Annual Report & Appendix 4E

For the Financial Year Ended 30 June 2011

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 2011
Previous Corresponding Period:	Financial Year Ended 30 June 2010

Contents

Results for announcement to the market

Financial Year Ended 30 June 2011

Revenue and Net Profit

		% Change		Amount $'000
Revenue from ordinary activities*	Down	9.1%	To	144,911
Underlying EBIT from ordinary activities**	Up	46.4%	To	8,895
Underlying net profit after tax**	Up	50.5%	To	3,869
Reported net profit from ordinary activities after tax attributable to members	Down	34.7%	To	1,634

**Excludes other income*

*** Underlying profit excludes once-off provisioning associated with the Snapper project and AE&E debt.*

Dividends

	Amount per security	Percentage Franked %
Interim dividend	-	-
Record Date for determining entitlements to the dividend	-	-
Date of dividend payment	-	-

Earnings Per Share

	2011	2010
Underlying earnings per share (undiluted)	4.01 cents	3.15 cents
Earnings per share (undiluted)	1.69 cents	3.07 cents
Underlying earnings per share (diluted)	4.0 cents	3.13 cents
Earnings per share (diluted)	1.69 cents	3.05 cents

Net Tangible Assets

	2011	2010
NTA per share (undiluted)	-1.67 cents	-3.97 cents

Review of Operations

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

26 August 2011

The Manager
Company Announcements Platform
Australian Stock Exchange Ltd

REVIEW OF OPERATIONS

- **Underlying net profit after tax of $3.869 million**
- **Consolidated revenue of $145.2 million down from $159.7 million.**
- **Underlying EBIT of $8.895 million up from $6.075 million.**
- **Reported Statutory net profit after tax of $1.634 million affected by the provision for once-off significant items totalling $2.235 million in relation to the collection of AE&E debt and prolongation claims for adverse weather events on the Snapper and Honeymoon projects.**
- **Final quarter EBIT of $2.5 million highlighting an improvement in performance and providing positive momentum entering FY12.**
- **Strong second half positive cash flow from operations of $6.8 million, representing an $11.0 million turnaround on the first half performance.**
- **E&A Limited's specialist engineering services businesses are well positioned for earnings growth.**

REPORTED & UNDERLYING NET PROFIT EAL GROUP (000's)	FULL YEAR FY11	FULL YEAR FY10	PERCENTAGE (%)
Revenue	**145,176**	159,681	**(9.1%)**
Underlying EBIT from continuing operations	**8,895**	6,075	**46.4%**
Net interest expense	(3,316)	(2,441)	**(35.8%)**
Underlying profit before tax	**5,579**	3,634	**53.5%**
Tax expense on underlying profit	(1,710)	(1,062)	**61.0%**
Underlying net profit after tax	**3,869**	2,572	**50.4%**
Significant Once-off Items (after tax)			
AE&E bad debt provision	**(662)**	-	
Honeymoon & Snapper prolongation claims for adverse weather	**(1,573)**	-	
EAC Merger Costs	-	(68)	
Reported statutory net profit after tax	**1,634**	2,504	**(34.7%)**

Diversified South Australian Investment Company, E & A Limited (ASX:EAL) today announced an underlying net profit after tax (**NPAT**) of $3.869 million for the year ended 30 June 2011, an increase of $1.297 million on the previous year.

EAL achieved consolidated revenue of $145.2 million which represented a 9% decrease on the previous year's consolidated revenue.

EAL achieved underlying earnings before interest and tax (**EBIT**) of $8.895 million, a growth of 46% on the prior year's underlying EBIT of $6.075 million. The improved profitability was a direct consequence of an increase in operating margins from 18.2% to 20.4%.

The reported statutory net profit after tax (**NPAT**) was $1.634 million compared to the previous year NPAT result of $2.504 million. The difference between the reported statutory NPAT, and the underlying NPAT of $3.869 million is as a result of:

- the provisioning of $0.662 million raised on account of the AE&E bad debt; and
- unrecoverable costs incurred in relation to prolongation claims and adverse weather experienced on the Snapper and Honeymoon projects of $1.573 million.

As previously advised to the market, Ottoway Engineering Pty Ltd's (Ottoway) major client, AE&E Australia Pty Ltd (AE&E) entered into voluntary administration on 25 November 2010. Ottoway has significant claims against AE&E, however, it has elected to take a conservative position with respect to these claims. Ottoway has submitted to AE&E its Proof of Debt claim for $7.2 million of which only $3.495 million was initially recognised as revenue. However, pursuant to the terms of Ottoway's debtor insurance only $2.55 million is recoverable and accordingly the unrecoverable balance, $0.945 million ($0.662 million after tax), has been written off. Recovery of the insurance proceeds has been delayed as AE&E only entered liquidation on 11 May 2011 and the adjudication of Ottoway's Proof of Debt is a complicated task. Management remain confident of obtaining the insurance proceeds in the near future.

Exceptionally unseasonal weather arising from the shift to the La Nina weather pattern was experienced by Ottoway and ICE Engineering & Construction Pty Ltd (ICE) during Calendar Year 2010 on both the Honeymoon Uranium Extraction and the Snapper Wet Concentrator projects. As a consequence the completion of these projects was extended well beyond their original contract completion dates. Accordingly, Ottoway and ICE have significant variation and extension of time claims under negotiation with the respective principals of these projects. Ottoway and ICE are pursuing their contractual rights in relation to resolving these disputes and anticipate settling these claims during the course of FY12 which will result in a significant improvement in the cash and balance sheet strength of E&A Limited.

E&A Limited's Executive Chairman, Stephen Young, said "It was pleasing to note the strong last quarter's trading performance and the positive momentum carried through to FY12. The order books for E&A Limited's operating subsidiaries were stronger than those for the previous corresponding period and the pipeline of contracted works and tender activity for E&A Limited's specialist engineering services provided by the Group was continuing to increase".

Mr Young said that he believed E&A Limited's subsidiaries had endured two very difficult trading years with unseasonal weather events and the businesses were well positioned for earnings growth.

SAFETY & OUR PEOPLE

The Group now employs more than 700 employees, including senior executives, line managers, supervisors, skilled tradesmen, labourers and apprentices.

E&A Limited considers its most valued asset to be its people. The Board's focus on strengthening the Group's internal leadership and management capacity to create value for its stakeholders is a continuing and evolving process. E&A Limited remains committed to improving its human resources systems in order to facilitate the development of leadership and management capacity within the E&A Limited Group to ensure that it has motivated executives who possess the necessary skills to deliver against the board's expectations for safe work, excellent products and services and profitable growth.

The safety of its people continues to be E&A Limited's primary objective and "**Zero Harm**" is a key performance measure for all of its operating subsidiaries. Management is committed to maintaining an outstanding record for safe work by building on its embedded culture for safe work thinking and work practice with a view to protecting both its people and those who work alongside them.

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

- ICE completed its fourth year without a Lost Time Injury (LTI) and has worked more than 600,000 hours on site without a LTI claim.

- Ottoway has completed twelve months without a LTI and has now worked more than 290,197 hours in the workshop and on site without a LTI.

- E&A Contractors is expected to complete twelve months without a LTI this week and has now worked more than 25,599 hours in the workshop and on site without a LTI.

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

CASHFLOW

E&A Limited generated strong second half cash flow from operations of $6.8 million (an effective $11.0 million turnaround on the first half performance) before payment of interest and tax and $4.6 million after interest and tax. For the full year this resulted in cash flow from operations of $2.6 million before payment of interest and tax and a utilisation of $1.5 million after interest and tax.

As reported previously, the cash flow results were impacted as a consequence of:

- The debt owed to Ottoway by AE&E for the Cape Preston Project. Ottoway anticipates receiving debtor insurance proceeds of approximately $2.55 million inside the next few months. As at 31 December 2010, Ottoway was owed $3.495 million by AE&E and when combined with Ottoway's termination entitlements the amount claimed by Ottoway is $7.2 million. As mentioned Ottoway's Proof of Debt claim is presently being adjudicated on by the Liquidator of AE&E, however, other than receipt of the insurance proceeds, E&A Limited do not expect to recover any significant additional funds from the Liquidator.

- The disputed claims for completed work, variations and extension of time on both the Honeymoon Uranium Extraction Plant and the Snapper Wet Concentrator Plant. Both Ottoway and ICE have claims which exceed $26 million. These claims are under negotiation with the respective principals for these projects.

  Ottoway and ICE are pursuing their contractual rights in relation to resolving these disputes and anticipate settling these claims during the course of FY12 which will significantly improve the cash and balance sheet strength of E&A Limited.

E&A Limited has net debt of $28.6 million which is an increase of $3.9 million from 30 June 2010. The increase in E&A Limited's borrowings is a direct consequence of the insolvency of AE&E and the delay in the resolution of the disputed claims on the Honeymoon and Snapper Projects. As at 30 June 2011 cash on hand was $0.9 million.

E&A Limited has renewed its banking facilities with its major financier.

The Directors have resolved to defer consideration of any final dividend until such time as the first quarter's results for FY12 are known and the proceeds from both the insurance claim, and at least one of the variation and extension of time claims, have been received.

The directors are confident that E &A Limited will return to paying dividends during FY12.

OUTLOOK FOR 2012

There are many indicators that the demand for the specialty engineering services of E&A Limited are improving. E&A Limited's engineering services businesses are strategically well positioned to capitalise on the growing capital investment cycle for the mining, oil & gas, energy, water and defence industries.

