decline in operating earnings in FY12 is primarily a consequence of certain corporate overheads, such as ASX fees, insurance, audit, taxation and directors fees being incurred during the period without being allocated to operating subsidiaries.

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**Annual Financial Report**

**For the Financial Year Ended 30 June 2012**

**E&A Limited**

**ABN 22 088 588 425**





## COMPANY OVERVIEW

E&A Limited is a diversified South 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		<ul style="list-style-type: none"> <li>Comprehensive range of corporate advisory services relating to the analysing, negotiating, financing and completing of business transactions for external and internal clients</li> <li>Investment and Corporate Advisory also provides a range of corporate advisory services to E&amp;A Limited subsidiaries as they continue to expand both organically and through acquisition</li> </ul>	<ul style="list-style-type: none"> <li>Public</li> <li>Private</li> <li>Government organisations</li> <li>E&amp;A Limited subsidiaries</li> </ul>	12
	Equity & Advisory				
Water & Fluid Solutions	Fabtech SA		<ul style="list-style-type: none"> <li>Flexible geomembrane liners and floating covers for dams, reservoirs, tunnels, channels and landfills</li> <li>Drainage and supply systems for industrial and commercial applications</li> </ul>	<ul style="list-style-type: none"> <li>Industrial</li> <li>Mining</li> <li>Waste Water</li> <li>Waste Management</li> <li>Ship Building</li> <li>Food &amp; Beverage processing</li> <li>Potable and Waste Water Containment</li> <li>Agriculture</li> </ul>	> 80
	Blucher Australia				



## COMPANY OVERVIEW

SEGMENT	OPERATING COMPANIES		SERVICES	INDUSTRY EXPOSURE	EMPLOYEES
Heavy Mechanical & Electrical Engineering	Ottoway Engineering		<ul style="list-style-type: none"> <li>▪ Pipe fabrication and installation involving all aspects of turn-key project management including design, engineering, procurement, manufacture, fabrication, machining, installation and maintenance</li> <li>▪ Steel fabrication and structural engineering services, including project management, design, engineering support, procurement, structural steel fabrication and erection, pipe welding and pipework installation, pneumatic and hydraulic installations, and light machining</li> <li>▪ Electrical engineering consultancy and project management including the design of electrical control systems for heavy industry, manufacturing and commercial installations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Industrial</li> <li>▪ Petro-chemical</li> <li>▪ Oil &amp; Gas</li> <li>▪ Mining</li> <li>▪ Water</li> <li>▪ Defence</li> <li>▪ Power generation</li> <li>▪ Infrastructure</li> <li>▪ Petro-chemical</li> </ul>	> 500
	E&A Contractors				
	ICE Engineering & Construction				
Maintenance Engineering & Plant Construction	Heavymech		<ul style="list-style-type: none"> <li>▪ Breakdown and repair services to the heavy industrial, mining and power generation industries</li> <li>▪ Equipment, spare parts, plant construction and repair, and onsite maintenance to the quarry, recycling and mining sectors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Mining</li> <li>▪ Power</li> <li>▪ Quarry</li> <li>▪ Recycling</li> <li>▪ Heavy industrial</li> </ul>	> 100
	QMM				

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## 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 STEPHEN YOUNG**

*Executive Chairman,*

*B. Ec, FCA, FAICD*

Stephen Young is the Executive Chairman of E&A Limited and 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 30 years experience involving large corporate advisory, corporate recovery, business turnaround, listed public and private advisory and board engagements.

Stephen was a senior employee and partner of Allert Heard & Co, a specialist corporate recovery firm and a member of the Ferrier Hodgson Group from 1979 to 1989. 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 including Adelaide Football Club, A Raptis & Sons Pty Ltd (current), ASC Pty Ltd (formerly Australian Submarine Corporation), Adelaide University Council (current), aiLimited, Common Ground (current), ETSA Corporation, Land Management Corporation, Major Projects Task Force (Olsen Government), Michell Australia Group, Shaw and Smith (current) and the Premier's Roundtable (SA).

#### **MR MARK VARTULI**

*Executive Director,*

*M. Comm, B.Com, FCA*

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.

Over the past fifteen years Mark has acted as the commercial advisor on transactions involving the sale, purchase and valuation of businesses and infrastructure projects which have a cumulative value in excess of \$4.5 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.



## DIRECTORS' BIOGRAPHIES

### MR MICHAEL ABBOTT

*Non Executive Director,*

*AO, QC, LLB*

Michael Abbott is a Barrister resident in South Australia. He graduated with a law degree from The University of Adelaide in 1965 and commenced in private practice in 1966. He is a past President of the South Australian Bar Association and has appeared as Counsel in a number of significant cases and Royal Commissions in Australia. In 2006 he represented six of the officers of AWB at the Cole Commission into Iraqi wheat payments in Sydney. Michael also acted for the Non-Executive Directors of the State Bank of South Australia and Beneficial Finance Pty Ltd during the Royal Commission into the State Bank of South Australia and in the subsequent litigation against the bank's Directors. He has lectured on corporate responsibility, the fiduciary duties of Directors and other topics relating to the role of Directors.

### MR MICHAEL TERLET

*Non Executive Director,*

*AO, MBA FAIM, FAICD, JP(ret)*

Michael Terlet is Chairman of Australia's largest privately owned water company, United Water International Pty Ltd, ACHA Hospital Group, The Water Industry Alliance, Urban Renewal Authority, Tidswell Financial Services Ltd, Operation Flinders Foundation and International Centre of Excellence in Water Resources Management.

Mr Terlet 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 Workcover, SA Centre for Manufacturing, Defence Manufacturing Council SA (MTIA), South Australian Small Business Advisory council, SDS Corporation Ltd and as President of the South Australian Employers Chamber of Commerce and Industry and the Engineering Employers Association.

### MR DAVID KLINGBERG

*Non Executive Director,*

*AO, FTSE, DUniSA, B.Tech (Civil), FIEAust, FAusIMM, FAICD, KSJ*

David Klingberg is an Engineer with over 40 years experience in project development and business management and governance. David holds a number of non executive board appointments with both private and public bodies. He is the Chairman of Centrex Metals Limited and Barossa Infrastructure Limited and a director of Codan Limited, Snowy Hydro Limited and Invest SA. David is SA Division Chair of the Academy of Technological Sciences and Engineering and is also patron of the Cancer Council of South Australia and the St Andrew's Hospital Foundation.

Formerly Managing Director of Kinhill Limited, one of Australia's largest professional engineering firms operating as consultants and contractors in the resources and public infrastructure sectors, David has developed substantial professional expertise in project evaluation, management and systems and in the structuring of major infrastructure projects.



## ANNUAL FINANCIAL REPORT

### Financial report for the financial year ended 30 June 2012

<b>Corporate Governance Statement</b>	<b>7</b>
<b>Directors' Report</b>	<b>18</b>
<b>Consolidated Statement of Comprehensive Income</b>	<b>31</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>32</b>
<b>Consolidated Balance Sheet</b>	<b>33</b>
<b>Consolidated Statement of Cash Flows</b>	<b>34</b>
<b>Notes to the Financial Statements</b>	<b>35</b>
<b>Directors' Declaration</b>	<b>81</b>
<b>Independent Auditor's Report</b>	<b>82</b>
<b>ASX Additional Information</b>	<b>84</b>
<b>E&amp;A Limited Corporate Directory</b>	<b>86</b>

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## CORPORATE GOVERNANCE STATEMENT

The Board of Directors is committed to ensuring the Group is properly directed and accordingly the Directors have adopted corporate governance policies and practices designed to continue to promote the responsible management and conduct of E&A Limited's business. The main policies and practices currently in place are summarised below. In addition, many governance elements are set out in the Constitution.

The overriding objective of the corporate governance practices adopted by the Company is to maintain and increase shareholder value in the Company within an appropriate framework that protects the rights and interests of shareholders and ensures the Company and its controlled entities are properly managed. The objective is supported by an organisation-wide commitment to the highest standards of legislative compliance and financial and ethical behaviour.

A summary of how the Company complies with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Recommendations is included below. In summary, E&A Limited departs from the Guidelines in one key area as the Chairman is not an independent director because he holds the position equivalent to a Chief Executive Officer. The Board has resolved that in view of the size of E&A Limited, the nature of the business and the equity position held that Mr Young's role as Executive Chairman is in the best interests of all shareholders.

The various charters and policies are available on the E&A Limited website: [www.ealimited.com.au](http://www.ealimited.com.au).

The Company's corporate governance statement is structured with reference to the principles and recommendations, which are as follows:

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## CORPORATE GOVERNANCE STATEMENT

ASX Principle	Status	Reference/Comment
<b>Principle 1: Lay Solid Foundations for Management and Oversight</b>		
<b>1.1</b> Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Complying	<p>The Board has adopted a Corporate Governance Board Charter which establishes the role of the Board and its relationship with management.</p> <p>The role of the Board of Directors of the Company, as defined by the Board Charter, is to use its expertise to develop, review and implement the strategic direction of the Company while at all times representing the shareholders, protecting the interests of the Company and fulfilling the Board's duties and obligations under the Company's constitution, and the Corporations Act 2001 (Cth).</p> <p>The Board Charter sets out the following key responsibilities and functions of the Board:</p> <ul style="list-style-type: none"><li>• regularly considering and monitoring the implementation of corporate strategies and objectives, including E&amp;A Limited's control and accountability systems;</li><li>• appointing and removing the Managing Director/Chief Executive Officer and where appropriate ratifying the appointment and removal of senior executives;</li><li>• monitoring and evaluating the performance of all Group management teams and the implementation of corporate strategies and performance objectives;</li><li>• approving and monitoring compliance with systems of financial reporting, continuous disclosure, corporate governance, legal requirements and ethical standards;</li><li>• approving and monitoring major capital expenditure, capital management and acquisitions and divestitures;</li><li>• reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;</li><li>• ensuring appropriate resources are available to senior executives;</li><li>• issuing securities in E&amp;A Limited and establishing any incentive plans for directors and/or staff;</li><li>• confirming that audit arrangements (including internal and external) are in compliance with all legal requirements and reviewing E&amp;A Limited's policies on such issues; and</li><li>• delegating an appropriate level of authority to management.</li></ul>

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## CORPORATE GOVERNANCE STATEMENT

ASX Principle	Status	Reference/Comment
1.2 The performance of senior executives should be reviewed regularly against appropriate measures.	Complying	<p>The Board retains ultimate authority over management; however, as is customary, the Board has delegated authority over the day-to-day management of E&amp;A Limited to the Executive Directors and in turn to management.</p> <p>To assist in the execution of its responsibilities, the Board has established a Nomination and Remuneration Committee (“<b>Remuneration Committee</b>”) and an Audit and Risk Management Committee (“<b>Audit Committee</b>”). These committees have written charters.</p> <p><b>Director’s appointment letter:</b> Each new non-executive Director is required to sign and return a letter of appointment which sets out the key terms of the Director’s appointment. The content of the letters of appointment for new non-executive Directors is consistent with the ASX principles.</p> <p>E&amp;A Limited also has formal employment contracts in place with the executive Directors which describe amongst other things, their term of office, duties, rights, responsibilities and entitlements. E&amp;A Limited conducts annual performance reviews of all senior management. E&amp;A Limited will conduct a review of Directors’ performance before the end of the calendar year.</p>
<b>Principle 2: Structure the Board to Add Value</b>		
2.1 A majority of the board should be independent directors.	Complying	<p>The composition of the E&amp;A Limited Board complies with practices recommended as a majority of the Directors are non-executives, and independent as defined by ASX guidance notes. The Board has adopted a Policy on Independence of Directors on which the board will assess the independence of the Directors of the Company.</p> <p>Directors are appointed on the specific skills required by the Company and on the independence of their decision-making and judgement. The experience and skills of the Directors is set out in the Directors’ Biographies section of this annual report.</p> <p>The current Board comprising three non-executive Directors and two executive Directors is appropriate for the size of the Company.</p>
2.2 The chair should be an independent director.	Non Complying	<p>E&amp;A Limited does not comply with ASX Recommendation 2.2 as the Chairman, Mr Stephen Young, is not an independent Director. As Executive Chairman, he holds the position equivalent to a Chief Executive Officer. Mr Young is also a substantial shareholder in E&amp;A Limited as at 30 June 2012. In this regard, Mr Young is not considered to be an independent Director. Full details of the capacity of Mr Young’s relationship with E&amp;A Limited is disclosed within this Annual Report, including remuneration, related party transactions, shareholder interest and employee position.</p> <p>The Board has resolved that in view of the size of E&amp;A Limited, the nature of the business and the equity position held, that Mr Young’s role as Executive Chairman is in the best interests of all shareholders.</p>



