Annual Report

31 December 2019

E4G Investment Holdings Pty Ltd and Controlled Entities

ACN 614 735 474

Contents

Directors Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of E4G Investment Holdings Pty Ltd (referred to hereafter as "the Company" or 'parent entity') and its controlled entities at the end of, or during, the financial year ended 31 December 2019.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Giuseppe Leone
Daniel Hibbs
Michael Fennell (Appointed 7 June 2019)
Min Lu (Resigned 11 March 2020)
Qiudong Qiao (Appointed 11 March 2020)

Directors have been in office since the beginning of the year to the date of this report unless otherwise stated.

Review of Operations

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to $4,115,639 (2018: $1,256,208).

Dividends

Dividends paid during the year was $576,000 (2018: $521,486).

Principal activities

The consolidated entity's primary activity is engineering and construction and self-performs engineering, design, fabrication, installation, maintenance and commissioning for projects in the mining & minerals, oil & gas and infrastructure sectors.

No significant change in the nature of these activities occurred during the year.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Events subsequent to the end of the reporting date

On 11 March 2020 Novel Coronavirus (COVID-19) was declared a global pandemic by the World Health Organisation. The impact of COVID-19 on the consolidated entity is likely to have a material impact on operational revenue and expenses if either the Australian Federal Government or Western Australian State Government were to impose a restrictive lock-down on essential services that effects the consolidated entity's operational sites.

As at the date of this report:

a) The consolidated entity has the ability to materially curtail its activities during the forthcoming financial year in response to any government restrictions and social distancing requirements;

b) The impacts on operational revenue and expenses cannot yet be reliably estimated; and

c) The consolidated entity believes it has sufficient cash reserves to support its curtailed activities.

Future development, prospects and business strategies

Likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated entity.

Environmental issues

The consolidated entity is subject to environmental regulations under a law of the Commonwealth or of a state or territory of Australia. The consolidated entity is not aware of any breach of any environmental regulations.

Options

No options over issued shares or interests in E4G Investment Holdings Pty Ltd were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Directors' report continued

Indemnification of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company against a liability incurred by the auditor. During the year, the company has not paid a premium in respect of a contract to insure the auditor of the company.

Indemnities given and insurance premiums paid to officers

During the year, the company paid a premium to insure officers of the company. The officers of the company covered by the insurance policy include all directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the company.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

Proceedings on behalf of the company

No person has applied for leave of Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is included within the financial report.

This director’s report is signed in accordance with a resolution of the Board of Directors, pursuant to section 298(2)(a) of the Corporation Act 2001.

G Leone

Giuseppe Leone
CEO and Executive Director

Dated this 9th March 2021

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
E4G INVESTMENT HOLDINGS PTY LIMITED

Opinion

We have audited the financial report of E4G Investment Holdings Pty Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

RSM

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2019 but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 9 March 2021

TUTU PHONG
Partner

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of E4G Investment Holdings Pty Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 9 March 2021

General Information

The financial statements cover E4G Investment Holdings Pty Ltd as a consolidated entity consisting of E4G Investment Holdings Pty Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is E4G Investment Holdings Pty Ltd's functional and presentation currency.

E4G Investment Holdings Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office
60 Havelock Street
West Perth WA 6005

Principal place of business
1st Floor
56 Ord Street
West Perth WA 6005

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on the ninth day of March 2021. The directors have the power to amend and reissue the financial statements.

Finanical Report

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Note	Consolidated Entity 2019 $	Consolidated Entity 2018 $
Revenue	3	80,058,696	50,485,254
Cost of sales		(68,521,219)	(44,530,494)
Gross profit		11,537,477	5,954,760
Other income	3	13,220	34,410
Administration expenses		(1,002,536)	(522,558)
Depreciation and amortisation expense	4	(1,836,525)	(660,325)
Finance costs		(1,385,833)	(853,474)
Marketing expenses		(153,091)	(104,078)
Occupancy expenses		(338,922)	(1,220,664)
Other expenses		(920,364)	(591,961)
Profit before income tax		5,913,426	2,036,110
Income tax expense	5	(1,797,787)	(779,902)
Profit after income tax		4,115,639	1,256,208
Other comprehensive income		-	-
Total comprehensive income for the year		4,115,639	1,256,208

The accompanying notes form part of these financial statements.

