



## 2014 Annual Report



Southern Cross Electrical Engineering Limited  
ABN: 92 009 307 046  
Established 1978



## Corporate Directory

### Directors

#### John Cooper

Chairman

Independent Non-Executive Director

#### Simon High

Managing Director

#### Gianfranco Tomasi

Non-Executive Director

#### Peter Forbes

Independent Non-Executive Director

#### Derek Parkin

Independent Non-Executive Director

#### John ('Jack') Hamilton

Independent Non-Executive Director

### Company Secretaries

#### Chris Douglass

#### Colin Harper

### Auditors

#### KPMG

235 St Georges Terrace

Perth WA 6000

### Solicitors

#### K & L Gates

Level 32, 44 St Georges Terrace

Perth WA 6000

### Share Registry

#### Computershare Limited

Level 2, 45 St Georges Terrace

Perth WA 6000

T: 1300 850 505

### Registered Office

#### Southern Cross Electrical Engineering Limited

41 Macedonia Street

Naval Base WA 6165

T: +618 9236 8300

F: +618 9410 2504

### ASX code: SXE

**[scee.com.au](http://scee.com.au)**

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SCEE was established as Southern Cross Electrical Engineering Limited in 1978. The company is a leading provider of large-scale specialised electrical, control and instrumentation services for major resources projects.



SCEE operates through three company divisions - SCEE Infrastructure, SCEE Construction and SCEE Services - to provide 'full life cycle of project' electrical services including:



Design and construction of high voltage power line distribution, switchyards and substations



Installation and commissioning of greenfield projects



Operations support, maintenance, brownfield upgrade and sustaining capital services



## **Our Values**

At SCEE, our values are integral to the organisation and act as internal drivers. They shape how we conduct our business on a daily basis and ultimately drive our success.

### **Safety**

It's in everything we do

### **Loyalty**

We believe in harmonious relationships and building these through integrity and mutual respect

### **Trust**

We entrust and empower our team to take ownership

### **Reliability**

We are dependable and consistently deliver high quality services

# Signature Performance

## Health & Safety

We consider the wellbeing of our people to be of paramount importance and are committed to providing a workplace that achieves zero harm. We have developed a systematic approach to employee safety through procedures, policies and training and continually seek to review and improve these systems. We also place a priority on creating a pro-active safety culture across the whole of SCEE.



## Environment

We seek to promote best environmental practices within our areas of operation through our policies and procedures. Our team seeks to preserve, respect and manage the environment as well as native flora and fauna. Through regular evaluation of our environmental practices we ensure our policies reflect the changing operational, environmental and political climate.

Our Environmental Management System is reviewed regularly to assess the adequacy and effectiveness of our systems to ensure we meet our legislative and best practice commitments.



## 2014 marks our tenth consecutive LTI free year in Australia

### Community

We engage with the communities where we operate and develop corporate social responsibility seeking to create a positive legacy through maximising local employment opportunities and taking an active social role.

By fostering a culture of active participation in our surrounding areas we aim to ensure the wider community benefits from our presence. We are a proud supporter of numerous grassroots charities, sporting teams, initiatives and sponsored events and we encourage our people to get involved and help build strong, thriving communities.

### Indigenous Employment

We respect the culture, values and traditions of Indigenous communities and our indigenous employee strategy is designed to ensure that we are meeting and surpassing our commitments in this area.

Our Indigenous employment policy centres on providing support, training and sustainable employment opportunities. In 2010 we introduced an Indigenous Traineeship Scheme to further enhance long term career opportunities and stable work environments. Trainees have progressed to Electrical Apprenticeships, Trade Assistants and Business Administration.

Our unique program recognises the skills and attributes of the individual and identifies the most appropriate role within the company that suits the skill set. This approach supports the sustainability of the program and employment.