## CORPORATE GOVERNANCE STATEMENT

ASX Principle	Status	Reference/Comment
<b>2.3</b> The roles of chair and chief executive officer should not be exercised by the same individual.	Non Complying	<p>E&amp;A Limited does not comply with ASX Recommendation 2.3. As described above in 2.2, Mr Stephen Young operates as the Executive Chairman of E&amp;A Limited, which encompasses both roles as Chairman and Chief Executive Officer.</p> <p>The Board has resolved that in view of the size of E&amp;A Limited, the nature of the business and the equity position held that Mr Young's role as Executive Chairman is in the best interests of all shareholders.</p>
<b>2.4</b> The board should establish a nomination committee.	Complying	<p>The Board has established a Nomination and Remuneration Committee and an associated Nomination and Remuneration Committee Charter.</p> <p>The Nomination and Remuneration Committee is responsible for:</p> <ul style="list-style-type: none"><li>• examining and implementing adequate selection and appointment practices to ensure the composition of the Board is appropriate to meet the needs of the Company; and</li><li>• ensuring the remuneration within the Company is appropriately designed to enhance corporate and individual performance whilst also meeting the needs of the Company as a whole.</li></ul> <p>The Nomination and Remuneration Committee consists of the independent non-executive Directors. Mr Terlet chairs the Nomination and Remuneration Committee.</p>
<b>2.5</b> Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Complying	<p>The Board has adopted an Induction, Continuing Education and Evaluation of Directors Policy which reflects the Company's emphasis on the importance of a Board of Directors with knowledge regarding the business of the Company and the principles of good corporate governance.</p> <p>The policy prescribes the process of evaluating the performance of the Board.</p>



## CORPORATE GOVERNANCE STATEMENT

ASX Principle	Status	Reference/Comment
<b>Principle 3: Promote Ethical and Responsible Decision-Making</b>		
<b>3.1</b> Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>▪ the practices necessary to maintain confidence in the company's integrity;</li> <li>▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and</li> <li>▪ the responsibility/ accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Complying	<p>The Company has established a Code of Conduct which provides guidance to all levels of the Company on how to maintain the standards and meet the expectations placed on all employees by both the Company and the community.</p> <p>As the conduct differs between the levels of the Company, the Code separately addresses the conduct of:</p> <ol style="list-style-type: none"> <li>a) all employees and agents of the Company;</li> <li>b) senior management and executives;</li> <li>c) directors; and</li> <li>d) the Company as a whole, with particular attention to its social responsibility.</li> </ol>
<b>3.2;</b> <b>3.3;</b> <b>&amp;</b> <b>3.4</b> <ul style="list-style-type: none"> <li>• Companies should establish a policy concerning diversity.</li> <li>• Companies should disclose the measurable objectives for achieving gender diversity set by the board.</li> <li>• Companies should disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.</li> </ul>	Complying	<p>The Company has established a Group Diversity Policy which is available on the Company's website.</p> <p>The Company believes its people are its greatest asset and is strongly committed to the principles of diversity and to promoting a culture that supports the development of a diverse mix of employees throughout all levels of the organisation.</p> <p>Key objectives set by the Board in achieving diversity are as follows:</p> <ul style="list-style-type: none"> <li>• To create a diverse workforce;</li> <li>• To ensure employment and career progression determined by merit, competency, qualifications and ability to effectively perform the role;</li> <li>• To ensure work practices have the flexibility to support achievement of E&amp;A Limited's diversity objectives;</li> <li>• To promote indigenous employment in the workforce;</li> <li>• To promote apprenticeships within our workforce;</li> <li>• To proactively pursue 457 VISA employment of skilled tradespersons where shortfalls exist in Australian workforce skills and sponsor Australian citizenship of these skilled workers;</li> <li>• Provide relevant and challenging professional development and training opportunities for employees; and</li> </ul>



## CORPORATE GOVERNANCE STATEMENT

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ASX Principle	Status	Reference/Comment												
		<ul style="list-style-type: none"> <li>Provide flexible work arrangements to accommodate family commitments, cultural traditions and other personal choices of employees.</li> </ul> <p>The Board is pleased to advise progress continues to be made in achieving the above objectives and reports the following key achievements in FY12:</p> <ul style="list-style-type: none"> <li>Appointment of 15 new apprentices in FY12 taking total E&amp;A Limited Group Apprentices to 41;</li> <li>Appointment of 43 new 457 Skilled tradespersons in FY12;</li> <li>Enhancement of E&amp;A Limited's Indigenous Reconciliation Action Plan to promote the recruitment of Indigenous Australians;</li> <li>Development and roll out of Group Diversity Policy.</li> <li>Continued support of professional development programs undertaken by employees;</li> <li>Continued provision of flexible work arrangements to accommodate family commitments and cultural traditions of employees.</li> </ul> <p>E&amp;A Limited reports on the Group's gender representation at 30 June 2012 below:</p> <table border="1"> <thead> <tr> <th>Gender Representation</th> <th>Female (%)</th> <th>Male (%)</th> </tr> </thead> <tbody> <tr> <td>Board Representation</td> <td>0%</td> <td>100%</td> </tr> <tr> <td>Executive &amp; Senior Management Representation</td> <td>11%</td> <td>89%</td> </tr> <tr> <td>Group Representation</td> <td>8%</td> <td>92%</td> </tr> </tbody> </table> <p>The Board will report on progress in achieving its objectives on an annual basis.</p>	Gender Representation	Female (%)	Male (%)	Board Representation	0%	100%	Executive & Senior Management Representation	11%	89%	Group Representation	8%	92%
Gender Representation	Female (%)	Male (%)												
Board Representation	0%	100%												
Executive & Senior Management Representation	11%	89%												
Group Representation	8%	92%												



## CORPORATE GOVERNANCE STATEMENT

ASX Principle	Status	Reference/Comment
<b>Principle 4: Safeguard Integrity in Financial Reporting</b>		
<b>4.1</b> The board should establish an audit committee.	Complying	<p>The Company has an Audit and Risk Management Committee. The Audit and Risk Management Committee is a committee established by the Board of Directors of the Company.</p> <p>The objective of the Audit and Risk Management Committee is to assist the Board in discharging its corporate governance duties in relation to:</p> <ul style="list-style-type: none"><li>• implementing and maintaining appropriate policies and procedures in relation to risk management and auditing;</li><li>• financial reporting, internal control structure and internal and external audit functions; and</li><li>• establishing a sound system of risk oversight and management and internal controls.</li></ul> <p>The Audit and Risk Management Committee consists of three non-executive Directors. Mr Abbott chairs the Audit and Risk Management Committee.</p>
<b>4.2</b> The audit committee should be structured so that it: <ul style="list-style-type: none"><li>▪ consists only of non-executive directors</li><li>▪ consists of a majority of independent directors</li><li>▪ is chaired by an independent chair, who is not chair of the board</li><li>▪ has at least three members</li></ul>	Complying	<p>The Audit and Risk Management Committee consists of three non-executive Directors. Mr Abbott chairs the Audit and Risk Management Committee.</p>
<b>4.3</b> The audit committee should have a formal charter.	Complying	<p>The Audit and Risk Management Committee has a formal charter which sets out the Committee's role and responsibilities, composition, structure and membership requirements. The Audit and Risk Management Committee is given the necessary powers and resources to meet its charter.</p>



## CORPORATE GOVERNANCE STATEMENT

ASX Principle	Status	Reference/Comment
<b>Principle 5: Make Timely and Balanced Disclosure</b>		
5.1	Complying	<p>The Company recognises and understands that it has an obligation to disclose information to its Shareholders, the Australian Securities and Investment Commission and the Australian Stock Exchange. The Company respects the importance and value in maintaining an accurate, efficient and informed market place through the continuous disclosure of information to its Shareholders and the market.</p> <p>The Company has adopted a Continuous Disclosure Policy which outlines the procedure, content and responsibility of compliance with the Continuous Disclosure Obligations.</p>
<b>Principle 6: Respect the Rights of Shareholders</b>		
6.1	Complying	<p>The Board has adopted a Shareholder Communication Policy which aims to ensure that all Shareholders are informed about all material developments in the management and operation of the Company and its business, in a manner which is timely and readily accessible to all Shareholders.</p> <p>To ensure flexibility for Shareholders, relevant information will be communicated to Shareholders via a number of methods, as follows:</p> <ol style="list-style-type: none"> <li>1. The Annual Report will communicate to Shareholders annual information about the Company's general and financial performance together with information on the future prospects for the Company.</li> <li>2. At the Annual General Meeting Shareholders will receive information about the activities of the Company in the past year, the proposed activities for the Company in the forthcoming year, notification of any significant issues for the Company, and have an opportunity to ask questions of the Board of Directors.</li> <li>3. The Company will publish its half-year and full year-results on its website as soon as reasonably possible after they have been disclosed to the ASX.</li> <li>4. All major announcements to the Australian Stock Exchange are posted on the Company's website.</li> <li>5. The Company will provide the following shareholder information on its website: <ul style="list-style-type: none"> <li>- contact details of the Company's share registry;</li> <li>- current share price;</li> <li>- instructions regarding change of Shareholders details;</li> <li>- shareholder forms; and</li> <li>- corporate profile.</li> </ul> </li> </ol>



## CORPORATE GOVERNANCE STATEMENT

ASX Principle	Status	Reference/Comment
<b>Principle 7: Recognise and Manage Risk</b>		
<b>7.1</b> Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Complying	<p>The Company recognises that a strong system of risk management and oversight is essential to the success of its business operations. The Board has adopted a Risk Management Policy which formalises the Company's response to risk management and oversight, and allocates various aspects of the risk management system to different levels of the Company including reporting, monitoring and review.</p> <p>The Board is responsible for the oversight and establishment of effective and consistent systems to address the risks relevant to the business. In addition, the Audit and Risk Management Committee also monitors compliance with risk management strategies throughout the Company.</p>
<b>7.2</b> The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risk.	Complying	<p>The Company as a whole is responsible for the day to day identification, assessment and management of risks. Risk assessment and risk management systems are integrated throughout all levels of the business. All employees, officers and agents of the Company are made aware of this policy and the importance of reporting any risks they identify in their day to day duties, including any suggested mechanisms for managing such risks.</p> <p>The Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.</p>

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## CORPORATE GOVERNANCE STATEMENT

ASX Principle	Status	Reference/Comment
<p><b>7.3</b> The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p>	Complying	<p>The Chief Executive Officer and Chief Financial Officer are required to state to the Board in writing that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and that the Company's risk management and internal compliance and control system is operating efficiently and effectively, in all material respects.</p>
<p><b>Principle 8: Remunerate Fairly and Responsibly</b></p>		
<p><b>8.1</b> The board should establish a remuneration committee</p>	Complying	<p>The Board has in place a Nomination and Remuneration Committee.</p> <p>The Nomination and Remuneration Committee is responsible for advising the Board on the composition of the Board and its Committees, reviewing the performance of the Board and individual Directors, and developing succession plans.</p> <p>The Nomination and Remuneration Committee is also responsible for ensuring that the remuneration within the E&amp;A Group is appropriately designed to enhance corporate and individual performance whilst also meeting the needs of E&amp;A Limited as a whole.</p> <p>This Committee is responsible for setting the terms and conditions of employment for the Chief Executive Officer, executive Directors and other senior executives. The Company recognises that a transparent, fair and reasonable process for determining the appropriate remuneration at all levels of the Company is required to ensure that Shareholders remain informed and confident in the management of the Company. The Company also understands the importance of attracting and maintaining high quality individuals from directors right through to support staff.</p>



## CORPORATE GOVERNANCE STATEMENT

ASX Principle	Status	Reference/Comment
<p><b>8.2</b> The remuneration committee should be structured so that it:</p> <ul style="list-style-type: none"><li>▪ consists of a majority of independent directors</li><li>▪ is chaired by an independent chair</li><li>▪ has at least three members</li></ul>	Complying	The Nomination and Remuneration Committee consists of three non-executive Directors. Mr Terlet chairs the Nomination and Remuneration Committee.
<p><b>8.3</b> Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.</p>	Complying	Details of the Directors and key senior executives remuneration are set out in the Remuneration Report of the Annual Report.

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## DIRECTORS' REPORT

### For the Financial Year Ended 30 June 2012

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 2012 and the independent auditor's report thereon.

#### Directors

The following persons were Directors of E&A Limited during the financial year ended 30 June 2012.

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

#### Company Secretary

Name	Particulars
Mark Seatree	Qualified Chartered Accountant Graduate Diploma in Applied Finance and Investment Bachelor of Commerce

#### Directorships of Other Listed Companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Stephen Young	Nil	-
Mark Vartuli	Nil	-
Michael Abbott	Nil	-
Michael Terlet	The International Wine Investment Fund	Appointed May 2000 Resigned 11 July 2011
David Klingberg	Codan Limited Centrex Metals Limited	Appointed December 2004 Appointed April 2005

Directors' biographies are contained on pages 4 to 5.