As advised in its previous Stakeholder Update, ABARE have reported that there are 94 major mining and energy projects with a project value of $173.5 billion committed or due to commence within the six month period from April 2011 to October 2011.

E&A Limited subsidiaries are working either directly or indirectly on a number of these projects and both the level of inquiry and the size of the E&A Limited tenders are increasing consistent with the ABARE forecast.

Consistent with the level of activity throughout Australia, half of the turnover of E & A Limited's subsidiaries is now earned outside South Australia with most of this activity taking place in Western Australia and Queensland.

From a South Australian perspective the number of mines in production has now increased to eighteen. E&A Limited subsidiaries are working for the majority of these mines.

Five of E&A Limited subsidiaries presently work for BHP Billiton at Roxby Downs. Firm commitments have been made from both sides of the South Australian Parliament to facilitating BHP Billiton's proposed expansion of Roxby Downs.

E & A Limited expects that BHP Billiton will announce the staged expansion of Olympic Dam in early 2012 which it believes will provide further business opportunities for its subsidiaries. In this regard, E&A Limited has arguably the largest South Australian mining services capacity in respect of workshops and manpower. E&A Limited's subsidiaries intend to grow by partnering with both BHP Billiton directly and its preferred first tier construction contractors, whilst continuing to service its existing operations.

The Executive Directors continue to evaluate a number of strategic acquisition opportunities in order to build shareholder value.

E&A Limited entered FY12 with positive momentum off the back of a strong last quarter performance and is committed to taking full advantage of the expanding business opportunities over the coming years for its shareholders. It is confident of delivering an improved earnings performance for FY12.

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 services and contract labour to the electrical and instrumentation sector of the industrial, water and mining sectors.

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 2011 in comparison to the prior year.

SEGMENT REPORTING HEAVY MECHANICAL & ELECTRICAL ENGINEERING *(in thousands)*	FULL YEAR FY11	FULL YEAR FY10	PERCENTAGE (%) INCREASE / (DECREASE)
Segment Revenue	106,454	125,401	(15.11%)
Underlying Operating Results (Before Finance Expense and Income Tax)*	7,799	3,694	111.13%
Operating Results (Before Finance Expense and Income Tax Expense)	4,606	3,597	28.05%

* Underlying Operating Results exclude once-off year-end provisioning totalling $3.193 million before tax

Notwithstanding a reduction in revenue during FY11, the Heavy Mechanical and Electrical Engineering segment delivered a significant improvement in underlying operating earnings growth of 111.13% compared to the prior year.

The 15%reduction in revenue compared to the previous financial year was a consequence of the work associated with the two significant construction contracts awarded to Ottoway, namely the Honeymoon Uranium Extraction Plant and the Snapper Floating Wet Concentrator Plant, being substantially completed in FY10 and accordingly associated revenue being recognised in the previous financial year.

The Honeymoon and Snapper contracts were adversely affected by unseasonal weather experienced across Central Australia during Calendar Year 2010, which caused major delays in the construction schedule and are the subject matter of significant prolongation claims.

As previously advised to the market, the operating results for FY11 have been impacted by the provision of $0.946 million before tax raised on account of the AE&E bad debt and unrecoverable costs of $2.247 million before tax incurred in relation to prolongation claims and adverse weather experienced on the Snapper and Honeymoon projects.

Ottoway currently has over 100 skilled personnel working on the construction of Sino Iron's Cape Preston Power Station. The demand for Ottoway's specialised pipe spooling services continues to improve with the increased activity in the mining, oil & gas, water and defence sectors. Ottoway has recently increased its workforce in order to support the ASC with the pipe spooling aspects of its Air Warfare Destroyer Program. This commitment to increase capacity includes a second shift and the acquisition of additional pipe bending equipment.

Ottoway established operations in the regional town of Dalby which is located in South Eastern Queensland. The Dalby operations will provide Ottoway a local presence from which it can service the upstream requirements of Queensland's expanding LNG industry.

The forecast expansion of the upstream Coal Seam Gas infrastructure has been delayed as a result of a mix of environmental, political, weather and debt and equity market events. However, 3 of the 4 major participants, Origin (APLNG), Santos (GLNG) and Queensland Gas (QCLNG) have received their regulatory and board approvals for each of their projects and accordingly work has now commenced on the upstream Coal Seam Gas infrastructure. The fourth participant, Arrow, is expected to receive its regulatory approval in the near future. Ottoway has provided welding and pipe spooling services to each of the Coal Seam Gas participants and anticipates winning significant levels of Coal Seam Gas infrastructure work during FY12.

The turnover for ICE declined compared to the previous year as a consequence of the Honeymoon and Snapper contracts work being substantially completed during the previous financial year. However, ICE has recently won work in excess of $12 million and more than one half of this year's budget was secured by August 2011.

During the past twelve months the Growth Division of ICE has established offices in Adelaide and Roxby Downs and recruited a permanent supervisory team in Western Australia in order to better position ICE for growth. In addition, significant resources have been invested to improve and strengthen the senior management personnel and operating systems of the business. ICE continues to enjoy a high level of customer satisfaction through both the safety and quality of its services.

Tendering activity is also at a record level and the ICE Growth Division Management is confident of achieving revenue growth during FY12.

In addition, the Sustainability Division of ICE has sufficient work in hand for the remainder of this Calendar Year and is also experiencing increased tendering activity.

The performance and outlook for EAC has significantly improved and returned to profitable trading during the last quarter of FY11 and this positive momentum has been carried forward into FY12.

EAC also established an office at Roxby Downs in order to better partner and provide support services to BHP Billiton's Olympic Dam operations. EAC has signed a Site Agreement Contract with BHP Billiton and is committed to building its presence at Roxby Downs in order to fully utilise its Whyalla fabrication facilities.

Recently EAC secured additional fabrication work for ASC's Air Warfare Destroyer Program and remains committed to partnering and supporting ASC in relation to its fabrication requirements.

On and off site services continue to be provided by EAC to OneSteel Whyalla's steelmaking operations and to its expanding mining operations.

EAC's 10,000 square metre 100 tonne workshop capacity located in Whyalla is well positioned for any shop fabrication work within the Iron Triangle Region which is expected to increase significantly over the coming years.

The increased activity expected as a consequence of BHP Billiton's anticipated announcement regarding the expansion of Olympic Dam, together with the development of Coal Seam Gas projects in South Eastern Queensland and increased ASC Air Warfare Destroyer work, should provide significant opportunities for this segment.

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 2011 in comparison to the prior year.

SEGMENT REPORTING WATER & FLUID SOLUTIONS *(in thousands)*	FULL YEAR FY11	FULL YEAR FY10	PERCENTAGE (%) INCREASE / (DECREASE)
Segment Revenue	**24,190**	27,511	**(12.07%)**
Operating Results (Before Finance Expense and Income Tax Expense)	**481**	2,283	**(78.94%)**

The Water & Fluid Solutions segment saw a reduction in revenue of 12.07%, with operating earnings decreasing by 78.94% compared to the prior year.

Fabtech's full year performance was materially lower than the prior year. A significant portion of Fabtech's revenue is sourced in South Eastern Queensland which experienced significant flooding and wet weather during the course of the year. The floods significantly impacted on productivity and also the volume of work completed by Fabtech during FY11.

As mentioned previously, the outlook for the geomembrane industry continues to strengthen as a consequence of the significant upstream Coal Seam Gas development programs in South Eastern Queensland. Both the quantum of secured work in hand and the tender activity for future projects continue to grow.

Fabtech has commenced the year with a strong order book and expects a significantly improved performance during FY12 as a consequence of improved weather conditions and a stronger outlook for new work.

Blucher made a similar contribution to revenue and operating earnings in FY11 compared to that of the prior year.

The majority of Blucher's stainless steel drainage and fluid reticulation products are sold into new or expansion projects. Blucher continues to be a leading industry provider of fluid solutions to its customers and anticipates activity from the Coal Seam Gas industry to provide significant opportunities for its products over the coming years.

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. QMM has workshop facilities in Adelaide and Brisbane.

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.

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 2011 in comparison to the prior year.

SEGMENT REPORTING MAINTENANCE ENGINEERING & PLANT CONSTRUCTION *(in thousands)*	FULL YEAR FY11	FULL YEAR FY10	PERCENTAGE (%) INCREASE / (DECREASE)
Segment Revenue	19,818	16,170	22.56%
Operating Results (Before Finance Expense and Income Tax Expense)	881	1,053	(16.34%)

The Maintenance Engineering & Plant Construction segment achieved revenue growth of 22.56%, however operating earnings fell by 16.34% compared to the prior year.

QMM experienced solid growth in turnover during FY11 due to an increase in workshop activity and plant construction work undertaken in the Queensland market. In addition, QMM experienced growth in its provision of off-site mining shutdown maintenance services.

Workshop activity in Queensland was strong as a consequence of completing a number of significant materials handling projects within the concrete industry. Notwithstanding the successful completion of these projects, most notably a concrete batching plant for Boral, the gross margin generated from this work was below expectations. The rebuilding of Queensland infrastructure following the recent floods and cyclone is anticipated to provide plant construction and upgrade opportunities for QMM in FY12.

Major plant construction activity in South Australia was more subdued during FY11, however, QMM has continued to service the repairs and maintenance requirements of its major customers, including Holcim, Boral, Humes, Jeffries and IWS. QMM has experienced a steady increase in demand over the last quarter of FY11 and a number of major plant opportunities exist in South Australia, which is expected to significantly improve turnover and earnings in FY12. In view of these opportunities QMM has relocated its leased workshop from Wingfield to a 2,600 square metre facility in Maxwell Road Pooraka.