Statement of financial position
As at 31 December 2019

	Note	Consolidated Entity	
		2019	2018
		$	$
Current assets			
Cash and cash equivalents	7	9,509,555	2,255,898
Trade and other receivables	8	32,010,779	16,995,857
Other assets	9	635,918	282,020
Total current assets		42,156,252	19,533,775
Non-current assets			
Property, plant and equipment	10	2,453,866	2,928,240
Right of use assets	11	301,661	-
Intangible assets	12	11,011	73,710
Deferred tax assets	5	2,202,303	4,029,844
Total non-current assets		4,968,841	7,031,794
Total assets		47,125,093	26,565,569
Current liabilities			
Trade and other payables	13	16,785,920	7,812,455
Borrowings	14	14,459,139	6,525,468
Lease liabilities	15	270,135	-
Employee benefits	16	1,919,657	1,045,751
Total current liabilities		33,434,851	15,383,674
Non-current liabilities			
Borrowings	14	-	88,189
Trade and other payables	13	-	983,922
Lease Liabilities	15	62,217	-
Employee benefits	16	76,040	67,682
Deferred tax liabilities	5	99,295	129,051
Total non-current liabilities		237,552	1,268,844
Total liabilities		33,672,403	16,652,518
Net assets		13,452,690	9,913,051
Equity			
Issued capital	17	3,328,647	3,328,647
Retained earnings		10,124,043	6,584,404
Total equity		13,452,690	9,913,051

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2019

Consolidated	**Issued Capital $**	**Reserves $**	**Retained Profits $**	**Total Equity $**
Balance at 1 January 2018	3,160,005	168,642	5,849,682	9,178,329
Profit after income tax expense for the year	-	-	1,256,208	1,256,208
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,256,208	1,256,208
Transactions with owners in their capacity as owners:				
Convertible notes issued, net of transaction costs	-	(168,642)	-	(168,642)
Contributions of equity, net of transaction costs (note 17)	168,642	-	-	168,642
Dividends paid (note 18)	-	-	(521,486)	(521,486)
Balance at 31 December 2018	3,328,647	-	6,584,404	9,913,051

Consolidated	**Issued Capital $**	**Reserves $**	**Retained Profits $**	**Total Equity $**
Balance at 1 January 2019	3,328,647	-	6,584,404	9,913,051
Profit after income tax expense for the year	-	-	4,115,639	4,115,639
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	4,115,639	4,115,639
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 17)	-	-	-	-
Dividends paid (note 18)	-	-	(576,000)	(576,000)
Balance at 31 December 2019	3,328,647	-	10,124,043	13,452,690

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 31 December 2019

	Note	Consolidated Entity	
		2019	**2018**
		$	**$**
Cash flows from operating activities			
Receipts from customers		73,417,437	47,522,444
Payments to suppliers and employees		(70,761,370)	(48,218,531)
Interest received		14,785	22,585
Finance costs		(1,314,857)	(553,839)
Income tax paid		-	-
Net cash generated from operating activities	27	1,355,995	(1,227,341)
Cash flows from investing activities			
Proceeds from disposal of property, plant & equipment		-	34,500
Purchase of property, plant and equipment		(587,125)	(543,725)
Disposal (purchase) of intangible assets		62,698	(7,000)
Net cash used in investing activities		(524,427)	(516,225)
Cash flows from financing activities			
Proceeds from short-term borrowings		8,296,867	771,596
Dividends declared and paid	18	(576,000)	(521,486)
Loan repaid to related parties		-	(113,826)
Repayment of lease liabilities		(1,055,773)	-
Proceeds from issue of convertible notes		485,000	2,202,940
Repayment of convertible notes		(702,800)	-
Repayment of financing costs		(25,205)	-
Net cash provided by financing activities		6,422,089	2,339,224
Net change in cash held		7,253,657	595,658
Cash and cash equivalents at beginning of year		2,255,898	1,660,240
Cash and cash equivalents at end of year	7	9,509,555	2,255,898

The accompanying notes form part of these financial statements.

Notes to the financial statements

31 December 2019

Note 1. Statement of significant accounting policies

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

New and amended accounting standards and interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective adoption and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 January 2019 was as follows:

	1 January 2019 **$**
Operating lease commitments as at 1 January 2019 (AASB 117) – Note 26	1,174,209
Operating lease commitments discount based on weight average incremental borrowing rate of 8.3% (AASB 16)	(97,856)
Finance lease commitments as at 1 January 2019 (AASB 117) – Note 26	311,771
Short-term leases not recognised as a right-of-use assets (AASB 16)	-
Low-value assets leases not recognised as a right-of-use assets (AASB 16)	-
Right-of-use assets (AASB 16)	1,388,124
Lease liabilities – current (AASB 16)	(1,055,773)
Lease liabilities – non-current (AASB 16)	(332,351)
Increase in net profits as at 1 January 2019	-

Notes to the financial statements
31 December 2019

Note 1. Statement of significant accounting policies continued

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments..