## DIRECTORS' REPORT

For the Financial Year Ended 30 June 2012

### Directors' Interests in the Shares and Options of the Company and Related Bodies Corporate

As at the date of this report, the interests of the Directors in the shares and options of E&A Limited and its related bodies corporate were:

Director	Number of Ordinary Shares	Number of Options over Ordinary Shares	Percentage ownership interest in E&A Limited (diluted)
Stephen Young	48,951,751	Nil	47.25%
Mark Vartuli	14,013,609	Nil	13.53%
Michael Abbott	2,306,843	Nil	2.23%
Michael Terlet	696,400	Nil	0.67%
David Klingberg	245,455	Nil	0.24%

### Information on Company Secretary

Mark Seatree was appointed Company Secretary of E&A Limited on 16 October 2007. Mark is a qualified Chartered Accountant and holds a Graduate Diploma in Applied Finance and Investment from FINSIA. Mark is a Director within Equity & Advisory's financial advisory business and previously held the roles of Audit Manager and Transaction Advisory Services Manager within a Big 4 Accounting Professional Services Firm.

### 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).

Director	BOARD OF DIRECTORS		AUDIT & RISK MANAGEMENT COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE	
	Attended	Maximum Possible	Attended	Maximum Possible	Attended	Maximum Possible
Stephen Young*	10	10	6	6	1	1
Mark Vartuli*	10	10	6	6	1	1
Michael Abbott	10	10	6	6	1	1
Michael Terlet	10	10	6	6	1	1
David Klingberg	10	10	6	6	1	1

\* Mr Young and Vartuli do not form part of the audit and risk management committee or the nomination and remuneration committee and are unable to vote on resolutions accordingly. However, Mr Young and Vartuli have been invited to attend meetings when deemed appropriate.



## **DIRECTORS' REPORT**

**For the Financial Year Ended 30 June 2012**

### **Principal Activities**

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

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

### **Results**

The net profit after income tax of the Group for the financial year was \$2.9 million (2011: \$1.63 million). The review of operations is contained in the front section of this Report.

### **Dividends**

Subsequent to year-end, the Directors have declared a final fully franked dividend of 2 cents per share. Complete details regarding dividends can be found in note 22 to the Annual Financial Report.

### **Review of Operations**

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

### **Significant Changes in State of Affairs**

There were no significant changes in the state of affairs of the Company during the year. Further descriptions relating to the principal activities of each segment within the Group can be found in the Segment Note of this Report.

### **Subsequent Events After the Balance Date**

Subsequent to year-end, the Directors have declared a final fully franked dividend of 2 cents per share. The directors are not aware of any other material events occurring subsequent to balance sheet date that have not otherwise been disclosed or presented in this report.

### **Future Developments and Expected Results**

Other than as referred to in this report, further information as to likely developments in the operations of the consolidated entity would, in the opinion of the directors, be likely to result in unreasonable prejudice to the consolidated entity.

### **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.



## DIRECTORS' REPORT

For the Financial Year Ended 30 June 2012

### REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its regulations.

For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Profit is considered as one of the financial performance targets in setting short term incentives. Bonuses are paid to executives of each operating subsidiary based on exceeding annual profit targets set at the operating entity level.

As the largest shareholders of EAL, the Executive Directors' remuneration is fixed and is aligned to increasing shareholder wealth both in the short term and long term. For this reason, the remuneration arrangements of the Executive Directors do not include the payment of short term incentives at this present time. Please refer to Section A of this Remuneration Report for further information.

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service Agreements
- D. Share based compensation

#### **A. Principles Used to Determine the Nature and Amount of Remuneration**

A transparent, fair and reasonable process for determining the appropriate remuneration at all levels of the Group is required to ensure that Shareholders remain informed and confident in the management of the Group. The Group also understands the importance of attracting and maintaining high quality individuals from directors right through to support staff.

The Group's remuneration policy details the types of remuneration to be offered by the Group and factors to be considered by the Board, Nomination and Remuneration Committee and management in determining the appropriate remuneration strategy. The key objectives of the remuneration policy include:

- to create a transparent system of determining the appropriate level of remuneration throughout all levels of the Group;
- to encourage people to perform to their highest level;
- to allow the Group to compete in each relevant employment market;
- to provide consistency in remuneration throughout the Group; and
- to align the performance of the business with the performance of key individuals and teams within the Group.



## DIRECTORS' REPORT

For the Financial Year Ended 30 June 2012

### REMUNERATION REPORT (AUDITED)

#### Non-executive Directors

The Constitution of the Company provides that subject to the Corporations Act and the Listing Rules, non-executive Directors may be paid, as remuneration for their services, a fixed sum not exceeding the aggregate maximum sum determined from time to time by Shareholders in a general meeting. The aggregate maximum sum may be divided amongst the non-executive Directors in such manner and proportion as the Directors agree. Currently, a maximum aggregate amount of \$300,000 per annum is approved to be paid to non-executive Directors of E&A Limited.

The Company will remunerate non-executive Directors in a manner designed to attract and maintain high quality board members. Non-executive Directors will receive a set fee (including superannuation) for their service and shall not be entitled to any options, bonus payments or retirement benefits. Non-executive Directors may not be paid a commission on or a percentage of profits or operating revenue. The remuneration of non-executive Directors must be consistent with and supportive of maintaining the non-executive Director's independence.

Where a non-executive Director provides services outside the scope of ordinary duties of a Director, E&A Limited may pay a fixed sum determined by the directors, in addition to or instead of the director's remuneration. No payment may be made if the effect of the payment would be to exceed the aggregate maximum amount of director's remuneration determined by the Shareholders at the general meeting.

All directors are also entitled to be paid reasonable accommodation and travelling expenses incurred as a consequence of their attendance at meetings of directors and otherwise in the execution of their duties as directors.

Subject to the Corporations Act and ASX Listing Rules, E&A Limited may provide termination benefits to a director or his widows/dependants on retirement or loss of office, including payment of a gratuity, pension or allowance.



## DIRECTORS' REPORT

For the Financial Year Ended 30 June 2012

### REMUNERATION REPORT (AUDITED)

#### **Executive Pay**

With the assistance of the Nomination and Remuneration Committee, the Board will approve the forms of remuneration to be offered to group executives.

Executive remuneration comprises five components:

- Fixed Remuneration;
- Performance Based Remuneration (short-term incentives);
- Equity Based Remuneration (long-term incentives);
- Termination Payments; and
- Employee Entitlements.

The combination of these components comprises the executive's total remuneration.

#### ***Fixed Remuneration***

The Board, in consultation with the Nomination and Remuneration Committee and Human Resources, will from time to time determine the fixed remuneration level for each senior executive within the Group. Such remuneration levels will be determined according to industry standards, relevant laws and regulations, labour market conditions and scale of the Group's business relating to the position. The fixed remuneration will reflect the core performance requirements and expectations of the Group. Employees may be offered the opportunity to receive part of their fixed remuneration in the form of direct benefits such as company cars.

#### ***Short-term Incentives***

In addition to fixed remuneration the Group has implemented a system of bonuses and incentives designed to create a strong relationship between performance and remuneration. Performance based remuneration will be linked to specific performance targets which will be disclosed to relevant employees regularly.

#### ***Long-term Incentives***

To motivate executives and management to pursue the long term growth and success the Group may include various plans and initiatives to deliver parts of the performance based remuneration as equity in the Company. The terms and conditions of any employee share plans will be approved by the Nomination and Remuneration Committee and the Board and disclosed to the shareholders and market in accordance with the continuous disclosure policy.

#### ***Termination Payments***

Each contract will set out in advance the entitlement to payment upon termination of employment for each employee. The Nomination and Remuneration Committee and the Board must approve all termination payments provided to all employees at the level of director, executive or senior management to ensure such payments reflect the Group's remuneration policy.



## DIRECTORS' REPORT

For the Financial Year Ended 30 June 2012

### REMUNERATION REPORT (AUDITED)

#### *Employee Entitlements*

The Group will comply with all legal and industrial obligations in determining the appropriate entitlement to long service, annual, sick, parental and maternity leave.

#### **Company Performance and Shareholder Wealth**

The Nomination and Remuneration Committee is a committee established by the Board of Directors of the Company to ensure the remuneration within the Group is appropriately designed to enhance corporate and individual performance whilst also meeting the needs of the Group as a whole. The Group's remuneration policy aims to achieve a link between the remuneration received by executives, increase Group earnings and the creation of shareholder wealth.

As required by the Corporations Act 2001, the following information is presented:

Historical Company Performance	2008	2009	2010	2011	2012
Net Profit After Tax (\$'000s)	\$ 4,227	\$ 558	\$ 1,504	\$ 1,634	\$ 2,879
Dividends Paid Per Share	\$ 0.08	\$ 0.06	\$ 0.03	\$ -	\$ 0.04
Earnings Per Share	\$ 0.03	\$ 0.01	\$ 0.03	\$ 0.02	\$ 0.03
Share Price at 30 June	\$ 0.17	\$ 0.25	\$ 0.24	\$ 0.12	\$ 0.17

Short term incentives are not included in the remuneration of Executive Directors at this present time. Accordingly, no short term incentives have been paid to the Executive Directors throughout the historical period presented above.

#### **B. Details of Remuneration**

##### **Amounts of Remuneration**

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of the consolidated group for the year ended 30 June 2012, are set out in the following tables.

The key management personnel of the Group are the executive directors of E&A Limited and those executives who have significant authority and responsibility for planning, directing and controlling the activities of the group and also act in the capacity of executive directors for each operating subsidiary within the Group.



## DIRECTORS' REPORT

For the Financial Year Ended 30 June 2012

### REMUNERATION REPORT (AUDITED)

#### Remuneration of Key Management Personnel

Details of the nature and amount of each element of the remuneration of each non-executive director, executive director and key management personnel of the Company and consolidated entity for the years ended 30 June 2012 and 30 June 2011 are set out in the following table.

30 June 2012		Base Salary and Fees	Short Term Cash Bonus	Non Monetary Benefits	Post Employment & Super Contributions	Value of Shares / Options	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		\$	\$	\$	\$	\$	\$	%	%
<b>NON EXECUTIVE DIRECTORS</b>									
<b>Michael Abbott</b>	2012	60,000	-	-	5,400	Nil	65,400	-	-
	2011	54,000	-	-	4,860	Nil	58,860	-	-
<b>Michael Terlet</b>	2012	60,000	-	-	5,400	Nil	65,400	-	-
	2011	54,000	-	-	4,860	Nil	58,860	-	-
<b>David Klingberg</b>	2012	60,000	-	-	5,400	Nil	65,400	-	-
	2011	54,000	-	-	4,860	Nil	58,860	-	-
<b>EXECUTIVE DIRECTORS</b>									
<b>Stephen Young</b>	2012	590,914	-	9,436	53,182	Nil	653,532	-	-
	2011	610,516	-	11,813	58,429	Nil	680,758	-	-
<b>Mark Vartuli</b>	2012	427,980	-	5,615	22,268	Nil	455,863	-	-
	2011	415,980	-	5,418	28,737	Nil	450,135	-	-

\*As a cost leadership initiative, E&A Limited executive directors have taken a 10% reduction in their salary entitlements for FY12 as was also agreed in FY11



## DIRECTORS' REPORT

For the Financial Year Ended 30 June 2012

### REMUNERATION REPORT (AUDITED)

#### C. SERVICE AGREEMENTS

Each executive and senior management employee has entered into employment contracts with the Company which clearly set out the terms and conditions of the remuneration package for that person. The contract sets out the expectations for the performance of the role and the key performance indicators, measures and criteria for assessment. The Nomination and Remuneration Committee and the Board approve all contracts for Key Management Personnel, Executive Directors and Senior Executives.

The various E&A Limited businesses employ senior executives and managers under employment contracts which contain standard terms and conditions for agreements of this nature. All employment agreements contain standard terms and conditions of engagement which include confidentiality, restraint on competition and intellectual property provisions. The Executive Service Agreements for E&A Limited's Executive Directors are summarised in the table below:

#### Key Executive Director Service Agreements

	Stephen Young	Mark Vartuli
<b>Name</b>	Stephen Young	Mark Vartuli
<b>Position / Title</b>	Executive Chairman	Managing Director
<b>Length of service (to date)</b>	15 years	15 years
<b>Contract Term</b>	5 years (from 17 December 2007)	5 years (from 17 December 2007)
<b>Remuneration</b>	\$750,000 (excluding car allowance, car park and FBT)*	\$500,000 (excluding car park and FBT)*
<b>Termination by Company</b>	12 months notice or breach	6 months notice or breach
<b>Termination by Employee</b>	After 5 year term, with 12 months notice	After 5 year term, with 6 months notice
<b>Restraint</b>	12 month non-solicitation and non-competition if resigns, terminated for cause or payment in lieu of notice. 12 months non-solicitation if 5 year term expires or termination on notice	6 month non-solicitation and non-competition if resigns, terminated for cause or payment in lieu of notice. 6 months non-solicitation if 5 year term expires or termination on notice
<b>Review</b>	Annual Performance Review	Annual Performance Review

\*As a cost leadership initiative, E&A Limited executive directors have taken a 10% reduction in their salary entitlements for FY12 as was also agreed in FY11.