# 2014 in Summary



Revenue of  
**\$218.2m**

Net profit after tax of  
**\$7.7m**

Net cash of  
**\$35.2m**



**LTI free in year**



**Continued growth  
of SCEE Services**



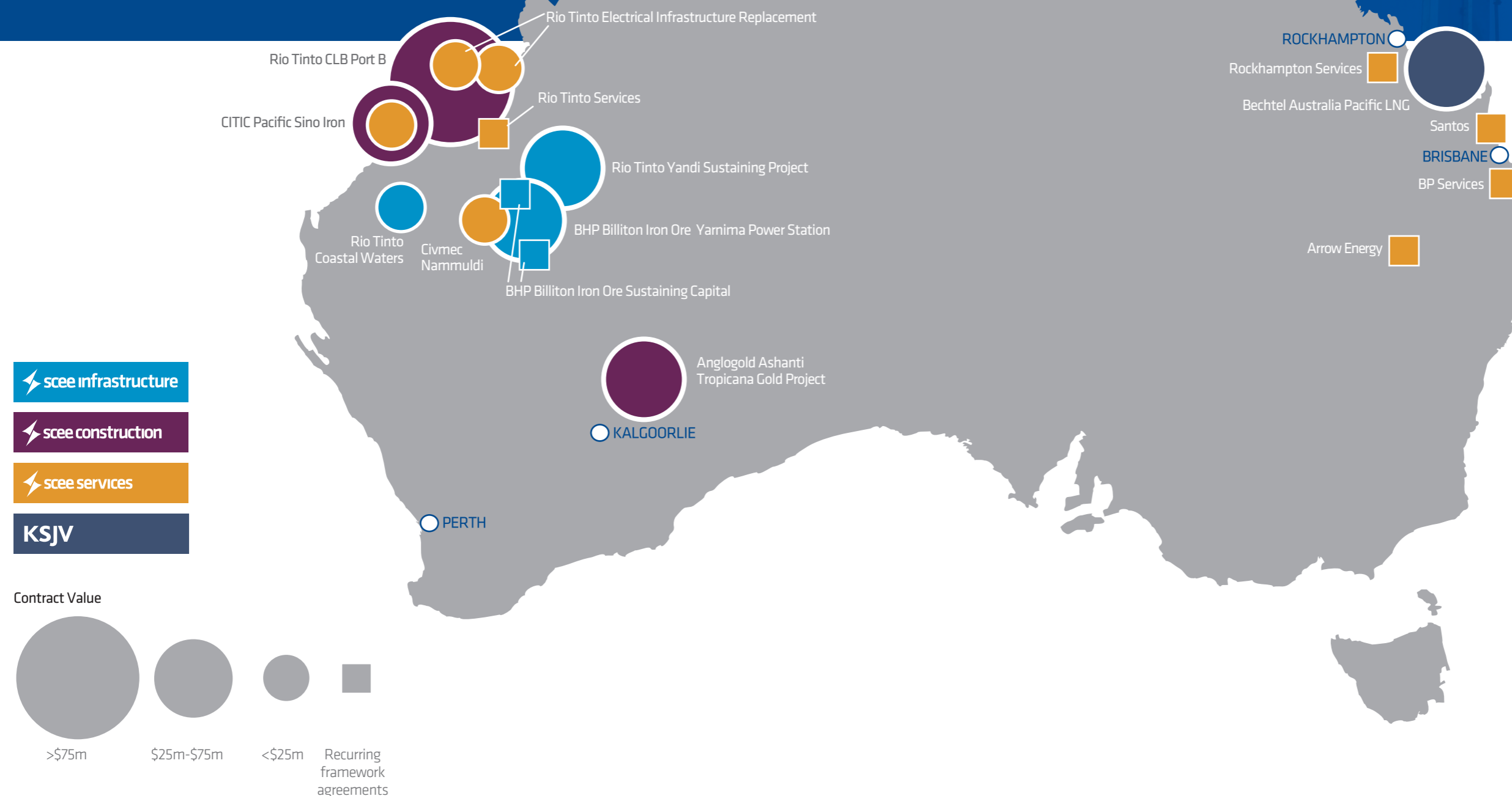
**New ERP  
and project controls  
systems implemented**



- Fully franked dividend of 2.7 cents per share
- First LNG and major power generation contracts secured
- Order book of \$111m at 30 June 2014 and a further \$94m awarded post year end
- Continuing to evaluate growth and acquisition opportunities in a consolidating market

# Our Projects

Australian Projects and Operations in 2014.