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

Principles of consolidation
The consolidated financial statements incorporate the assets, liabilities of all subsidiaries of E4G Investment Holdings Pty Ltd (‘company’ or ‘parent entity’) as at 31 December 2019 and results of all subsidiaries for the year then ended. E4G Investment Holdings Pty Ltd and its subsidiaries together are referred to in these financial statements as the ‘consolidated entity’.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Notes to the financial statements
31 December 2019

Note 1. Statement of significant accounting policies continued

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity : identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Notes to the financial statements
31 December 2019

Note 1. Statement of significant accounting policies continued

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other payables in the statement of financial position.

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 tax authority, are presented as operating cash flows.

Notes to the financial statements

31 December 2019

Note 1. Statement of significant accounting policies continued

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current. A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes 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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'weighted average cost' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

Notes to the financial statements
31 December 2019

Note 1. Statement of significant accounting policies continued

Plant and equipment

Plant and equipment are measured at cost less depreciation and impairment losses.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a diminishing value basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired year of the lease or the estimated useful lives of the assets. The depreciation rates used for each class of depreciable assets are::

Class of fixed asset	Depreciation rate
Plant & machinery, fixtures, fittings & office equip	5% - 25%
Motor vehicles	20%
Computer equipment and software	10% - 40%
Leasehold improvements	5% - 15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits..

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payment made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Notes to the financial statements
31 December 2019

Note 1. Statement of significant accounting policies continued

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Impairment of non-financial assets

Goodwill and other 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 non-financial 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the consolidated entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Refund liabilities

Refund liabilities are recognised where the consolidated entity receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the consolidated entity does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

Notes to the financial statements
31 December 2019

Note 1. Statement of significant accounting policies continued

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits
Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of amounts required to settle the obligation at the end of the reporting year.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Notes to the financial statements
31 December 2019

Note 1. Statement of significant accounting policies continued

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Issued capital

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.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2019.

Note 2. **Critical accounting estimates and judgments**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Revenue recognised over time

The consolidated entity has revenue where the performance obligation is satisfied over time. Revenue is recognised over time by measuring the progress toward complete satisfaction of that performance obligation. A single method is applied consistently for measuring progress for each performance obligation satisfied over time. Judgment is required when selecting a method (output or input methods) for measuring progress toward complete satisfaction of a performance obligation. Assessing the satisfaction of performance obligations over time requires judgment and the consideration of many criteria that should be met to qualify. Events and circumstances frequently do not occur as expected. Even if the events anticipated under the assumptions occur, actual results are still likely to be different from the estimates since other anticipated events frequently do not occur as expected and the variation may be material

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Notes to the financial statements
31 December 2019

Note 2. Critical accounting estimates and judgments continued

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Notes to the financial statements

31 December 2019

Note 3. Revenue and other income

	Consolidated Entity	
	2019 $	**2018 $**
Sales revenue:		
Provision of services and sale of goods	80,058,696	50,485,254
	80,058,696	50,485,254
Other income (charges):		
Interest income	14,785	22,585
Other revenue (charges)	(1,565)	11,825
Total other income	13,220	34,410

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated Entity	
	2019 $	**2018 $**
Sectors		
Natural resources	74,911,060	47,601,694
Non-mining infrastructure	1,540,432	1,279,560
Utilities	3,607,204	1,604,000
	80,058,696	**50,485,254**
Geographical regions		
Western Australia	80,056,757	49,972,128
Queensland	1,939	513,126
	80,058,696	**50,485,254**
Timing of revenue recognition		
Goods/services transferred over time	80,058,696	50,485,254
	80,058,696	**50,485,254**

Note 4. Expenses

	Consolidated Entity	
	2019 $	**2018 $**
Profit before income tax from continuing operations includes the following specific expenses:		
Cost of sales		
Cost of sales	68,521,219	44,530,494