As the largest shareholders of EAL, the Executive Directors' remuneration is fixed and is aligned to increasing shareholder wealth both in the short term and long term. For this reason, the remuneration arrangements of the Executive Directors do not include the payment of short term incentives at this present time.

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## **DIRECTORS' REPORT**

**For the Financial Year Ended 30 June 2012**

### **REMUNERATION REPORT (AUDITED)**

#### **D. SHARE BASED COMPENSATION**

Options are granted to executives at the discretion of the Board. Entitlements to the options are vested as soon as they become exercisable. Other than the Board's discretion to issue options and the achievement of the relevant exercise price there is no specific performance criteria related to the issue of options.

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## **DIRECTORS' REPORT**

**For the Financial Year Ended 30 June 2012**

### **Loans to Directors and Executives**

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in Note 29 to the financial statements.

### **Share Options Granted to Directors and other Key Management Personnel**

There were no options issued to directors or other key management personnel in the year.

### **Shares Under Option**

No options to acquire unissued ordinary shares of E&A Limited exist as at 30 June 2012.

No options have been granted since the end of the financial year.

### **Shares Issued on the Exercise of Options**

There were no shares issued on the exercise of options during the year.

### **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.

### **Non-Audit Services**

The Company may decide to employ the auditor on assignments in addition to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (Ernst & Young) for audit and non-audit services provided during the year are set out below. There were no non-audit services provided during the financial year.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 30.



## DIRECTORS' REPORT

For the Financial Year Ended 30 June 2012

Details of the amount paid or payable to the auditor of E&A Limited in relation to the provision for audit and non audit services are set out below:

Remuneration Payable to Ernst & Young		\$
Audit services and review of financial reports and other work under the Corporations Act 2001		
<b>Total remuneration for audit services</b>		185,000
<b>Total remuneration for other services</b>		-
<b>TOTAL REMUNERATION FOR ALL SERVICES</b>		<u>185,000</u>

### Rounding of amounts

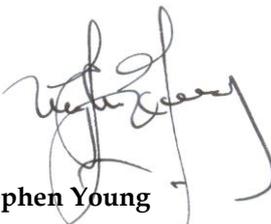
The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

### Auditor's independence declaration

The auditor's independence declaration is set out on page 30 and forms part of the Directors' Report for the financial year ended 30 June 2012.

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

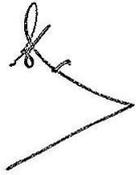
Dated at Adelaide this 28th day of August 2012

  
**Stephen Young**  
*Executive Chairman*

## Auditor's Independence Declaration to the Directors of E&A Limited

In relation to our audit of the financial report of E&A Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

A handwritten signature in black ink, appearing to read 'David Sanders', written over a stylized graphic element that resembles a large, thin 'V' or a similar shape.

David Sanders  
Partner  
Adelaide  
28 August 2012

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 30 June 2012

In thousands of \$AUD

	Note	2012	2011
Revenue	4	164,440	144,911
Cost of sales		(131,020)	(115,326)
<b>Gross profit</b>		<b>33,420</b>	<b>29,585</b>
Other income	5	290	265
Administrative expenses		(26,324)	(23,891)
Marketing expenses		(223)	(257)
<b>Results from operating activities (EBIT)</b>		<b>7,163</b>	<b>5,702</b>
Finance income	6	5	22
Finance expenses	6	(3,702)	(3,338)
<b>Net finance income / (expense)</b>		<b>(3,697)</b>	<b>(3,316)</b>
<b>Profit before income tax</b>		<b>3,466</b>	<b>2,386</b>
Income tax expense	8	(587)	(752)
<b>Profit (NPAT)</b>		<b>2,879</b>	<b>1,634</b>
<b>Total comprehensive income for the period</b>		<b>2,879</b>	<b>1,634</b>
<b>Earnings per share</b>			
Basic earnings per share (AUD)	21	2.98 cents	1.69 cents
Diluted earnings per share (AUD)	21	2.98 cents	1.69 cents

The notes on pages 35 to 80 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2012

In thousands of \$AUD

	Note	Share Capital	Retained Earnings	Options Reserve	Total Equity
<b>Balance at 1 July 2010</b>		52,231	(707)	74	51,598
Profit for the year		-	1,634	-	1,634
<b>Total comprehensive Income</b>		-	1,634	-	1,634
<b>Balance at 30 June 2011</b>		52,231	927	74	53,232
<b>Balance at 1 July 2011</b>		52,231	927	74	53,232
Profit for the year		-	2,879	-	2,879
<b>Total Comprehensive Income</b>		-	2,879	-	2,879
Shares issued under dividend reinvestment plan		1,333	-	-	1,333
Dividends paid	22	-	(1,932)	-	(1,932)
<b>Balance at 30 June 2012</b>		53,564	1,874	74	55,512

The notes on pages 35 to 80 are an integral part of these consolidated financial statements.

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## CONSOLIDATED BALANCE SHEET

As at 30 June 2012

In thousands of \$AUD

	Note	2012	2011
<b>Current assets</b>			
Cash and cash equivalents	9	1,706	895
Trade and other receivables	10	28,432	24,781
Inventories	11	18,831	22,700
Other current assets	12	205	166
<b>Total current assets</b>		<b>49,174</b>	<b>48,542</b>
<b>Non-current assets</b>			
Other financial assets	13	6	6
Property, plant and equipment	14	11,348	11,039
Intangible assets	15	54,825	54,825
Deferred tax assets	16	5,162	4,650
<b>Total non-current assets</b>		<b>71,341</b>	<b>70,520</b>
<b>Total assets</b>		<b>120,515</b>	<b>119,062</b>
<b>Current liabilities</b>			
Trade and other payables	17	30,156	24,984
Loans and borrowings	18	6,916	13,545
Provisions	19	4,314	4,143
Current tax liability		3,148	2,658
<b>Total current liabilities</b>		<b>44,534</b>	<b>45,330</b>
<b>Non-current liabilities</b>			
Trade and other payables	17	250	2,228
Loans and borrowings	18	18,776	15,908
Provisions	19	280	369
Deferred tax liability	16	1,163	1,995
<b>Total non-current liabilities</b>		<b>20,469</b>	<b>20,500</b>
<b>Total liabilities</b>		<b>65,003</b>	<b>65,830</b>
<b>Net assets</b>		<b>55,512</b>	<b>53,232</b>
<b>Equity</b>			
Issued share capital		53,564	52,231
Reserves		74	74
Retained profits		1,874	927
<b>Total equity attributable to equity holders of the Company</b>		<b>55,512</b>	<b>53,232</b>
<b>Total equity</b>		<b>55,512</b>	<b>53,232</b>

The notes on pages 35 to 80 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 30 June 2012

In thousands of \$AUD

	Note	2012	2011
<b>Cash flows from operating activities</b>			
Cash receipts from customers		175,654	162,625
Cash paid to suppliers and employees		(162,432)	(159,999)
<b>Cash generated from operations</b>		<b>13,222</b>	<b>2,626</b>
Interest paid		(3,702)	(3,338)
Interest received		5	22
Income taxes paid		(1,441)	(784)
<b>Net cash from (used in) operating activities</b>	30	<b>8,084</b>	<b>(1,474)</b>
<b>Cash flows from investing activities</b>			
Payments for acquisition of subsidiaries, net of cash acquired		-	-
Payment of vendor earn-out/settlement liability		(508)	(380)
Payments for acquisition of property, plant and equipment		(2,409)	(1,990)
Proceeds from disposal of property, plant and equipment		247	221
<b>Net cash from (used in) investing activities</b>		<b>(2,670)</b>	<b>(2,149)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		1,333	-
Proceeds from borrowings		5,825	523
Repayment of borrowings		(6,891)	(3,216)
Payment of finance lease liabilities		(319)	(518)
Related party loans (to)/from		92	750
Dividends paid		(1,932)	-
<b>Net cash from (used in) financing activities</b>		<b>(1,892)</b>	<b>(2,461)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>3,522</b>	<b>(6,084)</b>
Cash and cash equivalents at 1 July		(3,301)	2,783
<b>Cash and cash equivalents at 30 June</b>	9	<b>221</b>	<b>(3,301)</b>

The notes on pages 35 to 80 are an integral part of these consolidated financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 1. Reporting Entity

E&A Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 27, 91 King William Street Adelaide SA 5000. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 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 services to the mining and resources, water and defence industries and financial advisory services to the corporate sector (refer Note 26).

### 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 (AASBs) (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 (IFRSs) and interpretations adopted by the International Accounting Standards Boards (IASB).

The consolidated financial statements were approved by the Board of Directors on 28 August 2012.

#### Basis of Presentation

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

The Company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, 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 have been prepared under the historical cost convention, with the exception of listed securities which are measured at fair value.

#### Estimates

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 made by management in applying the Group's accounting policies and the key sources of estimation uncertainty related to:



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 2. Basis of Preparation of the Financial Report (Continued)

- contract accounting and the assumptions around recoverability of claims and costs yet to be incurred and the recoverability of trade and other receivables (note 10 & 11); and
- goodwill and the key assumptions underlying the discounted cash flows that surround its carrying value (note 15).

### 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) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by E&A Limited as at 30 June 2012 and the results of all controlled entities for the year then ended. The consolidated financial statements are prepared by combining the financial statements of all entities, being the Company and its subsidiaries as defined in Accounting Standard AASB 127 *Consolidated and Separate Financial Statements*. A list of all subsidiaries appears in Note 27. The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

#### (b) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, allowances and duties and taxes paid. Revenue is recognised when goods have been despatched to a customer, or a service has been provided to a customer pursuant to a sales order.

Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. For fixed price contracts, the stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract.

Project profitability is estimated at a project's inception based on the agreed contract value with the client and the budgeted total cost. Profitability is then reviewed and reassessed on a regular basis.

Unapproved variation revenue is recognised where it is probable that the revenue will be certified by the client and approved. Claim recoveries against clients are recognised when:

- it is probable that the client will accept the claim; and
- the amounts can be measured reliably.

Fees from financing transactions are recognised as revenue when the Group has provided all services necessary for a final closing of the transaction, the transaction has closed, the fee is payable and the likelihood of any contingency occurring that could result in a reduction of the fee is remote.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 3. Significant Accounting Policies (Continued)

#### (c) Income Tax

Income tax expense comprises 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.

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.

#### (d) 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 3. Significant Accounting Policies (Continued)

#### (e) 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.

#### (f) Business Combinations

Business combinations are accounted for by applying the acquisition method.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised.

#### (g) 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 transferred 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 to determine whether the indefinite life assessment continues to be supportable. If not, the 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 3. Significant Accounting Policies (Continued)

#### (h) Impairment of Assets

Goodwill and Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

#### (i) Property, Plant and Equipment

Property, plant and equipment has been recorded at cost. 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:

Buildings	20 years
Plant and Equipment	5 – 20 years
Office Furniture, Fittings and Equipment	5 – 20 years
Motor Vehicles	4 – 10 years

Rates are consistent with prior year.

#### (j) Leases

A distinction is made between finance leases which effectively transfer, from the lessor to the lessee, substantially all the risks and benefits incidental to ownership of leased non current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A leased asset and liability are established at the lower of its fair value and present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The leased asset is amortised on a straight-line basis over the term of the lease, or where it is likely that the entity will obtain ownership of the asset, the life of the asset. Lease assets held at reporting date are being amortised over three to five years.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 3. Significant Accounting Policies (Continued)

#### (j) Leases (Continued)

Operating lease payments are charged to the income statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

#### (k) 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.

#### (l) 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.

#### (m) Work in Progress

Work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Work in progress is presented as part of inventory in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

#### (n) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 3. Significant Accounting Policies (Continued)

#### (o) Investments and Other Financial Assets

##### Classification

The Group classifies its investments and other financial assets in the following categories: financial assets at fair value through profit or loss, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investment at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

##### (i) *Held-to-Maturity Investments*

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity investments and are measured at amortised cost using the effective interest method, less any impairment loss.

##### (ii) *Available for Sale Financial Assets*

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell that asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

##### (iii) *Financial Assets at Fair Value Through Profit or Loss*

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transactions costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### (iv) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

#### (p) Fair Value Estimation

The net fair value of cash equivalents and non interest bearing monetary financial assets and financial liabilities approximate their carrying amount.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 3. Significant Accounting Policies (Continued)

#### (q) 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.

#### (r) Loans and Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Interest is accrued over the period it becomes due and is recorded as part of other payables. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### (s) 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 national government 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.

#### (t) 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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 3. Significant Accounting Policies (Continued)

#### (u) Finance Income and Expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale 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.

#### (v) 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.

#### (w) 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.

#### (x) Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

#### (y) Segment Reporting

The Group determines and presents operating segments based on the information that internally is provided to the Executive Chairman, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities for which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Executive Chairman and Board to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Inter segment pricing is determined on an arm's length basis.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 3. Significant Accounting Policies (Continued)

#### (y) Segment Reporting (Continued)

Segment results that are reported to the Executive Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangibles assets other than goodwill.