QMM has continued to develop its specialist mining shutdown services offered in FY11 and experienced a growth in services provided to BHP Billiton at Roxby Downs, Oz Minerals at Prominent Hill and ERA Ranger Mine in Northern Territory. QMM continues to undertake specialist training of its workforce in order to provide superior skills to its client base and to ensure further growth can be achieved in this sector of the business.

During the year Heavymech established a workshop in Whyalla in order to service its Iron Triangle customers and to increase its on site shutdown capacity.

Heavymech experienced solid revenue and profit growth during FY11. Its revenue remains closely linked to the level of activity in the broader industrial, construction, mining, water and power generation markets. Heavymech expects to achieve modest revenue and earnings growth during FY12.

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 post acquisition and as they continue to expand, both organically and through acquisition.

Operating Performance

The following table provides a summary of the financial performance of the Investment & Corporate Advisory segment for the year ended 30 June 2011 in comparison to the prior year.

SEGMENT REPORTING INVESTMENT & CORPORATE ADVISORY *(in thousands)*	FULL YEAR FY11	FULL YEAR FY10	PERCENTAGE (%) INCREASE / (DECREASE)
Segment Revenue *	**2,876**	3,218	**(10.63%)**
		-	
Operating Results (Before Finance Expense and Income Tax Expense)	**(266)**	(955)	**72.15%**

** Excludes Intercompany dividend revenue*

The Investment & Corporate Advisory segment revenue decreased compared to the prior year by 10.63% due primarily as a consequence of the Corporate Advisory business unit continuing to remain flat throughout FY11 for merger and acquisition activities as well as a reduction in management charges to EAL subsidiaries.

Consistent with the prior year the corporate advisory team was principally engaged supporting the EAL subsidiaries. The corporate advisory team has spent considerable time in improving the operating and information reporting systems across the operating subsidiaries. The team's executives were charged at cost to the subsidiaries which, when combined with the relatively flat market conditions for merger and acquisition activities, has resulted in an overall decline in revenue.

Earnings results for FY11 improved compared to the previous year as a consequence of certain costs such as insurance being charged directly to the operating entities as well as an improvement in fee recovery generated by the corporate advisory business.

Annual Financial Report

For the Financial Year Ended 30 June 2011

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		▪ Comprehensive range of corporate advisory services relating to the analysing, negotiating, financing and completing of business transactions for external and internal clients ▪ Investment and Corporate Advisory also provides a range of corporate advisory services to E&A Limited subsidiaries as they continue to expand both organically and through acquisition	▪ Public ▪ Private ▪ Government organisations ▪ E&A Limited subsidiaries	13
	Equity & Advisory				
Water & Fluid Solutions	Fabtech SA		▪ Drainage and supply systems for industrial and commercial applications ▪ Flexible geomembrane liners and floating covers for dams, reservoirs, tunnels, channels and landfills	▪ Industrial ▪ Mining ▪ Waste Water ▪ Waste Management ▪ Ship Building ▪ Food & Beverage processing ▪ Potable and Waste Water Containment ▪ Agriculture	> 80
	Blucher Australia				

COMPANY OVERVIEW

SEGMENT	OPERATING COMPANIES		SERVICES	INDUSTRY EXPOSURE	EMPLOYEES
Heavy Mechanical & Electrical Engineering	Ottoway Engineering ICE Engineering E&A Contractors		▪ Pipe fabrication and installation involving all aspects of turn-key project management including design, engineering, procurement, manufacture, fabrication, machining, installation and maintenance ▪ 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 ▪ Electrical engineering consultancy and project management including the design of electrical control systems for heavy industry, manufacturing and commercial installations	▪ Industrial ▪ Petro-chemical ▪ Oil & Gas ▪ Mining ▪ Water ▪ Defence ▪ Power generation ▪ Infrastructure ▪ Petro-chemical	> 500
Maintenance Engineering & Plant Construction	Heavymech QMM		▪ Breakdown and repair services to the heavy industrial, mining and power generation industries ▪ Equipment, spare parts, plant construction and repair, and onsite maintenance to the quarry, recycling and mining sectors	▪ Mining ▪ Power ▪ Quarry ▪ Recycling ▪ Heavy industrial	> 100

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. Mark is also experienced in performing valuations for both public and private companies for purposes of purchase, sale, equity raising and independent expert reports to shareholders. Prior to joining Equity & Advisory in April 1998, Mark worked for Arthur Andersen in their Assurance and Business Advisory Division and is a qualified Chartered Accountant who 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, Land Management Corporation, 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 and Snowy Hydro Limited.

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 developed substantial professional expertise in project evaluation, management and systems and in the structuring of major infrastructure projects.

David has recently retired as the inaugural Chair of the South Australian Premier's Climate Change Council and is a Board Member of Renewables SA. He is patron of the Cancer Council of South Australia and the St Andrew's Hospital Foundation.

ANNUAL FINANCIAL REPORT

Financial report for the financial year ended 30 June 2011

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.

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

CORPORATE GOVERNANCE STATEMENT

ASX Principle		Status	Reference/Comment
Principle 1: Lay Solid Foundations for Management and Oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Complying	The Board has adopted a Corporate Governance Board Charter which establishes the role of the Board and its relationship with management. 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). The Board Charter sets out the following key responsibilities and functions of the Board: • regularly considering and monitoring the implementation of corporate strategies and objectives, including E&A Limited's control and accountability systems; • appointing and removing the Managing Director/Chief Executive Officer and where appropriate ratifying the appointment and removal of senior executives; • monitoring and evaluating the performance of all Group management teams and the implementation of corporate strategies and performance objectives; • approving and monitoring compliance with systems of financial reporting, continuous disclosure, corporate governance, legal requirements and ethical standards; • approving and monitoring major capital expenditure, capital management and acquisitions and divestitures; • reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance; • ensuring appropriate resources are available to senior executives; • issuing securities in E&A Limited and establishing any incentive plans for directors and/or staff; • confirming that audit arrangements (including internal and external) are in compliance with all legal requirements and reviewing E&A Limited's policies on such issues; and • delegating an appropriate level of authority to management.

CORPORATE GOVERNANCE STATEMENT

	ASX Principle	Status	Reference/Comment
1.2	The performance of senior executives should be reviewed regularly against appropriate measures.	Complying	The Board retains ultimate authority over management, however, as is customary, the Board has delegated authority over the day-to-day management of E&A Limited to the executive Directors and in turn to management. To assist in the execution of its responsibilities, the Board has established a Nomination and Remuneration Committee ("**Remuneration Committee**") and an Audit and Risk Management Committee ("**Audit Committee**"). These committees have written charters. **Director's appointment letter:** 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. E&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&A Limited conducts annual performance reviews of all senior management. E&A Limited will conduct a review of Directors' performance before the end of the calendar year.
Principle 2: Structure the Board to Add Value			
2.1	A majority of the board should be independent directors.	Complying	The composition of the E&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.
			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. The current Board comprising three non-executive Directors and two executive Directors is appropriate for the size of the Company.
2.2	The chair should be an independent director.	Non Complying	E&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&A Limited as at 30 June 2011. 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&A Limited is disclosed within this Annual Report, including remuneration, related party transactions, shareholder interest and employee position. 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.

CORPORATE GOVERNANCE STATEMENT

	ASX Principle	Status	Reference/Comment
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Non Complying	E&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&A Limited, which encompasses both roles as Chairman and 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.
2.4	The board should establish a nomination committee.	Complying	The Board has established a Nomination and Remuneration Committee and an associated Nomination and Remuneration Committee Charter. The Nomination and Remuneration Committee is responsible for: • 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 • 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.
			The Nomination and Remuneration Committee consists of the independent non-executive Directors. Mr Terlet chairs the Nomination and Remuneration Committee.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Complying	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. The policy prescribes the process of evaluating the performance of the Board.

CORPORATE GOVERNANCE STATEMENT

	ASX Principle	Status	Reference/Comment
Principle 3: Promote Ethical and Responsible Decision-Making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: ▪ the practices necessary to maintain confidence in the company's integrity; ▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and ▪ the responsibility/accountability of individuals for reporting and investigating reports of unethical practices.	Complying	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. As the conduct differs between the levels of the Company, the Code separately addresses the conduct of: a) all employees and agents of the Company; b) senior management and executives; c) directors; and d) the Company as a whole, with particular attention to its social responsibility.
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Complying	The Company has adopted a Share Trading Policy governing trading in the Company's financial products by all relevant persons as defined in the Policy. The purpose of this Policy is to raise awareness of insider trading rules, and of the fact that trading must not proceed without prior notification and clearance.

CORPORATE GOVERNANCE STATEMENT

	ASX Principle	Status	Reference/Comment
Principle 4: Safeguard Integrity in Financial Reporting			
4.1	The board should establish an audit committee.	Complying	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. The objective of the Audit and Risk Management Committee is to assist the Board in discharging its corporate governance duties in relation to: • implementing and maintaining appropriate policies and procedures in relation to risk management and auditing; • financial reporting, internal control structure and internal and external audit functions; and • establishing a sound system of risk oversight and management and internal controls. The Audit and Risk Management Committee consists of three non-executive Directors. Mr Abbott chairs the Audit and Risk Management Committee.
4.2	The audit committee should be structured so that it: ▪ consists only of non-executive directors ▪ consists of a majority of independent directors ▪ is chaired by an independent chair, who is not chair of the board ▪ has at least three members	Complying	The Audit and Risk Management Committee consists of three non-executive Directors. Mr Abbott chairs the Audit and Risk Management Committee.
4.3	The audit committee should have a formal charter.	Complying	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.