Notes to the financial statements
31 December 2019

Note 4. Expenses continued

	Consolidated Entity	
	2019 **$**	**2018** **$**
Depreciation		
Leasehold improvements	187,074	63,687
Motor vehicles	119,584	139,145
Computer equipment & software	297,752	251,015
Plant & machinery, fixtures, fittings & office equipment	388,124	206,478
Right of use assets	843,991	-
Total depreciation	1,836,525	660,325
Finance costs		
Interest and finance charges on borrowings	1,318,968	829,380
Interest and finance charges on lease liabilities	66,865	24,094
Finance costs expensed	1,385,833	853,474
Leases		
Minimum lease repayments	-	526,112
Superannuation expense		
Superannuation expense	2,385,956	1,627,121

Note 5. **Income tax expense**

	Consolidated Entity	
	2019 **$**	**2018** **$**
a) The components of tax expense comprise:		
Current tax expense		
Current year	-	-
Deferred tax		
Origination and reversal of temporary differences	1,776,960	609,949
Under provision in respect of prior years	20,827	169,953
	1,797,787	779,902
b) Accounting profit before tax		
Accounting profit before tax:	5,913,426	2,036,110
Prima facie tax payable on profit before income tax at 30% (2018: 30%):	1,774,028	610,833
Tax effect of:		
- Non-allowable items	10,334	6,518
- Business blackhole expenditure	(7,402)	(7,402)
- Under provision in respect of prior years	20,827	169,953
Income tax expense (benefit)	1,797,787	779,902

Notes to the financial statements
31 December 2019

Note 5. Income tax expense continued

Consolidated Entity Non-current	**1 January 2019 $**	**Recognised in income $**	**Recognised in equity $**	**31 December 2019 $**
Deferred tax assets and liabilities:				
Other assets	28,875	16,162	-	45,037
Property, plant and equipment	(82,523)	65,460	-	(17,063)
Employee benefits	165,514	67,451	-	232,965
Provisions	50,444	79,267	-	129,711
Other	(31,528)	31,833	-	305
Unused tax losses	3,770,011	(2,057,960)	-	1,712,053
	3,900,793	(1,797,787)	-	2,103,008
Recognised as:				
Deferred tax assets	4,029,844			2,202,303
Deferred tax liabilities	(129,051)			(99,295)
	3,900,793			2,103,008

Consolidated Entity Non-current	**1 January 2018 $**	**Recognised in income $**	**Recognised in equity $**	**31 December 2018 $**
Deferred tax assets and liabilities:				
Other assets	5,363	(6,094)	29,606	28,875
Property, plant and equipment	(38,763)	(43,760)	-	(82,523)
Employee benefits	338,427	(172,913)	-	165,514
Provisions	12,000	38,444	-	50,444
Other	(13,197)	(18,331)	-	(31,528)
Unused tax losses	4,347,259	(577,248)	-	3,770,011
	4,651,089	(779,902)	29,606	3,900,793
Recognised as:				
Deferred tax assets	4,703,049			4,029,844
Deferred tax liabilities	(51,960)			(129,051)
	4,651,089			3,900,793

Notes to the financial statements
31 December 2019

Note 6. Auditors remuneration

	Consolidated Entity	
	2019	**2018**
	$	**$**
Remuneration of the auditor for:		
Auditing the financial statements	87,000	64,000
Tax compliance services	13,500	20,350
IT support services	34,477	-
IT equipment procurement	206,161	-
	341,138	84,350

Note 7. Cash and cash equivalents

	Consolidated Entity	
	2019	**2018**
	$	**$**
Cash at banks and in hand	5,586,837	858,656
Short-term bank deposits	3,922,718	1,397,242
Total cash and cash equivalents	9,509,555	2,255,898

Reconciliation of cash
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	9,509,555	2,255,898

A fixed and floating charge over the short-term bank deposits is held as part of the guarantee facility provided.

Note 8. Trade and other receivables

	Consolidated Entity	
	2019	**2018**
	$	**$**
Trade receivables	21,271,451	12,758,448
Other receivables – contract assets	1,777,426	31,337
Accrued revenue – contract assets	8,961,902	4,206,072
Total current trade and other receivables	32,010,779	16,995,857

Allowance for expected credit losses

The consolidated entity has not recognised any losses in the profit or loss in respect of the expected credit losses for the year ended 31 December 2019.