#### (z) New Standards and Interpretations

##### (i) Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing this financial report.

AASB 9 *Financial Instruments* includes the requirement for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

AASB 10 *Consolidated Financial Statements* establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

AASB 12 *Disclosure of Interests in Other Entities* includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

AASB 13 *Fair Value Measurement* establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

AASB 119 *Employee Benefits* has revised the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 4. Revenue

*In thousands of \$AUD*

	2012	2011
Sales revenue	164,440	144,911

### 5. Other Income

*In thousands of \$AUD*

	2012	2011
Net foreign exchange gains / (losses)	1	9
Net gain on sale of PP&E	4	13
Other income	285	243
	<b>290</b>	<b>265</b>

### 6. Finance Income and Expenses

Recognised in profit or loss

*In thousands of \$AUD*

	2012	2011
<b>Finance Income</b>		
Interest income on bank deposits	5	22
<b>Total Finance Income</b>	<b>5</b>	<b>22</b>
<b>Finance Expenses</b>		
Interest on bank overdrafts and loans	3,472	3,112
Other interest expense	230	226
<b>Total Finance Expense</b>	<b>3,702</b>	<b>3,338</b>
<b>Net Finance Income / (Expense)</b>	<b>(3,697)</b>	<b>(3,316)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 7. Expenses

Profit before income tax includes the following specific expenses:

*In thousands of \$AUD*

	2012	2011
Depreciation		
Buildings	1	1
Plant and equipment	1,018	861
Office equipment, furniture and fittings	246	202
Leasehold improvements	100	98
Motor vehicles	171	161
Assets under finance leases	563	491
<b>Total depreciation</b>	<b>2,099</b>	<b>1,814</b>
Rental expense relating to operating leases		
Premises	2,500	2,172
Motor vehicles	10	17
Office equipment	33	14
<b>Total rental expense relating to operating leases</b>	<b>2,543</b>	<b>2,203</b>
Employee benefits expense	68,767	67,992
Superannuation contributions	4,092	4,131
Impairment of financial assets		
Trade receivables	58	1,231
Impairment of other assets		
Inventories *	1,584	2,247

*\*Total FY12 inventory impairment of \$1.584 million (before tax) includes the write-downs to work in progress of \$1.416 million recognised during the year as a consequence of Ottoway Engineering agreeing to settle the Honeymoon contract dispute with Uranium One. Further detail on this matter is provided in the Review of Operations.*



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 8. Income Tax Expense

#### (a) Income Tax Expense

*In thousands of \$AUD*

	2012	2011
<b>Current Tax Expense</b>		
Current period	1,929	1,967
Adjustment for prior periods	2	-
	<b>1,931</b>	<b>1,967</b>
<b>Deferred Tax Expense</b>		
Decrease / (increase) in deferred tax assets (Note 16)	(512)	(863)
(Decrease) / increase in deferred tax liabilities (Note 16)	(832)	(352)
	<b>(1,344)</b>	<b>(1,215)</b>
<b>Total income tax expense</b>	<b>587</b>	<b>752</b>

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

*In thousands of \$AUD*

	2012	2011
Profit for the period before tax	3,466	2,386
Tax at the domestic tax rate of 30% (2011: 30%)	1,040	1,061
Entertainment	20	11
Other non-deductible expenses	(475)	31
Under / (over) provided in prior periods	2	(55)
<b>Income tax expense</b>	<b>587</b>	<b>752</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 9. Cash and Cash Equivalents

*In thousands of \$AUD*

	2012	2011
Cash at bank and in hand	1,706	895
<b>Total cash and cash equivalents</b>	<b>1,706</b>	<b>895</b>
Bank overdrafts (Note 18)	(1,485)	(4,196)
<b>Balances per statement of cash flows</b>	<b>221</b>	<b>(3,301)</b>

#### (a) Interest Rate Risk Exposure

The Group's exposure to interest rate risk is discussed in Note 31.

### 10. Trade and Other Receivables

*In thousands of \$AUD*

	2012	2011
<b>Current</b>		
Trade receivables	28,036	23,999
Provision for impairment of receivables (Note 31)	(63)	(73)
	27,973	23,926
Loans to related parties (Note 29)	-	124
Other receivables and prepayments	459	731
<b>Total Current Trade and Other Receivables</b>	<b>28,432</b>	<b>24,781</b>

During the year ended 30 June 2012, write downs of trade receivables to their recoverable amount totalled \$0.058 million (2011: \$1.231 million).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 31.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 11. Inventories

*In thousands of \$AUD*

	2012	2011
Raw materials	1,850	1,703
Work in progress	12,406	16,004
Finished goods	4,575	4,993
<b>Total inventories</b>	<b>18,831</b>	<b>22,700</b>

During the year ended 30 June 2012 the write down of inventories to net realisable value amounted to \$1.584 million (2011: \$2.247 million). Refer to Note 7 for further information on write-downs in FY12.

### 12. Other Current Assets

*In thousands of \$AUD*

	2012	2011
Other	205	166
<b>Total other current assets</b>	<b>205</b>	<b>166</b>

### 13. Other Non-Current Financial Assets

*In thousands of \$AUD*

	2012	2011
Listed securities – equity securities (at fair value)	6	6
<b>Total other financial assets</b>	<b>6</b>	<b>6</b>

### 14. Property Plant and Equipment

#### (a) Carrying amounts of Property, Plant and Equipment

<i>In thousands of \$AUD</i>	Buildings	Plant & Equipment	Office Furniture & Equipment	Motor Vehicles	Leasehold Improvements	Leased Assets	Total
<b>At 30 June 2012</b>							
Cost	36	10,251	2,054	1,902	1,352	4,744	20,339
Accumulated depreciation	(4)	(4,173)	(1,408)	(1,027)	(426)	(1,953)	(8,991)
<b>Net carrying amount</b>	<b>32</b>	<b>6,078</b>	<b>646</b>	<b>875</b>	<b>926</b>	<b>2,791</b>	<b>11,348</b>
<b>At 30 June 2011</b>							
Cost	32	9,088	1,980	1,885	1,251	4,265	18,501
Accumulated depreciation	(3)	(3,368)	(1,282)	(897)	(327)	(1,585)	(7,462)
<b>Net carrying amount</b>	<b>29</b>	<b>5,720</b>	<b>698</b>	<b>988</b>	<b>924</b>	<b>2,680</b>	<b>11,039</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 14. Property Plant and Equipment (Continued)

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

*In thousands of \$AUD*

	Buildings	Plant & Equipment	Office Furniture & Equipment	Motor Vehicles	Leasehold Improvements	Leased Assets	Total
<b>Cost or Deemed Cost</b>							
Balance at 1 July 2010	15	8,122	1,844	1,705	1,023	4,033	16,742
Additions	17	1,151	171	144	228	492	2,203
Transfers	-	(144)	-	144	-	-	-
Disposals	-	(41)	(35)	(108)	-	(260)	(444)
<b>Balance at 30 June 2011</b>	<b>32</b>	<b>9,088</b>	<b>1,980</b>	<b>1,885</b>	<b>1,251</b>	<b>4,265</b>	<b>18,501</b>
Balance at 1 July 2011	32	9,088	1,980	1,885	1,251	4,265	18,501
Additions	4	1,415	197	127	101	807	2,651
Transfers	-	-	-	118	-	(118)	-
Disposals	-	(252)	(123)	(228)	-	(210)	(813)
<b>Balance at 30 June 2012</b>	<b>36</b>	<b>10,251</b>	<b>2,054</b>	<b>1,902</b>	<b>1,352</b>	<b>4,744</b>	<b>20,339</b>
<b>Accumulated Depreciation, Amortisation and Impairment</b>							
Balance at 1 July 2010	2	2,633	1,090	684	229	1,245	5,883
Disposals	-	(21)	(10)	(53)	-	(151)	(235)
Transfers	-	(105)	-	105	-	-	-
Depreciation expense	1	861	202	161	98	491	1,814
<b>Balance at 30 June 2011</b>	<b>3</b>	<b>3,368</b>	<b>1,282</b>	<b>897</b>	<b>327</b>	<b>1,585</b>	<b>7,462</b>
Balance at 1 July 2011	3	3,368	1,282	897	327	1,585	7,462
Disposals	-	(213)	(120)	(134)	(1)	(102)	(570)
Transfers	-	-	-	93	-	(93)	-
Depreciation expense	1	1,018	246	171	100	563	2,099
<b>Balance at 30 June 2012</b>	<b>4</b>	<b>4,173</b>	<b>1,408</b>	<b>1,027</b>	<b>426</b>	<b>1,953</b>	<b>8,991</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 14. Property Plant and Equipment (Continued)

#### (b) Reconciliation of carrying amounts at the beginning and end of the period (Continued)

In thousands of \$AUD

	Buildings	Plant & Equipment	Office Furniture & Equipment	Motor Vehicles	Leasehold Improvements	Leased Assets	Total
<b>Carrying Amounts</b>							
As at 30 June 2010	13	5,489	754	1,021	794	2,788	10,859
<b>As at 30 June 2011</b>	<b>29</b>	<b>5,720</b>	<b>698</b>	<b>988</b>	<b>924</b>	<b>2,680</b>	<b>11,039</b>
As at 30 June 2011	29	5,720	698	988	924	2,680	11,039
<b>As at 30 June 2012</b>	<b>32</b>	<b>6,078</b>	<b>646</b>	<b>875</b>	<b>926</b>	<b>2,791</b>	<b>11,348</b>

### 15. Intangible Assets

In thousands of \$AUD

	Goodwill		Intangibles		Total	
	2012	2011	2012	2011	2012	2011
<b>Cost</b>						
Balance at 1 July	54,625	54,625	200	200	54,825	54,825
Additional amounts recognised from business combinations occurring during the period	-	-	-	-	-	-
Adjustments during the period to amounts initially recognised from business combinations	-	-	-	-	-	-
<b>Balance at 30 June</b>	<b>54,625</b>	<b>54,625</b>	<b>200</b>	<b>200</b>	<b>54,825</b>	<b>54,825</b>
<b>Amortisation and Impairment Losses</b>						
Balance at 1 July	-	-	-	-	-	-
Amortisation for the year	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
<b>Balance at 30 June</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amounts</b>	<b>54,625</b>	<b>54,625</b>	<b>200</b>	<b>200</b>	<b>54,825</b>	<b>54,825</b>

Intangibles of \$0.2 million relates to the value exclusive supplier agreements recognised in relation to the business combination of Blucher (Australia) Pty Ltd. These agreements have an indefinite life and are assessed annually for any impairment indicators.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 15. Intangible Assets (Continued)

Goodwill and other infinite life intangibles are allocated for impairment testing purposes to cash generating units as follows:

*In thousands of \$AUD*

	2012	2011
Equity & Advisory	1,058	1,058
Heavymech	4,033	4,033
Fabtech	17,420	17,420
Ottoway	12,131	12,131
E&A Contractors	6,077	6,077
QMM	3,736	3,736
Blucher	5,345	5,345
ICE Engineering	5,025	5,025
<b>Total Goodwill and other Intangibles</b>	<b>54,825</b>	<b>54,825</b>

Each cash generating unit represents one or more operational divisions within the consolidated entity. The recoverable amount of each cash-generating unit was based on value in use calculations. Those calculations use 5 year cash flow projections based on actual and forecast operating results which forecast a return to historical earnings performance. These earnings were extrapolated using a growth rate of 4% to 10%, consistent with the growth prospects of each cash generating unit, and a 3.2% terminal value growth rate, which is less than the historical 20 year growth rate of 5.1%.