CORPORATE GOVERNANCE STATEMENT

	ASX Principle	Status	Reference/Comment
Principle 5: Make Timely and Balanced Disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Complying	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. The Company has adopted a Continuous Disclosure Policy which outlines the procedure, content and responsibility of compliance with the Continuous Disclosure Obligations.
Principle 6: Respect the Rights of Shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Complying	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. To ensure flexibility for Shareholders, relevant information will be communicated to Shareholders via a number of methods, as follows: 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. 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. 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. 4. All major announcements to the Australian Stock Exchange are posted on the Company's website. 5. The Company will provide the following shareholder information on its website: - contact details of the Company's share registry; - current share price; - instructions regarding change of Shareholders details; - shareholder forms; and - corporate profile.

CORPORATE GOVERNANCE STATEMENT

	ASX Principle	Status	Reference/Comment
Principle 7: Recognise and Manage Risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Complying	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. 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.
7.2	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	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. 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.

CORPORATE GOVERNANCE STATEMENT

	ASX Principle	Status	Reference/Comment
7.3	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.	Complying	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.
Principle 8: Remunerate Fairly and Responsibly			
8.1	The board should establish a remuneration committee	Complying	The Board has in place a Nomination and Remuneration Committee. 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. The Nomination and Remuneration Committee is also responsible for ensuring that the remuneration within the E&A Group is appropriately designed to enhance corporate and individual performance whilst also meeting the needs of E&A Limited as a whole. 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.

CORPORATE GOVERNANCE STATEMENT

	ASX Principle	Status	Reference/Comment
8.2	The remuneration committee should be structured so that it: ▪ consists of a majority of independent directors ▪ is chaired by an independent chair ▪ has at least three members	Complying	The Nomination and Remuneration Committee consists of three non-executive Directors. Mr Terlet chairs the Nomination and Remuneration Committee.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complying	Details of the Directors and key senior executives remuneration are set out in the Remuneration Report of the Annual Report.

DIRECTORS' REPORT

For the Financial Year Ended 30 June 2011

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 2011 and the independent auditor's report thereon.

Directors

The following persons were Directors of E&A Limited during the financial year ended 30 June 2011.

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 2010
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 2011

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	45,162,478	Nil	46.75%
Mark Vartuli	12,625,325	Nil	13.07%
Michael Abbott	1,590,106	Nil	1.65%
Michael Terlet	546,865	Nil	0.57%
David Klingberg	245,455	Nil	0.25%

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 an Associate 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).

	BOARD OF DIRECTORS		AUDIT & RISK MANAGEMENT COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE	
Director	Attended	Maximum Possible	Attended	Maximum Possible	Attended	Maximum Possible
Stephen Young*	9	9	4	4	1	1
Mark Vartuli*	9	9	4	4	1	1
Michael Abbott	9	9	3	4	1	1
Michael Terlet	9	9	4	4	1	1
David Klingberg	9	9	4	4	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 2011

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; and
- financial advisory services to the corporate sector.

Results

The net profit after income tax of the Group for the financial year was $1.63 million (2010: $2.50 million). The review of operations is contained in the front section of this Report.

Dividends

The Directors have resolved to defer consideration of any final dividend until such time as the first quarter's results for FY12 are known, insurance proceeds have been collected and at least one of the variation and extension of time proceeds in relation to the Honeymoon and Snapper projects have been received. 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 description 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

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

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.

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, and includes the five executives in the Company and the Group receiving the highest remuneration.

Profit is considered as one of the financial performance targets in setting short term incentives. Bonuses are paid to executives based on exceeding annual profit targets set at the operating entity level. As the largest shareholders of EAL, the executive Directors' remuneration is aligned to increasing shareholder wealth.

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.

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.

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 will implement 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.

The Nomination and Remuneration Committee intend to implement an Employee Share Scheme whereby short term performance based incentives and bonuses which accrue to senior executives and key management within the Group are able to be taken or paid in EAL scrip.

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.

The Company does not have a specific policy associated with or in connection to the hedging of share based payments.

REMUNERATION REPORT (AUDITED)

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.

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.

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, along with the five group executives (which includes five Company executives) who received the highest remuneration for the year ended 30 June 2011, are set out in the following tables.

The key management personnel of the group are the directors of E&A Limited and those executives who have significant authority and responsibility for planning, directing and controlling the activities of the group. In addition to this, the five executives (inclusive of any key management personnel) who received the highest remuneration for the year ended 30 June 2011 are disclosed.

DIRECTORS' REPORT

For the Financial Year Ended 30 June 2011

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 receiving the highest remuneration for the years ended 30 June 2011 and 30 June 2010 are set out in the following table.

30 June 2011		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
		$	$	$	$	$	$	%	%
NON EXECUTIVE DIRECTORS									
Michael Abbott	2011	54,000	-	-	4,860	Nil	58,860	-	-
	2010	54,000	-	-	4,860	Nil	58,860	-	-
Michael Terlet	2011	54,000	-	-	4,860	Nil	58,860	-	-
	2010	54,000	-	-	4,860	Nil	58,860	-	-
David Klingberg	2011	54,000	-	-	4,860	Nil	58,860	-	-
	2010	54,000	-	-	4,860	Nil	58,860	-	-

DIRECTORS' REPORT

For the Financial Year Ended 30 June 2011

REMUNERATION REPORT (AUDITED)

Remuneration of Key Management Personnel (Continued)

30 June 2011		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
		$	$	$	$	$	$	%	%
EXECUTIVE DIRECTORS									
Stephen Young	2011	610,516	-	11,813	58,429	Nil	680,758	-	-
	2010	701,191	-	14,890	61,048	Nil	777,129	-	-
Mark Vartuli	2011	415,980	-	5,418	28,737	Nil	450,135	-	-
	2010	412,831	-	5,209	23,922	Nil	441,962	-	-
OTHER KEY MANAGEMENT PERSONNEL									
Eduardo Donoso	2011	254,738	-	47,335	32,902	Nil	334,975	-	-
	2010	292,332	-	44,793	26,310	Nil	363,435	-	-
Graham Fairhead	2011	220,000	-	20,795	23,251	Nil	264,046	-	-
	2010	217,498	-	24,011	19,575	13,894	274,978	-	5.1%
Ian Johnson	2011	247,707	-	-	25,230	Nil	272,937	-	-
	2010	183,485	-	4,150	16,514	Nil	204,149	11.2%	-

Note – The five highest remunerated key management personnel within the Group are included in this table.

*As a cost leadership initiative, E&A Limited executive and non-executive directors have taken a 10% reduction in their salary entitlements for FY11 as was also agreed in FY10.

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		
Name	Stephen Young	Mark Vartuli
Position / Title	Executive Chairman	Managing Director
Length of service (to date)	13 years	13 years
Contract Term	5 years (from 17 December 2007)	5 years (from 17 December 2007)
Remuneration	$750,000 (excluding car allowance, car park and FBT)*	$500,000 (excluding car park and FBT)*
Termination by Company	12 months notice or breach	6 months notice or breach
Termination by Employee	After 5 year term, with 12 months notice	After 5 year term, with 6 months notice
Restraint	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
Review	Annual Performance Review	Annual Performance Review

*As a cost leadership initiative, E&A Limited executive and non-executive directors have taken a 10% reduction in their salary entitlements for FY11 as was also agreed in FY10.

Key management personnel and executives have employment agreements which are subject to an annual performance review. The Company may terminate the executive's employment agreement by providing 3 – 6 months written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

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.

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 the Most Highly Remunerated Officers

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 2011.

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 (KPMG) 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 29.

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 KPMG	$
Audit services and review of financial reports and other work under the Corporations Act 2001	
Total remuneration for audit services	225,000
Total remuneration for other services	**-**
TOTAL REMUNERATION FOR All SERVICES	**225,000**

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 29 and forms part of the Directors' Report for the financial year ended 30 June 2011.