Notes to the financial statements

31 December 2019

Note 8. Trade and other receivables continued

Other receivables – contract assets

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

Opening balance	31,337	1,450,771
Additions	1,777,426	31,337
Transfer to income statement	(31,337)	(1,450,771)
Closing balance	1,777,426	31,337

Accrued revenue – contract assets

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

Opening balance	4,206,072	946,855
Additions	8,961,902	4,206,072
Transfer to trade receivables	(4,206,072)	(946,855)
Closing balance	8,961,902	4,206,072

Note 9. Other assets

	Consolidated Entity	
	2019	2018
	$	$
Prepayments	495,918	232,020
Inventory	140,000	50,000
Total other assets	635,918	282,020

Note 10. Property, plant and equipment

	Consolidated Entity	
	2019 $	2018 $
Plant and equipment		
At cost	8,181,065	7,757,266
Accumulated depreciation	(5,727,199)	(4,829,026)
Total plant and equipment	2,453,866	2,928,240

Notes to the financial statements
31 December 2019

Note 10. Property, plant and equipment continued

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold Improvements $	Motor Vehicles $	Comp. Equip & Software $	Plant & Mach. Fixt & Office Equip $	Total $
Balance at 1 January 2018	339,466	666,348	1,067,671	1,035,645	3,109,130
Additions	-	-	317,616	226,109	543,725
Disposals	-	-	-	(64,290)	(64,290)
Depreciation expense	(63,687)	(139,145)	(251,015)	(206,478)	(660,165)
Balance at 31 December 2018	275,779	527,203	1,134,272	990,986	2,928,240
Additions	-	-	342,775	244,350	587,125
Disposals	-	(65,219)	(2,682)	(1,064)	(68,965)
Depreciation expense	(187,074)	(119,584)	(297,752)	(388,124)	(992,534)
Balance at 31 December 2019	**88,705**	**342,400**	**1,176,613**	**846,148**	**2,453,866**

Note 11. Right of use assets

	Consolidated Entity 2019 $	2018
Land & building right-of-use	1,239,679	-
Less Accumulated depreciation	(938,018)	-
Total intangible assets	301,661	-

Additions to the right to use assets during the year were NIL.

The consolidated entity leases land and buildings for its offices and workshop facilities under one-year term agreements with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also leases plant and equipment under agreements of between one to two years.

Note 12. Intangible assets

	Consolidated Entity 2019 $	2018 $
Non-current		
Capitalised legal costs	-	62,699
Software licenses	11,011	11,011
Total intangible assets	11,011	73,710

Notes to the financial statements
31 December 2019

Note 13. Trade and other payables

	Consolidated Entity	
	2019 **$**	**2018** **$**
Current		
Trade payables	7,691,065	3,623,646
Sundry payables and accrued expenses	8,099,892	3,922,819
Deferred income – contract liabilities	11,041	265,990
Payable to vendors - conditional	983,922	-
Total current trade and other payables	16,785,920	7,812,455

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

Deferred income – contract liabilities

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

Opening balance	265,990	99,482
Additions	11,041	265,990
Transfer to sales revenue	(265,990)	(99,482)
Closing balance	11,041	265,990

	Consolidated Entity	
	2019 **$**	**2018** **$**
Non-current		
Payable to vendors – conditional	-	983,922
Total non-current trade and other payables	-	983,922

Under the share purchase agreement for Aerison Holdings Pty Ltd executed in November 2016, the remaining consideration is subject to contain conditions and the maximum amount payable is $983,922. The milestone will be measured as at 31 December 2019. As at 31 December 2018, the contingent liability is booked to non-current liabilities as trade and other payables.

Note 14. Borrowings

	Consolidated Entity	
	2019 **$**	**2018** **$**
Current		
Commonwealth Bank of Australia facility	11,871,258	-
Insurance premium funding (IPF) facility	111,626	58,042
Convertible notes	2,476,255	2,341,201
Octet Finance Pty Ltd facility	-	3,902,643
Hire purchase liabilities	-	223,582
	14,459,139	6,525,468

Notes to the financial statements
31 December 2019

Note 14. Borrowings continued

	Consolidated Entity	
	2019	**2018**
	$	**$**
Non-current		
Hire purchase liabilities	-	88,189
	-	88,189

Commonwealth Bank of Australia
The Commonwealth Bank facilities are (i) a bank guarantee facility with a limit of $8M, (ii) a trade debtor financing facility with a limit of $15M, and (iii) an overdraft facility with a limit of $1.5M.