A pre-tax discount rate of between 13.2% and 14.3% has been applied to each cash generating unit in determining the value in use and is based on the target gearing level for E&A Limited (pre-tax nominal WACC).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 16. Deferred Tax Assets and Liabilities

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

<i>In thousands of \$AUD</i>	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Property, plant and equipment	26	21	(283)	(271)	(257)	(250)
Receivables	-	-	-	-	-	-
Inventories	-	-	(761)	(1,606)	(761)	(1,606)
Loans & borrowings	-	-	(19)	(19)	(19)	(19)
Employee provisions	1,402	1,345	-	-	1,402	1,345
Other provisions and accrued expenses	394	364	(75)	(73)	319	291
Retentions	-	19	-	-	-	19
Borrowing costs	-	-	(12)	(12)	(12)	(12)
IPO costs	109	127	-	-	109	127
Tax losses and excess franking credits	3,204	2,669	-	-	3,204	2,669
Other items	27	105	(13)	(14)	14	91
<b>Tax assets (liabilities)</b>	<b>5,162</b>	<b>4,650</b>	<b>(1,163)</b>	<b>(1,995)</b>	<b>3,999</b>	<b>2,655</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 16. Deferred Tax Assets and Liabilities (Continued)

#### (b) Movement in temporary differences during the year:

<i>In thousands of \$AUD</i>	Balance 1 July 2010	Recognised in Profit or Loss	Recognised in Equity	Balance 30 June 2011
Property, plant and equipment	(246)	(4)	-	(250)
Receivables	-	-	-	-
Inventories	(1,941)	335	-	(1,606)
Loans & borrowings	(18)	(1)	-	(19)
Employee provisions	1,296	49	-	1,345
Other provisions and accrued expenses	83	208	-	291
Retentions	-	19	-	19
Borrowing costs	13	(25)	-	(12)
IPO costs	229	(102)	-	127
Tax losses and excess franking credits	1,831	838	-	2,669
Other items	193	(102)	-	91
<b>Tax assets (liabilities)</b>	<b>1,440</b>	<b>1,215</b>	<b>-</b>	<b>2,655</b>

<i>In thousands of \$AUD</i>	Balance 1 July 2011	Recognised in Profit or Loss	Recognised in Equity	Balance 30 June 2012
Property, plant and equipment	(250)	(7)	-	(257)
Receivables	-	-	-	-
Inventories	(1,606)	845	-	(761)
Loans & borrowings	(19)	-	-	(19)
Employee provisions	1,345	57	-	1,402
Other provisions and accrued expenses	291	28	-	319
Retentions	19	(19)	-	-
Borrowing costs	(12)	-	-	(12)
IPO costs	127	(18)	-	109
Tax losses and excess franking credits	2,669	535	-	3,204
Other items	91	(77)	-	14
<b>Tax assets (liabilities)</b>	<b>2,655</b>	<b>1,344</b>	<b>-</b>	<b>3,999</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 17. Trade and Other Payables

*In thousands of \$AUD*

	2012	2011
<b>Current</b>		
Trade payables	16,928	15,405
Other payables and accrued expenses	10,242	6,150
Deferred revenue	2,986	2,949
<b>Total current trade and other payables</b>	<b>30,156</b>	<b>24,984</b>
<b>Non-Current</b>		
Other payables and accrued expenses	250	2,228
<b>Total non-current trade and other payables</b>	<b>250</b>	<b>2,228</b>

Current other payables and accrued expenses includes \$0.68 million of vendor settlement liabilities relating to business combinations which occurred in previous financial years.

Non-current other payables and accrued expenses comprises deferred vendor settlement liabilities of \$0.25 million. These vendor settlement liabilities have been discounted to net present value and are payable upon the achievement of agreed earn-out targets.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 31.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 18. Loans and Borrowings

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

*In thousands of \$AUD*

	AS AT 30 JUNE 2012			AS AT 30 JUNE 2011		
	Total facility	Drawn facilities	Undrawn amount	Total facility	Drawn facilities	Undrawn amount
<b>Current</b>						
Bank overdrafts (Note 9)	9,575	1,485	8,090	8,075	4,196	3,879
Working capital facilities	3,023	1,484	1,539	8,488	3,741	4,747
Commercial bills	3,170	3,170	-	4,690	4,690	-
Finance leases (Note 25)	1,036	738	298	848	848	-
Credit cards / other finances	290	39	251	485	70	415
<b>Total current borrowings</b>	<b>17,094</b>	<b>6,916</b>	<b>10,178</b>	<b>22,586</b>	<b>13,545</b>	<b>9,041</b>
<b>Non-current</b>						
Commercial bills	17,055	16,220	835	13,477	13,477	-
Finance leases (Note 25)	2,478	1,083	1,395	2,577	1,050	1,527
Related party facility (Note 29)	2,000	1,473	527	2,000	1,381	619
<b>Total non-current borrowings</b>	<b>21,533</b>	<b>18,776</b>	<b>2,757</b>	<b>18,054</b>	<b>15,908</b>	<b>2,146</b>
<b>Total borrowings</b>	<b>38,627</b>	<b>25,692</b>	<b>12,935</b>	<b>40,640</b>	<b>29,453</b>	<b>11,187</b>

E&A Limited has renewed its banking facilities with its principal financier on more favourable terms following the settlement of the Honeymoon contract dispute and the receipt of proceeds from an insurance claim for the AE&E debt. 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. Further details of security arrangements are outlined in Note 31. Fixed and floating security has been placed over all Group assets.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 18. Loans and Borrowings (Continued)

The following loans and borrowings (non-current and current) were issued and repaid during the year ended 30 June 2012:

<i>In thousands of \$AUD</i>	<b>2012</b>	<b>2011</b>
<b>Balance as at 1 July</b>	<b>29,453</b>	<b>27,801</b>
<b>New Issues</b>		
Bank overdrafts	1,223	3,980
Working capital facilities	446	-
Commercial bills	5,375	500
Leasing facilities	242	210
Credit cards / other finances	4	23
Related party facility	188	750
<b>Repayments</b>		
Bank overdrafts	(3,934)	(76)
Working capital facilities	(2,703)	(2,092)
Commercial bills	(4,152)	(1,093)
Leasing facilities	(319)	(518)
Credit cards / other finances	(35)	(32)
Related party facility	(96)	-
<b>Balance as at 30 June</b>	<b>25,692</b>	<b>29,453</b>

### 19. Provisions

*In thousands of \$AUD*

	<b>2012</b>	<b>2011</b>
<b>Current</b>		
Employee benefits	4,314	4,143
<b>Total current provisions</b>	<b>4,314</b>	<b>4,143</b>
<b>Non-current</b>		
Employee benefits	280	369
<b>Total non-current provisions</b>	<b>280</b>	<b>369</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 20. Share Capital

Movements in shares of the Company were as follows:

*In thousands of shares*

	ORDINARY SHARES	
	2012	2011
<b>Shares on Issue at 1 July</b>	96,599	96,599
Issued as part of dividend reinvestment plan	7,009	-
<b>Shares on Issue at 30 June</b>	<b>103,608</b>	<b>96,599</b>

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

E&A Limited operates a dividend reinvestment plan (**DRP**) whereby shareholders may elect to take all or part of their dividend entitlement in EAL scrip. Shares issued under the DRP during FY12 were issued at a discount of 2.5% to the volume weighted average price of all E&A Limited shares traded on the Australian Securities Exchange during the five trading days after the record date.

### 21. Earnings Per Share

*Cents per share*

	2012	2011
Basic earnings per share	2.98	1.69
Diluted earnings per share	2.98	1.69

#### Basic Earnings Per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

*In thousands of \$AUD and Shares*

	2012	2011
Earnings used in the calculation of basic EPS (i)	2,879	1,634
Weighted average number of ordinary shares for the purpose of basic earnings per share (ii)	96,618	96,599

(i) Earnings used in the calculation of total basic earnings per share is equal to the profit in the income statement.

(ii) Options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of dilutive earnings per share.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 21. Earnings Per Share (Continued)

#### Diluted Earnings Per Share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

<i>In thousands of \$AUD and Shares</i>	2012	2011
Earnings used in the calculation of basic EPS (i)	2,879	1,634
Weighted average number of ordinary shares for the purpose of diluted earnings per share (ii)	96,618	96,739

(i) Earnings used in the calculation of total diluted earnings per share is equal to the profit in the income statement.

(ii) The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

<i>In thousands of Shares</i>	2012	2011
Weighted average number of ordinary shares used in the calculation of basic EPS	96,618	96,599
Options (Note 23)	-	140
Weighted average number of ordinary shares used in the calculation of diluted EPS	96,618	96,739

### 22. Dividends

	2012		2011	
	Cents Per Share	Total \$'000	Cents Per Share	Total \$'000
<b>Recognised Amounts</b>				
Interim dividend	2.0	1,932	-	-
<b>Total dividends recognised</b>	<b>2.0</b>	<b>1,932</b>	-	-
<i>Both fully franked at a 30% tax rate</i>				
<b>Unrecognised Amounts</b>				
Final dividend	2.0	2,072	-	-
<b>Total Dividends Unrecognised</b>	<b>2.0</b>	<b>2,072</b>	-	-
<i>Fully franked at a 30% tax rate</i>				



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 22. Dividends (Continued)

#### Franking Account Balance

*In thousands of \$AUD*

	2012	2011
Franking credits available for subsequent financial years based on a tax rate of 30% (2011: 30%)	7,806	7,410

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment of current tax liabilities.

The consolidated amounts include franking credits that would be available to the Company if distributable profits of subsidiaries were paid as dividends.

### 23. Share-Based Payments

#### Shares Under Option

No options to acquire unissued ordinary shares of E&A Limited exist as at 30 June 2012.

No options have been granted since the end of the financial year.

The share based compensation expense recognised in the current year was nil (2011: nil).

#### Shares Issued on the Exercise of Options

There were no shares issued on the exercise of options during the year (2011: nil).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 24. Contingent Liabilities

The Group had contingent liabilities in respect of:

*In thousands of \$AUD*

	2012	2011
<b>Bank Guarantee Facilities</b>		
Amount used	2,774	4,787
Amount available	1,904	2,352

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 2012.

### 25. Commitments

#### (a) Capital Commitments

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

*In thousands of \$AUD*

	2012	2011
Property, plant and equipment		
Payable:		
Within one year	50	-
Between one and five years	-	-
More than five years	-	-
	50	-



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 25. Commitments (Continued)

#### (b) Lease Commitments

##### (i) Non-Cancellable Operating Leases

The Group leases various properties and office equipment under non-cancellable operating leases expiring within one to eight years. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

*In thousands of \$AUD*

	2012	2011
Within one year	1,591	1,742
Between one and five years	2,316	2,315
More than five years	304	584
	<b>4,211</b>	<b>4,641</b>

##### (ii) Cancellable Operating Leases

The Group leases various plant and office equipment under cancellable operating leases. The Group is required to give one to two months notice for termination of these leases.

Commitments in relation to cancellable operating leases contracted for at the balance date but not recognised as liabilities are payable as follows:

*In thousands of \$AUD*

	2012	2011
Within one year	22	6
Between one and five years	20	6
More than five years	-	-
	<b>42</b>	<b>12</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 25. Commitments (Continued)

#### (b) Lease Commitments

##### (iii) Finance Leases

The Group leases various plant and motor vehicles with a carrying amount of \$2,791,000 (2011: \$2,680,000) under finance leases expiring within one to five years. Under the terms of the leases the Group acquires the assets following the final payment.

*In thousands of \$AUD*

	2012	2011
Commitments in relation to finance leases are payable as follows:		
Within one year	863	974
Between one and five years	1,224	1,196
More than five years	-	-
Minimum lease payments	2,087	2,170
Future finance charges	(266)	(272)
Recognised as a liability	<b>1,821</b>	<b>1,898</b>
Representing lease liabilities:		
Current (Note 18)	738	848
Non-current (Note 18)	1,083	1,050
	<b>1,821</b>	<b>1,898</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Financial Year Ended 30 June 2012**

**26. Segment Reporting**

	Investment & Corporate Advisory		Water & Fluid Solutions		Heavy Mechanical & Electrical Engineering		Maintenance Engineering & Plant Construction		Total		Eliminations		Consolidated	
<i>In thousands of \$AUD</i>	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
External sales	484	1,378	29,328	24,076	116,953	100,120	17,675	19,337	164,440	144,911	-	-	164,440	144,911
Inter-segment sales	2,358	1,299	7	10	1,538	6,246	836	410	4,739	7,965	(4,739)	(7,965)	-	-
Dividend revenue	2,450	500	-	-	-	-	-	-	2,450	500	(2,450)	(500)	-	-
Other income	136	199	117	104	113	88	51	71	417	462	(127)	(197)	290	265
<b>Segment revenue</b>	<b>5,428</b>	<b>3,376</b>	<b>29,452</b>	<b>24,190</b>	<b>118,604</b>	<b>106,454</b>	<b>18,562</b>	<b>19,818</b>	<b>172,046</b>	<b>153,838</b>	<b>(7,316)</b>	<b>(8,662)</b>	<b>164,730</b>	<b>145,176</b>
<b>Underlying EBITDA</b>	<b>(512)</b>	<b>(223)</b>	<b>2,329</b>	<b>976</b>	<b>7,982</b>	<b>8,785</b>	<b>879</b>	<b>1,171</b>	<b>10,678</b>	<b>10,709</b>	-	-	<b>10,678</b>	<b>10,709</b>
Depreciation	(36)	(43)	(513)	(495)	(1,247)	(986)	(303)	(290)	(2,099)	(1,814)	-	-	(2,099)	(1,814)
<b>Underlying EBIT</b>	<b>(548)</b>	<b>(266)</b>	<b>1,816</b>	<b>481</b>	<b>6,735</b>	<b>7,799</b>	<b>576</b>	<b>881</b>	<b>8,579</b>	<b>8,895</b>	-	-	<b>8,579</b>	<b>8,895</b>
Significant items (i)	-	-	-	-	1,416	(3,193)	-	-	1,416	(3,193)	-	-	(1,416)	(3,193)
<b>Segment result (EBIT)</b>	<b>(548)</b>	<b>(266)</b>	<b>1,816</b>	<b>481</b>	<b>5,319</b>	<b>4,606</b>	<b>576</b>	<b>881</b>	<b>7,163</b>	<b>5,702</b>	-	-	<b>7,163</b>	<b>5,702</b>
<b>NPAT</b>	<b>(455)</b>	<b>(226)</b>	<b>786</b>	<b>(232)</b>	<b>2,492</b>	<b>1,805</b>	<b>56</b>	<b>287</b>	<b>2,879</b>	<b>1,634</b>	-	-	<b>2,879</b>	<b>1,634</b>
Income tax expense	(188)	(97)	210	(37)	538	760	27	126	587	752	-	-	587	752
Net finance costs	95	57	820	750	2,289	2,041	493	468	3,697	3,316	-	-	3,697	3,316
<b>Segment result (EBIT)</b>	<b>(548)</b>	<b>(266)</b>	<b>1,816</b>	<b>481</b>	<b>5,319</b>	<b>4,606</b>	<b>576</b>	<b>881</b>	<b>7,163</b>	<b>5,702</b>	-	-	<b>7,163</b>	<b>5,702</b>