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

Dated at Adelaide this 26th day of August 2011

Stephen Young
Executive Chairman

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of E&A Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Derek Meates
Partner

Adelaide

26 August 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 30 June 2011

In thousands of $AUD

	Note	2011	2010
Revenue	4	144,911	159,446
Cost of sales		(115,326)	(130,390)
Gross profit		**29,585**	**29,056**
Other income	5	265	235
Administrative expenses		(23,891)	(22,984)
Marketing expenses		(257)	(317)
Other expenses		-	(12)
Results from operating activities (EBIT)		**5,702**	**5,978**
Finance income	6	22	98
Finance expenses	6	(3,338)	(2,539)
Net finance income / (expense)		**(3,316)**	**(2,441)**
Profit before income tax		**2,386**	**3,537**
Income tax (expense) / benefit	8	(752)	(1,033)
Profit (NPAT)		**1,634**	**2,504**
Total comprehensive income for the period		**1,634**	**2,504**
Earnings per share			
Basic earnings per share (AUD)	21	1.69 cents	3.07 cents
Diluted earnings per share (AUD)	21	1.69 cents	3.05 cents

The notes on pages 34 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2011

In thousands of $AUD

	Note	Share Capital	Retained Earnings	Options Reserve	Total Equity
Balance at 1 July 2009		**41,454**	**(879)**	**60**	**40,635**
Profit for the year		-	2,504	-	2,504
Total comprehensive Income		**-**	**2,504**	**-**	**2,504**
Shares issued as consideration for business acquisitions		1,000	-	-	1,000
Shares issued under dividend reinvestment plan		1,309	-	-	1,309
Shares issued under capital raising		8,616	-	-	8,616
Cost of capital raising recognised directly in equity		(210)	-	-	(210)
Income tax on costs of capital raising recognised in equity		62	-	-	62
Dividends paid	22	-	(2,332)	-	(2,332)
Equity settled transactions, net of tax	23	-	-	14	14
Balance at 30 June 2010		**52,231**	**(707)**	**74**	**51,598**
Balance at 1 July 2010		**52,231**	**(707)**	**74**	**51,598**
Profit for the year		-	1,634	-	1,634
Total Comprehensive Income		**-**	**1,634**	**-**	**1,634**
Balance at 30 June 2011		**52,231**	**927**	**74**	**53,232**

The notes on pages 34 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2011
In thousands of $AUD

	Note	2011	2010
Current assets			
Cash and cash equivalents	9	895	3,075
Trade and other receivables	10	24,781	25,182
Inventories	11	22,700	21,557
Other current assets	12	166	139
Total current assets		**48,542**	**49,953**
Non-current assets			
Other financial assets	13	6	13
Property, plant and equipment	14	11,039	10,859
Intangible assets	15	54,825	54,825
Deferred tax assets	16	4,650	3,787
Total non-current assets		**70,520**	**69,484**
Total assets		**119,062**	**119,437**
Current liabilities			
Trade and other payables	17	24,984	29,635
Loans and borrowings	18	13,545	10,013
Provisions	19	4,143	3,852
Current tax liability		2,658	1,475
Total current liabilities		**45,330**	**44,975**
Non-current liabilities			
Trade and other payables	17	2,228	2,419
Loans and borrowings	18	15,908	17,788
Provisions	19	369	310
Deferred tax liability	16	1,995	2,347
Total non-current liabilities		**20,500**	**22,864**
Total liabilities		**65,830**	**67,839**
Net assets		**53,232**	**51,598**
Equity			
Issued share capital		52,231	52,231
Reserves		74	74
Retained profits		927	(707)
Total equity attributable to equity holders of the Company		**53,232**	51,598
Total equity		**53,232**	**51,598**

The notes on pages 34 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 30 June 2011

In thousands of $AUD

	Note	2011	2010
Cash flows from operating activities			
Cash receipts from customers		162,625	175,021
Cash paid to suppliers and employees		(159,999)	(165,573)
Cash generated from operations		2,626	9,448
Interest paid		(3,338)	(2,539)
Interest received		22	98
Income taxes paid		(784)	(1,674)
Net cash from (used in) operating activities	30	**(1,474)**	**5,333**
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		-	(4,459)
Payment of vendor earn-out/settlement liability		(380)	-
Payments for acquisition of property, plant and equipment		(1,990)	(2,431)
Proceeds from disposal of property, plant and equipment		221	572
Net cash from (used in) investing activities		**(2,149)**	**(6,318)**
Cash flows from financing activities			
Proceeds from the issue of share capital		-	9,720
Proceeds from borrowings		523	7,000
Repayment of borrowings		(3,216)	(6,434)
Payment of finance lease liabilities		(518)	(711)
Related party loans (to)/from		750	(3,248)
Dividends paid		-	(2,332)
Net cash from (used in) financing activities		**(2,461)**	**3,995**
Net increase (decrease) in cash and cash equivalents		**(6,084)**	**3,010**
Cash and cash equivalents at 1 July		2,783	(227)
Cash and cash equivalents at 30 June	9	**(3,301)**	**2,783**

The notes on pages 34 to 79 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2011

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 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group 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 25 August 2011.

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:

- 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 2011 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.

(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.

3. Significant Accounting Policies (Continued)

(c) Income Tax (Continued)

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.

(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.

3. Significant Accounting Policies (Continued)

(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. The Group will make an election to account for each common control transaction considering the nature of the transaction.

(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.

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.

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.

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 design 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 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.

(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.

(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.

3. Significant Accounting Policies (Continued)

(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.

(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.

3. Significant Accounting Policies (Continued)

(u) Finance Income and Expenses (Continued)

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.

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.

3. Significant Accounting Policies (Continued)

(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 2011, 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 124 *Related Party Disclosure* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Group's 30 June 2012 financial statements, are not expected to have any material impact on the financial statements.

4. Revenue

In thousands of $AUD

	2011	2010
Sales revenue	144,911	159,446

5. Other Income

In thousands of $AUD

	2011	2010
Net foreign exchange gains / (losses)	9	6
Net gain on sale of PP&E	13	-
Other income	243	229
	265	**235**

6. Finance Income and Expenses

Recognised in profit or loss

In thousands of $AUD

	2011	2010
Finance Income		
Interest income on bank deposits	22	98
Total Finance Income	**22**	**98**
Finance Expenses		
Interest on bank overdrafts and loans	3,112	2,343
Other interest expense	226	196
Total Finance Expense	**3,338**	**2,539**
Net Finance Income / (Expense)	**(3,316)**	**(2,441)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2011

7. Expenses

Profit before income tax includes the following specific expenses:

In thousands of $AUD

	2011	2010
Loss on disposal of property, plant and equipment	-	4
Depreciation		
Buildings	1	-
Plant and equipment	861	634
Office equipment, furniture and fittings	202	197
Leasehold improvements	98	78
Motor vehicles	161	183
Assets under finance leases	491	454
Total depreciation	**1,814**	**1,546**
Rental expense relating to operating leases		
Premises	2,172	2,012
Motor vehicles	17	19
Office equipment	14	39
Total rental expense relating to operating leases	**2,203**	**2,070**
Employee benefits expense	72,123	73,359
Impairment of financial assets		
Trade receivables *	1,231	317
Impairment of other assets		
Inventories **	2,247	203

** Total FY11 trade receivables impairment of $1.231 million includes a write-down of $0.946 million (before tax) in relation to the AE&E bad debt.*

***Total FY11 inventory impairment of $2.247 million (before tax) comprises write-downs of work in progress recognised during the year as a consequence of unrecoverable costs incurred in relation to prolongation claims and adverse wet weather experienced on the Snapper and Honeymoon projects.*

8. Income Tax Expense

(a) Income Tax Expense

In thousands of $AUD

	2011	2010
Current Tax Expense		
Current period	1,967	1,686
Adjustment for prior periods	-	(55)
	1,967	**1,631**
Deferred Tax Expense		
Decrease / (increase) in deferred tax assets (Note 16)	(863)	(1,492)
(Decrease) / increase in deferred tax liabilities (Note 16)	(352)	894
	(1,215)	(598)
Total income tax expense / (benefit)	**752**	**1,033**

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

In thousands of $AUD

	2011	2010
Profit for the period before tax	2,386	3,537
Tax at the domestic tax rate of 30% (2010: 30%)	716	1,061
Entertainment	5	11
Other non deductable expenses	31	16
Under / (over) provided in prior periods	-	(55)
Income tax expense	**752**	**1,033**

(c) Income Tax Recognised Directly in Equity

In thousands of $AUD

	2011	2010
Income tax on Capital Raising transaction costs	-	(62)
Total income tax recognised directly in equity	**-**	**(62)**

9. Cash and Cash Equivalents

In thousands of $AUD

	2011	2010
Cash at bank and in hand	895	3,075
Total cash and cash equivalents	**895**	**3,075**
Bank overdrafts (Note 18)	(4,196)	(292)
Balances per statement of cash flows	**(3,301)**	**2,783**

(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

	2011	2010
Current		
Trade receivables	23,999	24,707
Provision for impairment of receivables (Note 31)	(73)	(287)
	23,926	24,420
Loans to related parties (Note 29)	124	83
Other receivables and prepayments	731	679
Total Current Trade and Other Receivables	**24,781**	**25,182**

During the year ended 30 June 2011, write downs of trade receivables to their recoverable amount totalled $1.231 million (2010: $0.317 million). Of this amount, $0.946 million related to the AE&E bad debt. Refer to Note 7 for further information.

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

11. Inventories

In thousands of $AUD

	2011	2010
Raw materials	1,703	1,844
Work in progress	16,004	15,235
Finished goods	4,993	4,478
Total inventories	**22,700**	**21,557**

During the year ended 30 June 2011 the write down of inventories to net realisable value amounted to $2.247 million (2010: $202,500). Refer to Note 7 for further information on write-downs in FY11.