Convertible Notes

	Consolidated Entity	
	2019	**2018**
	$	**$**
2,160,000 (2018: 2,307,000) convertible notes	2,160,000	2,307,000
Note issue costs	(34,346)	(74,309)
Redemption premium	350,601	108,510
	2,476,255	2,341,201
At the beginning of reporting period	2,341,201	-
Notes issued	500,000	2,307,000
Notes redeemed	(647,000)	-
Note issue cost	(15,000)	(104,060)
Note issue cost amortised	54,963	29,751
Redemption premium	242,091	108,510
At reporting date	2,476,255	2,341,201

During the year, convertible notes were issued on 14 June 2019. They are convertible into ordinary shares in the Parent entity under certain conditions and are an unsecured obligation of the Parent entity that rank pari-passu with all other unsecured indebtedness of the Parent. The notes bear interest and have a principal amount of and an issue price of $1.00. In the prior year, convertible notes were issued under the same terms.

Notes to the financial statements
31 December 2019

Note 14. Borrowings continued

Financing arrangements

Unrestricted access was available at the reporting date to the Following lines of credit:

	Consolidated Entity	
	2019	**2018**
	$	**$**
Total facilities		
Commonwealth Bank of Australia	24,500,000	-
Octet Finance Pty Ltd	-	5,700,000
Used at the reporting date		
Commonwealth Bank of Australia	18,006,300	-
Octet Finance Pty Ltd	-	3,902,643
Unused at the reporting date		
Commonwealth Bank of Australia	6,493,700	-
Octet Finance Pty Ltd	-	1,797,357

Used amount at reporting date (Commonwealth Bank of Australia) is comprised of $11,871,258 relating to the trade financing facility and $6,135,042 relating to the bank guarantee facility included as contingent liabilities. Overdraft facility is unused at reporting date.

Assets pledged as security

The Commonwealth Bank of Australia facility is secured by a fixed and floating charge over certain short-term bank deposits and multiple facility guarantees.

Refer to note 19 for further information on financial instruments and financial arrangements.

Note 15. **Lease liabilities**

	Consolidated Entity	
	2019	**2018**
	$	**$**
Current		
Right-of-use asset lease liabilities	270,135	-
Non-current		
Right-of-use asset lease liabilities	62,217	-

Assets pledged as security

The leases are secured by term deposits and security over the underlying leased assets

Refer to note 19 for further information on financial instruments and financial arrangements.

Notes to the financial statements
31 December 2019

Note 16. Employee benefits

	Consolidated Entity	
	2019 $	**2018 $**
Current		
Annual leave provision	907,230	444,082
Long service leave provision	440,299	382,468
Other employment related payables and provisions	572,128	219,201
	1,919,657	1,045,751
Non-current		
Long service leave provision	76,040	67,682

The current portion of these liabilities represents the consolidated entity's obligations to which the employee has a current legal entitlement. These liabilities arise mainly from accrued annual leave and long service leave entitlements at reporting date.

A provision has been recognised for employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits are described note 1.

Note 17. Equity - Issued capital

	Consolidated Entity			
	2019	**2018**	**2019**	**2018**
	Shares	**Shares**	**$**	**$**
Ordinary shares - fully paid	1,373,014	1,373,014	3,328,647	3,328,647

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 January 2018	1,343,250		3,160,005
Issue of shares	30 March 2018	29,764	$5.7125	170,027
Share issue transaction costs, net of tax	30 March 2018	-	$0.00	(1,385)
Balance	31 December 2018	1,373,014		3,328,647
Balance	31 December 2019	1,373,014		3,328,647

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Notes to the financial statements

31 December 2019

Note 17. Equity – Issued Capital continued

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 31 December 2018 Annual Report.

Note 18. Equity - dividends

	Consolidated Entity	
Dividends	**2019**	**2018**
	$	**$**
Dividends paid during the financial year were as follows:		
$144,000 per B class share (2018: $126,243) and $144,000 per C class share (2018: $269,000)	576,000	521,486

E4G Investment Holdings Pty Ltd holds 100% of the ordinary shares of Aerison Holdings Pty Ltd. As at 31 December 2019, there were also 2 fully paid B class and 2 fully paid C class shares of Aerison Holdings Pty Ltd, held by Araosc Financial Investments Pty Ltd and S2S Investment Holdings Pty Ltd respectively. These special class shares participate in dividends and are entitled to one vote when a poll is called at shareholders' meetings.