<b>Results from operating activities</b>													<b>2,879</b>	<b>1,634</b>
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<b>Segment assets</b>	62,950	59,096	21,009	19,588	54,972	56,874	12,165	11,473	151,096	147,031	(32,944)	(27,969)	<b>118,152</b>	119,062
<b>Segment liabilities</b>	8,132	5,674	18,571	18,935	46,839	50,823	12,041	9,906	85,583	85,338	(22,943)	(19,508)	<b>62,640</b>	65,830
<b>Capital expenditure</b>	11	2	775	738	1,530	1,022	336	438	2,652	2,200	-	-	<b>2,652</b>	2,200

- (i) Significant costs relate to significant write-downs associated with settlement of the Honeymoon contract dispute. Please refer to EAL Review of Operations Section for further commentary.  
(ii) Segment asset & liability eliminations relate to the elimination of intercompany balances and investments in subsidiaries.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 26. Segment Reporting (Continued)

The Group comprises the following main business segments:

#### **Investment & Corporate Advisory**

**Services:** Investment and Corporate Advisory segment provides a comprehensive range of corporate advisory services relating to the analysing, negotiating, financing and completing of business transactions for external and internal clients.

**Industry Exposure:** Investment and Corporate Advisory provides corporate advisory services to public, private and government organisations. In addition, the corporate advisory business provides a range of corporate advisory services to E&A Limited subsidiaries as they continue to expand both organically and through acquisition.

#### **Water & Fluid Solutions**

**Services:** This segment comprises Fabtech and Blucher. Fabtech provides flexible geomembrane liners and floating covers for dams, reservoirs and tunnels, and the construction of geomembrane lined water storage tanks. Blucher is focused on the supply and design of stainless steel drainage and pressure systems.

**Industry Exposure:** Water and Fluid Solutions services the mining, defence, power generation, brewery, potable and waste water containment, waste management and agriculture industries.

#### **Heavy Mechanical and Electrical Engineering**

**Services:** This segment comprises the services provided by Ottoway Engineering, E&A Contractors and ICE Engineering & Construction. Ottoway operates as a pipe fabrication and installation business involving all aspects of turn-key project management including design, engineering, procurement, manufacture, fabrication, machining, installation and maintenance. E&A Contractors provides a range of steel fabrication and structural engineering services, including project management, procurement services, heavy engineering design, structural steel fabrication and erection, pipe welding and pipework installation, pneumatic and hydraulic installations, and light machining. ICE Engineering provides electrical engineering consultancy and project management services including the design of electrical control systems for heavy industry, manufacturing and commercial installations, as well as drafting and other maintenance services.

**Industry Exposure:** Offers services across a range of industries including industrial, petro-chemical, oil and gas, mining, exploration, base metals, water, defence, power generation, infrastructure and wine.

#### **Maintenance Engineering & Plant Construction**

**Services:** This segment comprises the services provided by Heavymech and QMM. Heavymech supplies breakdown and repair services to the heavy industrial, mining and power generation industries. QMM supplies equipment, spare parts, plant construction and repair, and onsite maintenance to the quarry, recycling and mining sectors.

**Industry Exposure:** Offers services across a range of industries including mining, power, quarry, recycling and heavy industrial industries.

As our business continues to grow we will update our segment disclosures accordingly



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 27. Subsidiaries

Name of Entity	Country of Incorporation	Ownership interest	
		2012	2011
<b>Parent entity</b>			
E&A Limited	Australia	100	100
<b>Subsidiaries</b>			
Blucher (Australia) Pty Ltd	Australia	100	100
Blucher Holdings Pty Ltd	Australia	100	100
Louminco Pty Ltd	Australia	100	100
ILS Limited	Hong Kong	100	100
Starboard Tack Pty Ltd	Australia	100	100
Heavymech Pty Ltd	Australia	100	100
Fabtech Holdings Pty Limited	Australia	100	100
Fabtech S.A. Pty Ltd	Australia	100	100
Ottoway Engineering Pty Ltd	Australia	100	100
Ottoway Engineering (WA) Pty Ltd	Australia	100	100
Equity & Advisory Ltd	Australia	100	100
Quarry & Mining Manufacture Pty Ltd	Australia	100	100
Quarry & Mining Manufacture (QLD) Pty Ltd	Australia	100	100
E&A Contractors Pty Ltd	Australia	100	100
Ironhorse BB Pty Ltd	Australia	100	100
ICE Engineering & Construction Holdings Pty Ltd	Australia	100	100
ICE Engineering & Construction Pty Ltd	Australia	100	100
ACN 131 958 337 Pty Ltd	Australia	100	100

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 28. Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2012, the parent company of the group was E&A Limited.

*In thousands of \$AUD*

	Company	
	2012	2011
<b>Results of the Parent Entity</b>		
Profit /Comprehensive income for the period	2,000	156
Total comprehensive income for the period	2,000	156
<b>Financial position of parent entity at year end</b>		
Current assets	21,181	17,789
Total assets	58,553	54,992
Current liabilities	(3,074)	(2,096)
Total liabilities	(4,715)	(2,531)
<b>Total equity of the parent entity comprising of:</b>		
Share capital	53,564	52,231
Reserve for own shares	74	74
Retained earnings	200	156
<b>Total Equity</b>	<b>53,838</b>	<b>52,461</b>

### 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 2012 and 2011.

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 27.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 29. Related Parties (Continued)

#### (c) Key Management Personnel

Disclosures relating to key management personnel are set out in the Remuneration report in the Directors' report.

#### Key Management Personnel Compensation

The key management personnel compensation included in employee benefits expense (see Note 7) are as follows:

<i>In thousands of \$AUD</i>	2012	2011
Short-term employee benefits	1,034	1,044
Post employment benefits	75	87
Share based payments	-	-
<b>Total</b>	<b>1,109</b>	<b>1,131</b>

#### Loans from Directors and Key Management Personnel

As at 30 June 2012, the balance of unsecured loans payable to directors and key management personnel was \$1,473,000. The balance outstanding relates to the Port Tack related party "Come and Go" unsecured loan facility to provide finance to E&A Limited and subsidiary companies for the purpose of funding working capital needs and short term acquisition funding requirements on an as required basis.

<i>In thousands of \$AUD</i>	2012	2011
<b>Related Party "Come &amp; Go" Facility *</b>		
Beginning of the year	1,381	631
Loans advanced	188	750
Loan repayments made	(96)	-
<b>End of year</b>	<b>1,473</b>	<b>1,381</b>

\*Port Tack is a related party of Stephen Young as outlined in Note 29 (d) (vi).

#### Loans to Directors and Key Management Personnel

As at 30 June 2012, the balance of unsecured loans receivable from directors and key management personnel was \$96,000. Net repayments made throughout the period were \$28,000. Interest was payable on amounts owing on normal commercial terms and conditions and at market rates.

<i>In thousands of \$AUD</i>	Balance at Beginning of Period	Advancement/ (Repayment) of Loans	Balance Outstanding
	1 July 2011		30 June 2012
Stephen Young and controlled entities	124	(28)	96
<b>Total</b>	<b>124</b>	<b>(28)</b>	<b>96</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 29. Related Parties (Continued)

#### (d) Other Related Party Transactions

Port Tack is an entity controlled by Stephen Young, the Chairman 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 2012.

##### (i) Regent Street lease of Heavymech premises

Regent Street entered into a lease agreement dated 2 November 2007 with Heavymech to lease the Heavymech premises for \$100,000 per annum (exclusive of GST). The lease commenced on 31 January 2008 and continued for a period of 2 years together with two rights of renewal for further periods of 5 years each. The lease is based on commercial arms length terms and conditions. The related party benefits resulting from execution of the Heavymech premises were approved by the shareholders of E&A Limited on 5 November 2007 in accordance with section 208 of the Corporations Act.

##### (ii) Regent Street lease of Mt Isa premises

Regent Street has entered into a lease agreement in relation to the E&A Contractors Mt Isa premises for \$48,273 per annum (exclusive of GST). The lease was effective from 1 August 2007 and will expire 31 July 2012. E&A Contractors has executed an option to extend the lease for a further period of 5 years. The lease is based on commercial arms length terms and conditions. The related party benefits resulting from the execution of the Mt Isa agreement to lease were approved by the shareholders of E&A Limited on 5 November 2007 in accordance with section 208 of the Corporations Act.

##### (iii) Regent Street lease of Ottoway premises

Regent Street entered into a put & call option with the owners of the Ottoway premises which was exercised on 5 December 2007 ("Ottoway Option"). Ottoway Engineering, a wholly owned subsidiary of E&A Limited has entered into a lease with the owners of the Ottoway premises, the benefit of which was assigned to Regent Street as a result of the exercise of the Ottoway Option. The rental for the Ottoway premises was initially \$240,000 per annum. The Ottoway Lease commenced on 1 June 2007 and will continue for a period of 5 years and 6 months together with three rights of renewal for further periods of 5 years each. The lease is based on commercial arms length terms and conditions. In contemplation of the exercise of the Ottoway Option, in accordance with section 208 of the Corporations Act, on 5 November 2007 the shareholders of E&A Limited approved any financial benefit which may flow from the exercise of the option.

##### (iv) Whyalla premises call option

Port Tack has entered into a call option with the owners of the Whyalla premises which may be exercised in the three year period between 2 October 2009 and 2 October 2012 ("Whyalla Option"). E&A Contractors has obtained an assignment of the benefit of a lease with the owners of the Whyalla premises. The benefit of the Whyalla Lease will be assigned to Port Tack as a result of the exercise of the Whyalla Option. The rental for the Whyalla premises was initially \$150,000 per annum. The Whyalla Lease commenced on 1 September 2007 and will continue for a period of 4 years and 1 month together with three rights of renewal for further periods of 5 years each. The Directors consider the ongoing obligations of E&A Contractors to Port Tack under the Whyalla Lease (which will exist after the exercise of the Whyalla Option) are on commercial arms length terms and conditions, and therefore the financial benefit (i.e. lease payments) which may accrue to Port Tack Pty Ltd as a related party of the Company does not require Shareholder approval under Chapter 2E of the Corporations Act.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 29. Related Parties (Continued)

#### (d) Other Related Party Transactions (Continued)

##### (v) Regent Street lease of QMM premises

Regent Street entered into a lease agreement dated 19 December 2008 with QMM Qld to lease the QMM Qld premises for \$180,000 per annum (exclusive of GST). The lease was effective from 18 December 2008 and ceased on 30 June 2012 in conjunction with QMM Qld's decision to relocate premises. The lease arrangements in place with Regent Street were on commercial arms length terms and conditions. Accordingly, the Directors considered the lease payments which accrued to Regent Street as a related party did not require Shareholder Approval under Chapter 2E of the Corporations Act.

##### (vi) Port Tack "Come & Go" Loan Facility

Port Tack has entered into a "Come and Go" unsecured loan facility to provide finance to E&A Limited and subsidiary companies for the purpose of funding working capital needs and short term acquisition funding requirements on an as required basis. The facility limit is \$2 million and has been subordinated to the bank debt and cannot be repaid in cash within 12 months. The balance outstanding at 30 June 2012 was \$1,473,000. The Directors consider the Loan Facility is on arms length terms and conditions, and therefore the financial benefit (i.e. interest payments) which may accrue to Port Tack Pty Ltd as a related party of the Company does not require Shareholder approval under Chapter 2E of the Corporations Act.