# Chairman's Message



John Cooper - **Chairman**

## Dear Shareholders

The 2014 financial year has seen significant change in the resources sector. As the volume of work has reduced, the competition amongst contractors has dramatically increased. Clients have also increased their commercial focus.

Despite this challenging operating environment we have continued to provide the highest level of client service.

The past twelve months has seen SCEE successfully deliver some of the largest projects in the Company's history, including the completion of the Rio Tinto Cape Lambert Phase A project.

The health and safety of our people remains of paramount importance and I am delighted to report that our work in the year was performed without a single Lost Time Incident (LTI) making 2014 our tenth consecutive LTI free year in Australia.

## Results

Revenue for the year was \$218.2m while net profit after tax from continuing operations was \$7.7m. This represents a decrease from the record financial results reported in 2013. As competitive pressures have increased, our gross margins have come under significant pressure with a reduction in the margins earned in the second half of the year.

As the year progressed we took action to reduce our overhead base and will continue to actively manage this going forward to ensure the business is appropriately sized. In 2015 we will also continue to see the benefit of our investment in systems, processes, plant and equipment through improved productivity.

While it is disappointing that market changes have prevented us from continuing the growth trend reported in recent years, we continue to operate from a position of financial strength with a healthy balance sheet and significant cash reserves.

I am pleased to advise that the Board has declared a fully franked dividend of 2.7 cents per share for the year, consistent in absolute terms with the 2013 dividend. The Board remains committed to maximising shareholder value and believe that this dividend represents an appropriate balance between providing shareholders a return from earnings and retaining capital for future growth opportunities.

## Outlook

As we move into 2015 we anticipate a continuation of the highly competitive market conditions we experienced in the second half of 2014. Pleasingly SCEE has secured a strong order book that stood at \$111m at 30 June 2014 and has been supplemented by a further \$94m of new awards since that time. This provides good visibility into the new financial year.

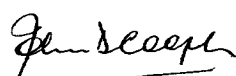
As Australia's large scale capex projects are completed we will see an increase in operations & maintenance and sustaining capital opportunities. This is consistent with our stated goal of growing our recurring revenue base. We will continue to capitalise on this opportunity through organic growth of our SCEE Services business as well as exploring acquisition opportunities.

We expect to see a period of consolidation in the resources sector as companies strive to maintain the scale, capability and service required by clients who are increasingly seeking integrated service offerings. We will continue to evaluate potential opportunities that may arise as a result of this consolidation.

## The Board of Directors

The Board continues to actively monitor the Company's performance and the resources sector in general to ensure that the appropriate strategies are in place to deliver value to our shareholders.

On behalf of the Board, I thank all of our shareholders, staff and clients for their continuing support.



**John Cooper**

Chairman

A portrait of Simon High, a middle-aged man with a receding hairline, smiling. He is wearing a dark suit, a white shirt, and a blue striped tie. The background is a blurred office setting with other people.

Simon High - Managing Director

# Managing Director's Review

## Financial Review

The 2014 financial year has been challenging for companies in the resources sector. After reporting a record financial result in the 2013 financial year we have seen the market in which we operate change significantly in a short period of time.

With a reduction in the volume of available work, particularly on large scale capital projects, tendering has become increasingly competitive with clients placing greater emphasis on the commercial aspects of the process. We are also seeing a notable increase in the time taken to bid, re-bid and then negotiate terms and conditions which in turn has resulted in delays in contracts being awarded.

Revenue for the year was \$218.2m representing a 21% decrease from the prior record year. Net profit after tax from continuing operations was \$7.7m compared to \$17.3m in 2013.

We entered the year operating at high activity levels as work continued on the Rio Tinto Cape Lambert Port B Phase A and Anglogold Ashanti Tropicana Gold projects. Both projects were successfully completed during the first half of the year. The second half started slowly as a result of a timing gap between the completion of these key projects and the commencement of new awards but increased in the final quarter as activity ramped up on new projects including Rio Tinto Cape Lambert Port B Phase B and BHP Billiton Iron Ore's Yarnima Power Station.