Franking credits

	Consolidated Entity	
	2019	**2018**
	$	**$**
Franking credits available for subsequent financial years based on a tax rate of 30%	2,687,732	2,934,591

Note 19. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Notes to the financial statements
31 December 2019

Note 19. Financial instruments continued

Market risk

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value risk.

The Commonwealth Bank debtor financing facility is the only material borrowing obtained at variable rates. Due to the nature of the facility, wherein the drawdowns are generally fully repaid within 1-2 months, upon receipt of payments from customers, the consolidated entity does not have material interest rate exposure typically associated with regular variable rate bank borrowings.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated Entity	
	2019	**2018**
	$	**$**
Commonwealth Bank of Australia	6,493,700	-
Octet Finance Pty Ltd	-	1,797,357
Total	6,493,700	1,797,357

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Notes to the financial statements
31 December 2019

Note 19. Financial instruments continued

Consolidated 2019	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	7,691,055	-	-	-	7,691,055
Sundry payables	-	8,074,892	-	-	-	8,074,892
Payable to director	-	25,000	-	-	-	25,000
Payable to vendors - conditional	-	983,922	-	-	-	983,922
Interest-bearing - fixed rate						
Convertible notes	20.02%	2,476,255	-	-	-	2,476,255
Lease liability	7.30%	270,135	62,216	-	-	332,351
Commonwealth Bank facility	2.70%	11,871,258	-	-	-	11,871,258
Insurance premium funding	1.75%	111,626	-	-	-	111,626
Total non-derivatives		31,504,143	62,216	-	-	31,566,359

Consolidated 2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	3,623,646	-	-	-	3,623,646
Sundry payables	-	3,897,819	-	-	-	3,897,819
Payable to director	-	25,000	-	-	-	25,000
Payable to vendors- conditional	-	-	983,922	-	-	983,922
Interest-bearing - fixed rate						
Convertible notes	22.2%	2,341,201	-	-	-	2,341,201
Hire purchase liability	4.41%	223,582	88,189	-	-	311,771
Insurance premium funding	1.75%	58,042	-	-	-	58,042
Interest-bearing – variable rate						
Octet Finance Pty Ltd facility	7.85%	3,902,643	-	-	-	3,902,643
Total non-derivatives		14,071,933	1,072,111	-	-	15,144,044

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Notes to the financial statements
31 December 2019

Note 20. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated Entity	
	2019 **$**	**2018** **$**
Short-term employee benefits	1,072,107	633,505
Post-employment benefits	73,007	59,991
Long-term benefits	-	-
Total compensation	1,145,114	693,496

Note 21. Related party transactions

Parent entity
E4G Investment Holdings Pty Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 23.

Associates
There are no interests in associates.

Key management personnel
Disclosures relating to key management personnel are set out in note 20.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated Entity	
	2019 **$**	**2018** **$**
Repayment of related party loan from director (G Leone)	-	37,076
Repayment of unsecured loan from director (D Hibbs)	-	76,750
Consulting fee paid to director (M Fennell)	15,000	-

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated Entity	
	2019 **$**	**2018** **$**
Receivables from related parties:		
Receivable from Director (G Leone)	105,760	105,760
Receivable from Director (D Hibbs)	76,998	76,998

Notes to the financial statements
31 December 2019

Note 21. Related party transactions continued

	Consolidated Entity	
	2019 **$**	**2018** **$**
Current payables:		
Payables to director (G Leone, consultancy fees)	25,000	25,000

Loans to/from related parties

There are no loans to/from related parties

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 22. **Parent entity information**

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent Entity	
	2019 **$**	**2018** **$**
Profit after income tax	-	-
Total comprehensive income	-	-

Statement of financial position

	Parent Entity	
	2019 **$**	**2018** **$**
Total current assets	12,332	1,850
Total assets	6,943,499	6,933,017
Total current liabilities	3,614,852	2,620,448
Total liabilities	3,614,852	3,604,370
Equity		
Issued capital	3,328,647	3,328,647
Total equity	3,328,647	3,328,647

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

E4G Investment Holdings Pty Ltd has provided guarantees for the finance lease facilities that Aerison Pty Ltd has with the Commonwealth Bank of Australia.

Contingent liabilities

E4G Investment Holdings Pty Ltd has provided a corporate guarantee, for the bank guarantee facilities of Aerison Pty Ltd, to the Commonwealth Bank of Australia and Westpac Banking Corporation, totalling $6,875,720. The facilities are secured by a fixed and floating charge over certain short-term bank deposits.