The following transactions occurred with related parties:

*In thousands of \$AUD*

	2012	2011
Sale of goods and services	-	-
Rental paid to other related parties	848	828

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 29. Related Parties (Continued)

#### (e) Movements in shares

The movement during the reporting period in the number of ordinary shares in E&A Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2011	Purchases	Sales	Held at 30 June 2012
<b>Directors and Key Management</b>				
Mr S Young	45,162,478	6,055,629	2,266,356	48,951,751
Mr M Vartuli	12,625,325	1,328,284	-	13,953,609
Mr M Abbott	1,590,106	716,737	-	2,306,843
Mr M Terlet	546,865	149,535	-	696,400
Mr D Klingberg	245,455	-	-	245,455

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 30. Notes to the Cash Flow Statement

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

*In thousands of \$AUD*

	2012	2011
Profit for the year	2,879	1,634
Net (gain) / loss on disposal of non-current assets	(4)	(13)
Depreciation and amortisation	2,099	1,814
<i>Changes in operating assets and liabilities, net of effects from acquisition of businesses:</i>		
<i>(Increase)/decrease in assets:</i>		
Receivables	(3,651)	393
Inventories	3,869	(1,143)
Other assets	(39)	19
Deferred tax assets	(512)	(863)
<i>Increase/(decrease) in liabilities:</i>		
Trade and other creditors	3,703	(4,496)
Provision for income taxes payable	490	1,183
Other provisions	82	350
Deferred tax liabilities	(832)	(352)
<b>Net cash provided by (used in) operating activities</b>	<b>8,084</b>	<b>(1,474)</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 31. Financial Instruments

The Group is exposed to the following 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 use basic financial instruments to manage financial risk. The Group does not use or issue derivative or financial instruments for speculative or trading purposes. The Group uses different methods to measure different types of risk to which it is exposed.

#### Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

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.

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 Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments. This allowance represents a specific loss component that relates to individually significant exposures identified.

#### *Exposure to credit risk*

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

<i>In thousands of \$AUD</i>	Note		
		2012	2011
Receivables	10	28,432	24,781
Cash and cash equivalents	9	1,706	895
<b>Total at Carrying Amount</b>		<b>30,138</b>	<b>25,676</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 31. Financial Instruments (Continued)

#### Credit Risk (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, except that the Group's most significant customer, a heavy industrial company, accounts for \$3.6 million of the trade receivables carrying amount at 30 June 2012 (2011: \$0.8 million).

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

*In thousands of \$AUD*

	2012	2011
Industrial (mining, defence, water)	27,833	23,870
Corporate (advisory clients)	203	129
<b>Total trade receivables (Note 10)</b>	<b>28,036</b>	<b>23,999</b>

#### Impairment losses

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

*In thousands of \$AUD*

	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
Not past due	17,006	-	11,155	-
Past due 0 - 30 days	6,278	-	3,207	-
Past due 31 - 121 days	1,497	-	1,475	(8)
Past due 121 days to one year *	544	(14)	5,429	(16)
Past due more than one year **	2,711	(49)	2,733	(49)
	<b>28,036</b>	<b>(63)</b>	<b>23,999</b>	<b>(73)</b>

\*Trade receivables aged greater than 121 days to one year has reduced significantly from the prior year following receipt of outstanding AE&E insurance proceeds and receipt of the Honeymoon settlement proceeds as discussed in further detail under the Review of Operations section of this Report.

\*\*Trade receivables aged greater than one year primarily relate to the balance of the insurance proceeds and Snapper invoices which are being held up as part of the contract dispute with Bemax.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 31. Financial Instruments (Continued)

#### 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 disclosures of Note 31.

The Group's credit facilities are outlined in Note 18 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.

#### Exposure to liquidity risk

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

		AT 30 JUNE 2012					
<i>In thousands of \$AUD</i>	Note	Carrying Amount	Contractual Cash Flows	Less than 1 year	1 - 2 years	2 - 5 years	More Than 5 years
<b>Non Derivative Financial Liabilities</b>							
Secured bank loans	18	19,390	23,617	4,011	3,599	13,856	2,151
Finance lease liabilities	18	1,821	2,087	930	665	492	-
Related party facility	18	1,473	1,473	-	1,473	-	-
Trade and other payables	17	28,043	28,043	27,793	250	-	-
Working capital facilities	18	1,523	1,534	1,534	-	-	-
Bank overdraft	18	1,485	1,485	1,485	-	-	-
		<b>53,735</b>	<b>58,239</b>	<b>34,373</b>	<b>5,987</b>	<b>14,348</b>	<b>2,151</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 31. Financial Instruments (Continued)

#### Liquidity Risk (Continued)

<i>In thousands of \$AUD</i>		AT 30 JUNE 2011					
		Note	Carrying Amount	Contractual Cash Flows	Less than 1 year	1 - 2 years	2 - 5 years
<b>Non Derivative Financial Liabilities</b>							
Secured bank loans	18	18,167	23,161	5,985	3,850	9,598	3,728
Finance lease liabilities	18	1,898	2,164	974	774	416	-
Related party facility	18	1,381	1,381	-	-	-	1,381
Trade and other payables	17	27,212	27,212	24,984	2,228	-	-
Working capital facilities	18	3,811	3,839	3,839	-	-	-
Bank overdraft	18	4,196	4,196	4,196	-	-	-
		56,665	61,953	39,978	6,852	10,014	5,109

#### Currency Risk

The Group, through its subsidiaries Fabtech, Blucher and ILS, 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), Sterling (GBP) and Canadian dollars (CAN).

Fabtech and Blucher use forward exchange contracts with its foreign suppliers to hedge its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity. ILS meets its purchase commitments at the spot rate on the date of payment.

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 current movements. As at 30 June 2012, the Group had no material positions in forward exchange contracts.

#### *Exposure to currency risk*

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

<i>In thousands of \$AUD</i>	AUD	USD	GBP	Euro	CAN	AUD	USD	GBP	Euro	CAN
	30 June 2012					30 June 2011				
Trade receivables	-	-	-	-	-	-	-	-	-	-
Trade payables	(212)	(1)	-	(171)	-	(256)	(80)	-	(134)	-
<b>Net exposure</b>	<b>(212)</b>	<b>(1)</b>	<b>-</b>	<b>(171)</b>	<b>-</b>	<b>(256)</b>	<b>(80)</b>	<b>-</b>	<b>(134)</b>	<b>-</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 31. Financial Instruments (Continued)

#### Currency Risk (Continued)

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2012	2011	2012	2011
USD	1.0319	0.9881	1.0191	1.0739
Euro	0.7707	0.7245	0.8103	0.7405

#### 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 2011.

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.

<i>In thousands of \$AUD</i>	30 JUNE 2012		30 JUNE 2011	
	Equity	Profit or loss	Equity	Profit or loss
USD	-	-	-	7
Euro	-	19	-	16

#### Interest Rate Risk

The Group has exposure to interest rate risk in each of its subsidiaries through their various financing facilities.

#### Profile

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

*In thousands of \$AUD*

	2012	2011
<b>Variable Rate Instruments</b>		
Financial liabilities (Note 18)	25,692	29,453

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 31. Financial Instruments (Continued)

#### Interest Rate Risk (Continued)

##### *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 2011.

<i>In thousands of \$AUD</i>	AT 30 JUNE 2012			
	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Variable rate instruments	(257)	257	-	-

<i>In thousands of \$AUD</i>	AT 30 JUNE 2011			
	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Variable rate instruments	(294)	294	-	-

#### Fair Values

##### *Fair values versus carrying amounts*

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

#### 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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Financial Year Ended 30 June 2012

#### 31. Financial Instruments (Continued)

##### 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).

<b>For the year ended 30 June 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investment Securities	6	-	-	6
Forward exchange contracts used for hedging	-	-	-	-
	<b>6</b>	<b>-</b>	<b>-</b>	<b>6</b>
<b>For the year ended 30 June 2011</b>				
Investment Securities	6	-	-	6
Forward exchange contracts used for hedging	-	-	-	-
	<b>6</b>	<b>-</b>	<b>-</b>	<b>6</b>

The forward exchange contracts taken out relate to specific hedges to amounts recorded in Trade Payables designated in foreign currency. Any gain or loss on these contracts is recognised in Profit or Loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2012

### 32. 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:

	2012	2011
<b>Audit Services</b>		
Ernst & Young:		
Audit and review of financial reports	185,000	-
KPMG Australia:		
Audit and review of financial reports	-	228,000
Other services	-	-
	<b>185,000</b>	<b>228,000</b>

### 33. Subsequent Events

Subsequent to year-end, the Directors have declared a final fully franked dividend of 2 cents per share.

The record date for the dividend will be 29 October 2012 and the dividend will be paid on 9 November 2012

The directors are not aware of any other material events occurring subsequent to balance sheet date that have not otherwise been disclosed or presented in this report.

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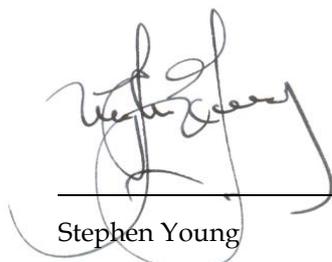
## E & A LIMITED

### 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 2012 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;
  - (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 have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and company secretary for the financial year ended 30 June 2012.
3. 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 28th day of August 2012



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Stephen Young  
*Executive Chairman*

## Independent auditor's report to the members of E&A Limited

### Report on the financial report

We have audited the accompanying financial report of E&A Limited, which comprises the consolidated balance sheet as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility 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* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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### Opinion

In our opinion:

- a. the financial report of E&A Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

### Report on the remuneration report

We have audited the Remuneration Report included in pages 20 to 27 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of E&A Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



David Sanders  
Partner  
Adelaide  
28 August 2012



## ASX ADDITIONAL INFORMATION

### Twenty Largest Shareholders

The names of the twenty largest shareholders of ordinary shares of the Company as at 24 August 2012 are:

SHAREHOLDER	NUMBER OF ORDINARY FULLY PAID SHARES
Port Tack Pty Ltd<Aquarius Investments A/C>	23,575,995
Port Tack Pty Ltd <Aquarius Investments A/C>	17,522,308
Vars Enterprises Pty Ltd	8,668,918
Vars Enterprises Pty Ltd <MV2 Super Fund A/C>	5,153,059
Stephen Young	4,057,349
Maresa Pty Ltd	3,704,432
E.D. Consulting & Engineering Services Pty Ltd	2,283,220
Mr Nicholas John Bindi & Mrs Carolyn Jane Bindi	2,037,490
Obenox Pty Ltd <Michael Abbott Super Fund A/C>	1,978,440
Barmera Marine Pty Ltd <Wimbledon Super Fund A/C>	1,768,333
Mr Andrew Paul Hitchcock & Mrs Karen Joanne Hitchcock	1,370,590
Mr Stephen Mark Gilbert	1,007,577
Mr Joseph Rossi	825,747
Segundo Eduardo Donoso	725,240
Quality Wine Merchants Pty Ltd <QWM Super Fund A/C>	645,455
Terlet Super Pty Ltd <Terlet Super Fund A/C>	604,400
Moulou Pty Ltd	594,282
Mr Kingsley Bruce Smith	531,966
Mr Luke Robert Boorman	505,895
Mr Mark Seatree	396,650
<b>Total</b>	<b>77,957,346</b>

Total held by twenty largest ordinary shareholders as a percentage of this class is 75.24%.



## ASX ADDITIONAL INFORMATION

### Substantial Shareholders

The names of substantial shareholders listed in the Company's register as at 16 August 2012 are:

SHAREHOLDER	SHARES	%
Stephen Young and controlled entities	48,951,751	47.25%
Mark Vartuli and controlled entities	14,013,609	13.53%

### Distribution of Shareholders

Analysis of numbers of shareholders by size of holding as listed in the Company's register as at 24 August 2012 are:

RANGE OF HOLDING	NUMBER OF SHAREHOLDERS	NUMBER OF ORDINARY SHARES	%
1 - 1,000	63	10,172	0.01%
1,001 - 5,000	197	608,779	0.59%
5,001 - 10,000	135	1,112,086	1.07%
10,001 - 100,000	281	11,182,014	10.79%
100,001 and Over	90	90,695,205	87.54%
<b>Total</b>	<b>766</b>	<b>103,608,256</b>	<b>100%</b>

All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders with less than a marketable parcel is 166.

### Voting Rights

All ordinary shares issued by E & A Limited carry one vote per share without restriction.



## E&A LIMITED - CORPORATE DIRECTORY

Directors	Mr Stephen Young Mr Mark Vartuli Mr Michael Abbott Mr Michael Terlet Mr David Klingberg	Executive Chairman Executive Director Non-executive Director Non-executive Director Non-executive Director
Secretary	Mr Mark Seatree	
Registered and Principal Office	Level 27 91 King William Street Adelaide, South Australia 5000 Telephone (08) 8212 2929 Facsimile (08) 8231 1647 Website <a href="http://www.ealimited.com.au">www.ealimited.com.au</a>	
Postal Address	GPO Box 1273 Adelaide, South Australia 5001	
Solicitors	Thomsons Lawyers 101 Pirie Street Adelaide, South Australia 5000	
Auditors	Ernst & Young 121 King William Street Adelaide, South Australia 5000	
Share Register	Link Market Services Limited Level 9, 333 Collins Street Melbourne, Victoria 3000 Telephone 1300 554 474 Website <a href="http://www.linkmarketservices.com.au">www.linkmarketservices.com.au</a>	
ASX Code	EAL	
ACN	088 588 425	
ABN	22 088 588 425	

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