A more detailed discussion of SCEE's 2014 projects is included in the Operations Review which follows.

Gross margins for the year were 20.1% compared to 22.1% in 2013. We achieved margins above this figure in the first half as we successfully closed out large scale lump sum contracts secured in the prior year. The second half margins were significantly lower than the first half and are reflective of the margin pressure faced by contractors in the period. We remain focussed on improving efficiencies in order to maximise returns from projects. We successfully implemented our new Enterprise Resource Planning system and Project Controls systems during the year. Our enlarged fleet of owned plant and equipment now enables us to minimise the costs incurred from hiring assets.

Overheads as a percentage of revenue were 11.9% compared to 11.1% in 2013. The Company's overhead base in the first half had been sized to support the high level of activity in the early part of the year. As we completed these large scale projects we took steps to reduce the overhead base accordingly. In absolute terms overheads have reduced from \$30.8m in 2013 to \$26.0m in 2014. Significantly, the monthly overhead expense in the final month of the financial year was 27% lower than that of the first month. Management will continue to actively manage the overhead base as we move into 2015 to ensure that it achieves an appropriate balance between cost control and operational effectiveness.

Net profit after tax for the year of \$7.7m resulted in earnings per share of 4.8 cents per share. The Board has declared a final fully franked dividend of 2.7 cents per share which maintains the dividend at the same absolute level as 2013.

Our balance sheet remained strong throughout the year and at 30 June 2014 we had cash in hand of \$37.9m. A further \$10.9m of receivables that were due to be paid by a client in late June were received in early July. Debt was minimal at \$2.7m and relates to asset finance.

After making a large investment in plant, equipment and systems in the prior two years, capital expenditure was significantly reduced in 2014 with additions of \$4.3m. We expect the requirement for capital expenditure to remain low in the coming year.

### Operations Review

During the year SCEE continued to provide life of project electrical and instrumentation (E&I) services to large scale resource projects, primarily within Australia. The business is divided into the three divisions of SCEE Infrastructure, SCEE Construction and SCEE Services.

An overview of the operations during the year is provided below.

### Health and Safety

Performing our work safely remains our highest priority and I am delighted to report that we completed our 2014 operations without suffering a Lost Time Injury (LTI). This is the tenth consecutive year LTI free in Australia.

As a business we focus on leading measures of safety performance such as reporting of all actual and potential safety incidents. By ensuring a high level of Board and management engagement on site we support a proactive safety culture.

During the year one of SCEE's employees, Mick Garstone, was awarded the "Best Individual Contribution to Safety and Health Award" by Worksafe WA for his role on the Rio Tinto Yandi Sustaining Project.

### scee infrastructure

SCEE Infrastructure earned revenues of \$50.9m in 2014 (2013: \$69.7m). Key projects during the year were:

#### Rio Tinto Yandi Sustaining Project

SCEE installed the 33kV overhead lines providing power to Rio Tinto's mine facilities from the Yandi 220kV switchyard. At an award value in excess of \$29m, this was the largest contract ever performed by SCEE Infrastructure. The project was successfully completed during the year.

#### BHP Billiton Iron Ore Yarnima Power Station

During the year SCEE was awarded over \$25m of E&I works at BHP Billiton Iron Ore's Yarnima Power Station near Newman in Western Australia. The project is progressing well and expected to be completed in the first half of financial year 2015.

#### BHP Billiton Iron Ore Sustaining Capital

Work has continued on various projects under the framework agreement in which SCEE is one of a panel of contractors providing electrical and instrumentation services to BHP Billiton Iron Ore's Australia-wide Sustaining Capital program.

### scee construction

SCEE Construction earned revenues of \$133.8m in 2014 (2013: \$185.8m). Key projects during the year were:

#### Rio Tinto Cape Lambert Port B Phase A

Representing the largest contract in the Company's history to date with an award value in excess of \$100m, SCEE provided all electrical and instrumentation works for Phase A of Rio Tinto's Cape Lambert Port B expansion. The contract was successfully completed during the first half of the year with SCEE's project team playing a significant part in ensuring that the client achieved their target for first ore shipment.