12. Other Current Assets

In thousands of $AUD

	2011	2010
Other	166	139
Total other current assets	**166**	**139**

13. Other Non-Current Financial Assets

In thousands of $AUD

	2011	2010
Listed securities – equity securities (at fair value)	6	13
Total other financial assets	**6**	**13**

14. Property Plant and Equipment

(a) Carrying amounts of Property, Plant and Equipment

In thousands of $AUD	Buildings	Plant & Equipment	Office Furniture & Equipment	Motor Vehicles	Leasehold Improve-ments	Leased Assets	Total
At 30 June 2011							
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)**
Net carrying amount	**29**	**5,720**	**698**	**988**	**924**	**2,680**	**11,039**
At 30 June 2010							
Cost	15	8,122	1,844	1,705	1,023	4,033	16,742
Accumulated depreciation	(2)	(2,633)	(1,090)	(684)	(229)	(1,245)	(5,883)
Net carrying amount	**13**	**5,489**	**754**	**1,021**	**794**	**2,788**	**10,859**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Year Ended 30 June 2011

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 Improve-ments	Leased Assets	Total
Cost or Deemed Cost							
Balance at 1 July 2009	15	6,680	1,600	2,258	883	3,187	14,623
Additions	-	1,936	230	125	140	615	3,046
Transfers	-	(47)	24	(361)	-	384	-
Disposals	-	(447)	(10)	(317)	-	(153)	(927)
Balance at 30 June 2010	**15**	**8,122**	**1,844**	**1,705**	**1,023**	**4,033**	**16,742**
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)
Balance at 30 June 2011	**32**	**9,088**	**1,980**	**1,885**	**1,251**	**4,265**	**18,501**
Accumulated Depreciation, Amortisation and Impairment							
Balance at 1 July 2009	2	1,983	902	856	150	795	4,688
Disposals	-	(80)	(9)	(190)	-	(72)	(351)
Transfers	-	96	-	(165)	1	68	-
Depreciation expense	-	634	197	183	78	454	1,546
Balance at 30 June 2010	**2**	**2,633**	**1,090**	**684**	**229**	**1,245**	**5,883**
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
Balance at 30 June 2011	**3**	**3,368**	**1,282**	**897**	**327**	**1,585**	**7,462**

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 Improve-ments	Leased Assets	Total
Carrying Amounts							
As at 30 June 2009	13	4,697	698	1,402	733	2,392	9,935
As at 30 June 2010	**13**	**5,489**	**754**	**1,021**	**794**	**2,788**	**10,859**
As at 30 June 2010	13	5,489	754	1,021	794	2,788	10,859
As at 30 June 2011	**29**	**5,720**	**698**	**988**	**924**	**2,680**	**11,039**

15. Intangible Assets

In thousands of $AUD	Goodwill		Intangibles		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Cost						
Balance at 1 July	54,625	54,404	200	200	54,825	54,604
Additional amounts recognised from business combinations occurring during the period	-	-	-	-	-	-
Adjustments during the period to amounts initially recognised from business combinations	-	221	-	-	-	221
Balance at 30 June	**54,625**	**54,625**	**200**	**200**	**54,825**	**54,825**
Amortisation and Impairment Losses						
Balance at 1 July	-	-	-	-	-	-
Amortisation for the year	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Balance at 30 June	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amounts	**54,625**	**54,625**	**200**	**200**	**54,825**	**54,825**

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

	2011	2010
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
Total Goodwill and other Intangibles	**54,825**	**54,825**

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 3% to 8%, consistent with the growth prospects of each cash generating unit, and a 3.2% terminal value growth rate, which is less that the historical 20 year growth rate of 5.1%.

A pre-tax discount rate of between 13.4% and 14.4% 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).

The E&A Contractors cash generating unit's recoverable amount which exceeds its carrying value by approximately $5.8 million is sensitive to the forecast growth assumptions used. A permanent reduction of 38% of forecast EBIT would be required before any consideration of impairment would be required.

The Fabtech cash generating unit's recoverable amount which exceeds its carrying value by approximately $7.6 million is sensitive to the forecast return to its historical earnings levels. A permanent reduction of more than 30% of forecast EBIT would be required before any consideration of impairment would be required.

16. Deferred Tax Assets and Liabilities

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

In thousands of $AUD	Assets		Liabilities		Net	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Property, plant and equipment	21	14	(271)	(260)	(250)	(246)
Receivables	-	-		-	-	-
Inventories	-	-	(1,606)	(1,941)	(1,606)	(1,941)
Loans & borrowings	-	-	(19)	(18)	(19)	(18)
Employee provisions	1,345	1,296	-	-	1,345	1,296
Other provisions and accrued expenses	364	191	(73)	(108)	291	83
Retentions	19	-	-	-	19	-
Borrowing costs	-	25	(12)	(12)	(12)	13
IPO costs	127	229	-	-	127	229
Tax losses and excess franking credits	2,669	1,837	-	(6)	2,669	1,831
Other items	105	195	(14)	(2)	91	193
Tax assets (liabilities)	**4,650**	**3,787**	**(1,995)**	**(2,347)**	**2,655**	**1,440**

16. Deferred Tax Assets and Liabilities (Continued)

(b) Movement in temporary differences during the year:

In thousands of $AUD	Balance 1 July 2009	Recognised in Profit or Loss	Recognised in Equity	Balance 30 June 2010
Property, plant and equipment	(332)	86	-	(246)
Receivables	-	-	-	-
Inventories	(916)	(1,025)	-	(1,941)
Loans & borrowings	(19)	1	-	(18)
Employee provisions	896	400	-	1,296
Other provisions and accrued expenses	63	20	-	83
Retentions	(69)	69	-	-
Borrowing costs	3	10	-	13
IPO costs	269	(102)	62	229
Tax losses and excess franking credits	885	946	-	1,831
Other items	-	193	-	193
Tax assets (liabilities)	**780**	**598**	**62**	**1,440**

In thousands of $AUD	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
Tax assets (liabilities)	**1,440**	**1,215**	**-**	**2,655**

17. Trade and Other Payables

In thousands of $AUD

	2011	2010
Current		
Trade payables	15,405	23,403
Other payables and accrued expenses	6,630	6,150
Deferred revenue	2,949	82
Total current trade and other payables	**24,984**	**29,635**
Non-Current		
Other payables and accrued expenses	2,228	2,419
Total non-current trade and other payables	**2,228**	**2,419**

Current other payables and accrued expenses includes $0.61 million of vendor settlement liabilities relating to the acquisition of ICE Engineering & Construction Pty Ltd and $0.08 million of vendor settlement liabilities relating to the acquisition of Fabtech SA Pty Ltd.

Non-current other payables and accrued expenses comprises deferred vendor settlement liabilities of $1.27 million in relation to the ICE Engineering acquisition and deferred vendor settlement liabilities of $0.96 million in relation to the Blucher Australia Pty Ltd acquisition. These vendor settlement liabilities have been discounted to net present value and are payable upon the achievement of agreed earn-out targets. Changes to present value of the payable amount result in a change in goodwill recognised in relation to the acquisition.

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

18. Loans and Borrowings

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

In thousands of $AUD	AS AT 30 JUNE 2011			AS AT 30 JUNE 2010		
	Total facility	**Drawn facilities**	**Undrawn amount**	**Total facility**	**Drawn facilities**	**Undrawn amount**
Current						
Bank overdrafts (Note 9)	8,075	4,196	3,879	1,500	292	1,208
Working capital facilities	8,488	3,741	4,747	15,148	5,833	9,315
Commercial bills	4,690	4,690	-	3,110	3,110	-
Finance leases (Note 25)	848	848	-	699	699	-
Credit cards / other finances	485	70	415	434	79	355
Total current borrowings	**22,586**	**13,545**	**9,041**	**20,891**	**10,013**	**10,878**
Non-current						
Commercial bills	13,477	13,477	-	15,650	15,650	-
Finance leases (Note 25)	2,577	1,050	1,527	2,400	1,507	893
Related party facility (Note 29)	2,000	1,381	619	2,000	631	1,369
Total non-current borrowings	**18,054**	**15,908**	**2,146**	**20,050**	**17,788**	**2,262**
Total borrowings	**40,640**	**29,453**	**11,187**	**40,941**	**27,801**	**13,140**

E&A Limited has renewed 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. Further details of security arrangements are outlined in Note 31. Fixed and floating security has been placed over all Group assets.

Prior to 30 June 2011, certain E&A Limited subsidiaries obtained a waiver of their requirement to comply with certain secondary Group banking covenants and obtained a deferral of some scheduled principal reductions. E&A Limited intend to apply the proceeds from prolongation claims associated with the Honeymoon and Snapper projects and collection of insurance proceeds associated with the AE&E debt in order to reduce debt, pay dividends and pursue further acquisition opportunities.

18. Loans and Borrowings (Continued)

The following loans and borrowings (non-current and current) were issued and repaid during the year ended 30 June 2011 (30 June 2010):

In thousands of $AUD	2011	2010
Balance as at 1 July	**27,801**	**31,153**
New Issues		
Bank overdrafts	3,980	20
Working capital facilities	-	2,378
Commercial bills	500	4,460
Leasing facilities	210	615
Credit cards / other finances	23	162
Related party facility	750	608
Repayments		
Bank overdrafts	(76)	(711)
Working capital facilities	(2,092)	(3,295)
Commercial bills	(1,093)	(2,900)
Leasing facilities	(518)	(711)
Credit cards / other finances	(32)	(239)
Related party facility	-	(3,739)
Balance as at 30 June	**29,453**	**27,801**

19. Provisions

In thousands of $AUD

	2011	2010
Current		
Employee benefits	4,143	3,852
Total current provisions	**4,143**	**3,852**
Non-current		
Employee benefits	369	310
Total non-current provisions	**369**	**310**

20. Share Capital

Movements in shares of the Company were as follows:

In thousands of shares	ORDINARY SHARES	
	2011	**2010**
Shares on Issue at 1 July	96,599	62,037
Issued under capital raising	-	26,107
Issued as consideration for business acquisitions	-	4,075
Issued as part of dividend reinvestment plan	-	4,380
Shares on Issue at 30 June	**96,599**	**96,599**

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 FY10 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

	2011	**2010**
Basic earnings per share	1.69	3.07
Diluted earnings per share	1.69	3.05

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

	2011	**2010**
Earnings used in the calculation of basic EPS (i)	1,634	2,504
Weighted average number of ordinary shares for the purpose of basic earnings per share (ii)	96,599	81,627

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

(ii) The options (Note 23) 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.