Notes to the financial statements

31 December 2019

Note 22. Parent entity information continued

Capital commitments

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2019 and 31 December 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

Note 23. **Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

	Principal place of business/ Country of Incorporation	Ownership Interest 2019 %	Ownership Interest 2018 %
Aerison Holdings Pty Limited	Australia	100	100
Aerison Services Pty Ltd	Australia	100	100
Aerison Pty Ltd	Australia	100	100
Aerison Mechanical and Electrical Technology Pty Ltd (Dormant)	Australia	25	25

Note 24. **Non-cash investing and financing activities**

	Consolidated Entity 2019 $	Consolidated Entity 2018 $
Acquisition of plant and equipment by means of leases	-	-

The impact of the adoption of Accounting standard for right-of-use assets is disclosed in note 1. There were nil additions of right-of-use assets during the reporting period.

Note 25. **Changes in liabilities arising from financing activities**

Consolidated	Convertible Notes $	IPF Facility $	CBA facility $	Lease Liability $	Total $
Balance at 1 January 2018	-	25,747	2,591,045	572,334	3,189,126
Net cash used in financing activities	2,202,940	32,295	1,311,598	(260,563)	3,286,270
Non-cash redemption premium and costs	138,261	-	-	-	138,261
Balance at 31 December 2018	2,341,201	58,042	3,902,643	311,771	6,613,657
Net cash used in financing activities	(217,800)	53,584	7,968,615	(1,055,773)	6,748,626
Non-cash redemption premium and costs	352,854	-	-	-	352,854
Leases recognised on the adoption of AASB 16	-	-	-	1,076,353	1,076,353
Balance at 31 December 2018	**2,476,255**	**111,626**	**11,871,258**	**332,351**	**14,791,490**

Notes to the financial statements

31 December 2019

Note 26. Committments

	Consolidated Entity	
	2019	**2018**
	$	**$**
a) Finance lease commitments		
Payable - minimum lease payments		
- not later than 12 months	-	234,681
- between 12 months and five years	-	98,534
Less future finance charges	-	(21,444)
Present value of minimum lease payments	-	311,771
b) Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
- not later than 12 months	-	898,385
- between 12 months and five years	-	275,824
	-	1,174,209

Note 27. Cash flow information

	Consolidated Entity	
	2019	**2018**
	$	**$**
Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	4,115,639	1,256,208
Non-cash flows adjustments:		
Depreciation expense	1,836,525	660,325
Interest expense	70,976	298,374
Net on disposal of property, plant and equipment	-	29,789
Changes in operating assets and liabilities;		
trade and other receivables	(15,014,922)	(6,388,534)
prepayments and other assets	(186,373)	(139,802)
trade and other payables	8,175,381	2,662,897
deferred tax assets and liabilities	1,797,785	779,902
employee benefits	560,984	(386,500)
Net cash generated from / (used in) operating activities	1,355,995	(1,227,341)

Notes to the financial statements
31 December 2019

Note 28. Contingent assets and liabilities

Contingent assets

The Group has no contingent assets.

Contingent liabilities

The Commonwealth Bank of Australia and Westpac Banking Corporation provided the Group with bank guarantee facilities totalling $6,875,720. The facilities are secured by a fixed and floating charge over certain short-term bank deposits.

Note 29. Events after the reporting date

On 11 March 2020 Novel Coronavirus (COVID-19) was declared a global pandemic by the World Health Organisation. The impact of COVID-19 on the company is likely to have a material impact on operational revenue and expenses if either the Australian Federal Government or Western Australian State Government were to impose a restrictive lock-down on essential services that effects the Company's operational sites.

As at the date of this report:

a) The Company has the ability to materially curtail its activities during the forthcoming financial year in response to any government restrictions and social distancing requirements;

b) The impacts on operational revenue and expenses cannot yet be reliably estimated; and

c) The Company believes it has sufficient cash reserves to support its curtailed activities.

Note 30. Company details

The registered office is:
60 Havelock Street
WEST PERTH WA 6005

The principal place of business is:
1st Floor, 56 Ord Street
WEST PERTH WA 6005

Directors' Declaration

In the directors' opinion:

a) the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

b) the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

c) the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and

d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors.

Giuseppe Leone
Director

Dated this 9th March 2021