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:

In thousands of $AUD and Shares	2011	2010
Earnings used in the calculation of basic EPS (i)	1,634	2,504
Weighted average number of ordinary shares for the purpose of diluted earnings per share (ii)	96,739	82,187

(i) Earnings used in the calculation of total basic 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:

In thousands of Shares	2011	2010
Weighted average number of ordinary shares used in the calculation of basic EPS	96,599	81,627
Options (Note 23)	140	560
Weighted average number of ordinary shares used in the calculation of diluted EPS	96,739	82,187

22. Dividends

	2011		2010	
	Cents Per Share	Total $'000	Cents Per Share	Total $'000
Recognised Amounts				
Final dividend	-	-	1.0	922
Interim dividend	-	-	1.5	1,410
Total dividends recognised	**-**	**-**	**2.5**	**2,332**

Both fully franked at a 30% tax rate

	2011		2010	
	Cents Per Share	Total $'000	Cents Per Share	Total $'000
Unrecognised Amounts				
Final dividend	-	-	-	-
Total Dividends Unrecognised	**-**	**-**	**-**	**-**

Fully franked at a 30% tax rate

22. Dividends (Continued)

Franking Account Balance

In thousands of $AUD

	2011	2010
Franking credits available for subsequent financial years based on a tax rate of 30% (2010: 30%)	7,410	5,542

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 2011.

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

Mr Graham Fairhead, Managing Director of Fabtech, was granted a long term employment incentive option to acquire 559,911 shares in the issued capital of E&A Limited on 17 December 2007, with an exercise price equal to $1.00. The share options expired on 29 September 2010 and were not exercised by Mr Fairhead.

The share based compensation expense recognised in the current year was nil (2010: $13,894).

Shares Issued on the Exercise of Options

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

24. Contingent Liabilities

The Group had contingent liabilities in respect of:

In thousands of $AUD

	2011	2010
Bank Guarantee Facilities		
Amount used	4,787	3,018
Amount available	2,352	2,792

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 2011.

25. Commitments

(a) Capital Commitments

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

In thousands of $AUD

	2011	2010
Property, plant and equipment		
Payable:		
Within one year	-	-
Between one and five years	-	-
More than five years	-	-
	-	**-**

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

	2011	**2010**
Within one year	1,742	1,851
Between one and five years	2,315	2,670
More than five years	584	358
	4,641	**4,879**

(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

	2011	**2010**
Within one year	6	7
Between one and five years	6	12
More than five years	-	-
	12	**19**

25. Commitments (Continued)

(b) Lease Commitments

(iii) Finance Leases

The Group leases various plant and motor vehicles with a carrying amount of $2,680,000 (2010: $2,788,000) 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

	2011	2010
Commitments in relation to finance leases are payable as follows:		
Within one year	974	872
Between one and five years	1,196	1,694
More than five years	-	-
Minimum lease payments	2,170	2,566
Future finance charges	(272)	(360)
Recognised as a liability	**1,898**	2,206
Representing lease liabilities:		
Current (Note 18)	848	699
Non-current (Note 18)	1,050	1,507
	1,898	**2,206**

26. Segment Reporting

	Investment & Corporate Advisory		Water & Fluid Solutions		Heavy Mechanical & Electrical Engineering		Maintenance Engineering & Plant Construction		Total		Eliminations		Consolidated	
In thousands of $AUD	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
External sales	1,378	673	24,076	27,320	100,120	116,349	19,337	15,104	144,911	159,446	-	-	144,911	159,446
Inter-segment sales	1,299	1,757	10	104	6,246	8,673	410	1,009	7,965	11,543	(7,965)	(11,543)	-	-
Dividend revenue	500	2,761	-	-	-	127	-	-	500	2,888	(500)	(2,888)	-	-
Other income	199	788	104	87	88	252	71	57	462	1,184	(197)	(949)	265	235
Segment revenue	**3,376**	**5,979**	**24,190**	**27,511**	**106,454**	**125,401**	**19,818**	**16,170**	**153,838**	**175,061**	**(8,662)**	**(15,380)**	**145,176**	**159,681**
Underlying EBITDA	**(223)**	**(920)**	**976**	**2,649**	**8,785**	**4,527**	**1,171**	**1,365**	**10,709**	**7,621**	**-**	**-**	**10,709**	**7,621**
Depreciation	(43)	(35)	(495)	(366)	(986)	(833)	(290)	(312)	(1,814)	(1,546)	-	-	(1,814)	(1,546)
Underlying EBIT	**(266)**	**(955)**	**481**	**2,283**	**7,799**	**3,694**	**881**	**1,053**	**8,895**	**6,075**	**-**	**-**	**8,895**	**6,075**
Significant items (i)	-	-	-	-	(3,193)	(97)	-	-	(3,193)	(97)	-	-	(3,193)	(97)
Segment result (EBIT)	**(266)**	**(955)**	**481**	**2,283**	**4,606**	**3,597**	**881**	**1,053**	**5,702**	**5,978**	**-**	**-**	**5,702**	**5,978**
NPAT	**(226)**	**(690)**	**(232)**	**1,090**	**1,805**	**1,676**	**287**	**428**	**1,634**	**2,504**	**-**	**-**	**1,634**	**2,504**
Income tax expense	(97)	(282)	(37)	406	760	729	126	180	752	1,033	-	-	752	1,033
Net finance costs	57	17	750	787	2,041	1,192	468	445	3,316	2,441	-	-	3,316	2,441
Segment result (EBIT)	**(266)**	**(955)**	**481**	**2,283**	**4,606**	**3,597**	**881**	**1,053**	**5,702**	**5,978**	**-**	**-**	**5,702**	**5,978**

Results from operating activities	**1,634**	2,504

Segment assets	59,096	58,324	19,588	20,960	56,874	59,120	11,473	11,357	147,031	149,761	(27,969)	(30,324)	**119,062**	119,437
Segment liabilities	5,674	5,152	18,935	20,269	50,823	56,295	9,906	10,077	85,338	91,793	(19,508)	(23,954)	**65,830**	67,839
Capital expenditure	2	25	738	616	1,022	1,744	438	661	2,200	3,046	-	-	**2,200**	3,046

(i) Significant costs relate to once-off provisions associated with contract weather claims and bad debts expense. Please refer to EAL Review of Operations Section for further commentary.

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.

27. Subsidiaries

Name of Entity	Country of Incorporation	Ownership interest 2011	Ownership interest 2010
Parent entity			
E&A Limited	Australia	100	100
Subsidiaries			
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
Blucher (Australia) 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

28. Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2011, the parent company of the group was E&A Limited.

In thousands of $AUD	Company	
	2011	**2010**
Results of the Parent Entity		
Profit / Comprehensive income for the period	156	2,239
Total comprehensive income for the period	156	2,239
Financial position of parent entity at year end		
Current assets	17,789	17,585
Total assets	54,992	54,616
Current liabilities	(2,096)	(1,875)
Total liabilities	(2,531)	(2,311)
Total equity of the parent entity comprising of:		
Share capital	52,231	52,231
Reserve for own shares	74	74
Retained earnings	156	-
Total Equity	52,461	52,305

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 2011 and 2010.

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.

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:

In thousands of $AUD	2011	2010
Short-term employee benefits	1,996	2,125
Post employment benefits	183	163
Share based payments	-	14
Total	**2,179**	**2,302**

Loans to Directors and Key Management Personnel

As at 30 June 2011, the balance of unsecured loans receivable from directors and key management personnel was $124,330. Net repayments made throughout the period were $Nil. Interest was payable on amounts owing on normal commercial terms and conditions and at market rates.

In thousands of $AUD	Balance at Beginning of Period	Advancement/ (Repayment) of Loans	Balance Outstanding
	1 July 2010		30 June 2011
Stephen Young and controlled entities	83	41	124
Total	**83**	**41**	**124**

Loans from Directors and Key Management Personnel

As at 30 June 2011, the balance of unsecured loans payable to directors and key management personnel was $1,381,000. 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.

In thousands of $AUD	2011	2010
Related Party "Come & Go" Facility *		
Beginning of the year	631	3,887
Loans advanced	750	434
Loan repayments made	-	(3,690)
End of year	**1,381**	**631**

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

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 is an associated entity of Stephen Young. The following related party transactions have been entered into as at 30 June 2011.

(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 Louminco 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. There is 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 has been 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.

29. Related Parties (Continued)

(d) Other Related Party Transactions (Continued)

(v) Related Party Put option

Stephen Young and Mark Vartuli in their own individual capacity have entered into personal agreements with I&K Johnson Plumbing Pty Ltd ("Johnson"), a director of Blucher (Australia) Pty Ltd, granting an off-market put option over 595,282 E&A Limited shares to Johnson. The purchase price for the shares is $1.20 per share.

(vi) Regent Street lease of QMM premises

Regent Street has 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 will continue for a period of 5 years with a right of renewal for a further period of 5 years. The Directors consider the ongoing obligations of QMM Qld to Regent Street under the Brendale Lease are on commercial arms length terms and conditions, and therefore the financial benefit (i.e. lease payments) which may accrue to Regent Street as a related party of the Company does not require Shareholder Approval under Chapter 2E of the Corporations Act.

(vii) 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 2011 was $1,381,000. 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

	2011	2010
Sale of goods and services	-	-
Rental paid to other related parties	828	745

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 2010	Purchases	Sales	Held at 30 June 2011
Directors				
Mr S Young	45,550,191	20,000	(407,713)	45,162,478
Mr M Vartuli	12,625,325	-	-	12,625,325
Mr M Abbott	1,330,870	259,236	-	1,590,106
Mr M Terlet	546,865	-	-	546,865
Mr D Klingberg	245,455	-	-	245,455
Key Management				
Mr E Donoso	3,008,460	-	-	3,008,460
Mr G Fairhead	-	-	-	-
Mr I Johnson	799,737	22,728	-	822,465

30. Notes to the Cash Flow Statement

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

In thousands of $AUD

	2011	2010
Profit for the year	1,634	2,504
Net (gain) / loss on disposal of non-current assets	(13)	4
Depreciation and amortisation	1,814	1,546
Equity settled share-based payment	-	14
Income tax in equity	-	62
Changes in operating assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/decrease in assets:		
Receivables	393	23
Inventories	(1,143)	(8,073)
Other assets	19	(10)
Deferred tax assets	(863)	(1,554)
Increase/(decrease) in liabilities:		
Trade and other creditors	(4,496)	8,655
Provision for income taxes payable	1,183	(44)
Other provisions	350	1,302
Deferred tax liabilities	(352)	894
Net cash provided by operating activities	**(1,474)**	**5,333**

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:

In thousands of $AUD	**Note**	**2011**	**2010**
Receivables	10	24,781	25,182
Cash and cash equivalents	9	895	3,075
Total at Carrying Amount		**25,676**	**28,257**

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 $794,880 of the trade receivables carrying amount at 30 June 2011 (2010: $4,645,720).

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

In thousands of $AUD

	2011	2010
Industrial (mining, defence, water)	23,870	24,480
Corporate (advisory clients)	129	227
Total trade receivables (Note 10)	**23,999**	**24,707**

Impairment losses

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

In thousands of $AUD	Gross	Impairment	Gross	Impairment
	2011	2011	2010	2010
Not past due	11,155	-	15,602	-
Past due 0 – 30 days	3,207	-	5,395	-
Past due 31 – 121 days	1,475	(8)	1,459	-
Past due 121 days to one year *	5,429	(16)	1,824	-
Past due more than one year **	2,733	(49)	427	(287)
	23,999	**(73)**	**24,707**	**(287)**

*Trade receivables aged greater than 121 days to one year includes $4.8 million in relation to the Honeymoon and Snapper projects as disclosed in further detail in Note 7. Further commentary in respect of the recovery of this amount is disclosed in the Review of Operations Section of this Report.

**Trade receivables aged greater than one year primarily relates to the AE&E outstanding debtor totalling $2.550 million, in which $0.946 million has been impaired as disclosed in Note 7. Further commentary in respect of the recovery of this amount is disclosed in the Review of Operations Section of this Report.

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.

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 2011					
In thousands of $AUD	**Note**	**Carrying Amount**	**Contractual Cash Flows**	**Less than 1 year**	**1 – 2 years**	**2 – 5 years**	**More Than 5 years**
Non Derivative Financial Liabilities							
Secured bank loans	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

31. Financial Instruments (Continued)

Liquidity Risk (Continued)

In thousands of $AUD	Note	AT 30 JUNE 2010					
		Carrying Amount	**Contractual Cash Flows**	**Less than 1 year**	**1 – 2 years**	**2 – 5 years**	**More Than 5 years**
Non Derivative Financial Liabilities							
Secured bank loans	18	18,760	24,234	4,498	4,518	9,817	5,401
Finance lease liabilities	18	2,206	2,655	871	1,015	679	-
Related party facility	18	631	631	631	-	-	-
Trade and other payables	17	32,054	32,054	32,054	-	-	-
Working capital facilities	18	5,912	5,912	5,912	-	-	-
Bank overdraft	18	292	292	292	-	-	-
		59,855	65,778	44,258	5,623	10,496	5,401

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 2011, 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:

In thousands of $AUD	**AUD**	**USD**	**GBP**	**Euro**	**CAN**	**AUD**	**USD**	**GBP**	**Euro**	**CAN**
	30 June 2011					**30 June 2010**				
Trade receivables	-	-	-	-	-	-	-	-	-	-
Trade payables	(256)	(80)	-	(134)	-	(772)	(216)	-	(373)	-
Net exposure	**(256)**	**(80)**	**-**	**(134)**	**-**	**(772)**	**(216)**	**-**	**(373)**	**-**

31. Financial Instruments (Continued)

Currency Risk (Continued)

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2011	**2010**	**2011**	**2010**
USD	0.9881	0.8821	1.0739	0.8523
GBP	0.6208	0.5585	0.667	0.5666
Euro	0.7245	0.6355	0.7405	0.6979
CAN	0.9887	0.9308	1.0389	0.8976

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 2010.

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.

In thousands of $AUD	**30 JUNE 2011**		**30 JUNE 2010**	
	Equity	**Profit or loss**	**Equity**	**Profit or loss**
USD	-	7	-	35
GBP	-	-	-	-
Euro	-	16	-	21
CAN	-	-	-	-

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

	2011	**2010**
Variable Rate Instruments		
Financial liabilities	29,453	27,801

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 2010.

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

	AT 30 JUNE 2010			
	Profit or loss		**Equity**	
In thousands of $AUD	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
Variable rate instruments	(278)	278	-	-

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.

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 date (unobservable inputs).

For the year ended 30 June 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment Securities	6	-	-	6
Forward exchange contracts used for hedging	-	761	-	761
	6	**761**	**-**	**767**
For the year ended 30 June 2010				
Investment Securities	13	-	-	13
Forward exchange contracts used for hedging	-	1,777	-	1,777
	13	1,777	-	1,790

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:

	2011	2010
Audit Services		
KPMG Australia:		
Audit and review of financial reports	225,000	210,000
Other services	-	-
	225,000	**210,000**

33. Subsequent Events

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

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 and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 17 to 79, 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 2011 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 2011.

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 26th day of August 2011

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 (the company), which comprises the consolidated balance sheet as at 30 June 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group 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 control as the directors determine is 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 Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 control relevant to the entity's preparation of the financial report that gives a true and fair view 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 control. 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is 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 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(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 the directors' report for the year ended 30 June 2011. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of E&A Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Derek Meates
Partner

Adelaide

26 August 2011

ASX ADDITIONAL INFORMATION

Twenty Largest Shareholders

The names of the twenty largest shareholders of ordinary shares of the Company as at 25 August 2011 are:

SHAREHOLDER	NUMBER OF ORDINARY FULLY PAID SHARES
Port Tack Pty Ltd<Aquarius Investments A/C>	21,331,730
Port Tack Pty Ltd <Aquarius Investments A/C>	14,449,811
Vars Enterprises Pty Ltd	8,065,921
Maresa Pty Ltd	4,756,296
Stephen Young	4,541,699
Vars Enterprises Pty Ltd	4,440,303
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>	1,590,106
Mr Andrew Paul Hitchcock & Mrs Karen Joanne Hitchcock	1,370,590
Barmera Marine Pty Ltd <Wimbledon Super Fund A/C>	1,011,195
Mr Stephen Mark Gilbert	1,007,577
Segundo Eduardo Donoso	725,240
I&K Johnson Plumbing Pty Ltd	662,465
Quality Wine Merchants Pty Ltd	645,455
Moulou Pty Ltd	594,282
Terlet Super Pty Ltd <Terlet Super Fund A/C>	546,865
Mr Kingsley Bruce Smith	531,966
Mr Michael Shane Guerin	506,457
Mr Joseph Rossi	450,000
Dr John Aloizos & Mrs Muriel Patricia Aloizos <Superannuation Fund No 2 A/C>	450,000
Total	**71,998,668**

Total held by twenty largest ordinary shareholders as a percentage of this class is 74.53%.

ASX ADDITIONAL INFORMATION

Substantial Shareholders

The names of substantial shareholders listed in the Company's register as at 25 August 2011 are:

SHAREHOLDER	SHARES	%
Stephen Young and controlled entities	45,162,478	46.75%
Mark Vartuli and controlled entities	12,625,325	13.07%

Distribution of Shareholders

Analysis of numbers of shareholders by size of holding as listed in the Company's register as at 25 August 2011 are:

RANGE OF HOLDING	NUMBER OF SHAREHOLDERS	NUMBER OF ORDINARY SHARES	%
1 – 1,000	60	11,558	0.01
1,001 – 5,000	218	675,128	0.70
5,001 – 10,000	142	1,169,755	1.21
10,001 – 100,000	300	11,720,239	12.13
100,001 and Over	85	83,022,517	85.95
Total	**805**	**96,599,197**	**100%**

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 201.

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	Executive Chairman
	Mr Mark Vartuli	Executive Director
	Mr Michael Abbott	Non-executive Director
	Mr Michael Terlet	Non-executive Director
	Mr David Klingberg	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 www.ealimited.com.au	
Postal Address	GPO Box 1273 Adelaide, South Australia 5001	
Solicitors	Thomson Playford Cutlers Lawyers 101 Pirie Street Adelaide, South Australia 5000	
Auditors	KPMG 151 Pirie Street Adelaide, South Australia 5000	
Share Register	Link Market Services Limited Level 9, 333 Collins Street Melbourne, Victoria 3000 Telephone 1300 554 474 Website www.linkmarketservices.com.au	
ASX Code	EAL	
ACN	088 588 425	
ABN	22 088 588 425	

E&A