#### Rio Tinto Cape Lambert Port B Phase B

Following the successful delivery of Phase A, SCEE was awarded over \$80m of E&I works on Phase B of Rio Tinto's Cape Lambert Port B expansion. The job is progressing well against a very tight and accelerated schedule. We expect the work to be substantially completed in the first half of financial year 2015.

#### Anglogold Ashanti Tropicana Gold Project

The project, which started in 2013, had an award value in excess of \$40m and was for the electrical, instrumentation, communications and process control plant infrastructure at the Tropicana gold mine. The work was successfully completed and closed out during the year.

### scee services

SCEE Services earned revenues of \$33.5m in 2014, a 49% increase on the 2013 revenues of \$22.5m. Key projects during the year were:

#### Rio Tinto Electrical Infrastructure Replacement Program

SCEE has teams on Rio Tinto's Cape Lambert and East Intercourse Island sites performing works as part of the Electrical Infrastructure Replacement Program. The award value of these works was in excess of \$10m and follows the successful completion of phase one of the works.

#### Citic Pacific Sino Iron

SCEE Services has had a team of 40 personnel on site at the Sino Iron project to perform the AG Mill Line 2 Stator Replacement works.



In addition to the above projects we continued to perform work under existing framework agreements where we have forged strong client relationships.

### **KSJV**

SCEE's LNG focussed joint venture KSJV secured its first contract award during the year to perform Electrical Installation Services works at the Australia Pacific LNG project on Curtis Island in Queensland as a subcontractor to Bechtel. The work, which has an awarded scope of approximately \$50m, is progressing well and is being performed on a cost reimbursable basis.

### **International**

We continue to perform ongoing maintenance work in Peru and are actively monitoring selected opportunities to return to international construction work.

### **COO Appointment**

I am pleased to report that SCEE has appointed Andy Ozolins as its new Chief Operating Officer. Andy is an experienced senior executive with a wealth of E&I industry having worked with companies such as O'Donnell Griffin, Tyco and Kentz and will be a valuable addition to SCEE's management team.

Andy succeeds Simon Buchhorn who has retired after more than 32 years with SCEE. I would like to take this opportunity to thank Simon for his huge contribution to SCEE during this time.



### **Award Winning Apprentices**

SCEE is committed to developing our next generation of employees and operates an apprenticeship program which has been running since 1979. We are extremely proud that at the 2013 WA NECA Excellence and Apprentice Awards SCEE apprentices Jessica Sadlier, Daniel Cocker and Daniel Lorca Vilches won the 1st, 2nd and 4th year apprentice categories respectively.

### **Indigenous Participation**

We are also proud of our commitment to indigenous participation and continue to provide meaningful and long-term employment opportunities to indigenous Australians. I am pleased to report that one of our employees, Kyle Matsumoto, recently won the prestigious NAIDOC Employee of the Year Award at Rio Tinto's Cape Lambert operations.

### Outlook

#### Order Book

Our order book at 30 June 2013 was \$111m. This excludes recurring Services revenues, which currently run at approximately \$2m per month.

Since the year end we have secured \$94m of additional orders, including approximately \$80m of work at CITIC Pacific's Sino Iron project.

#### Markets

As noted in the financial review above, 2014 saw tendering become increasingly competitive and commercially focussed. We expect that trend to continue into 2015.

We also saw a significant change to the client contracting model with the majority of large scale tenders now being released as integrated packages across a breadth of capabilities, and in particular combining SMP and E&I. This has resulted in SCEE increasingly partnering with other contractors during the tender process. Again, we expect this to continue in 2015.

While the volume of large scale construction work has undoubtedly decreased from the peaks of recent years we expect that this will be replaced in part by an increase in operations and maintenance works as capex projects are completed and become operational, particularly in the Iron Ore and LNG sectors. Importantly for SCEE, the E&I component of total operating spend is proportionately higher at approximately 12-15% than it is during the capital phase at 3-5%.

In the Iron Ore sector, securing work on the next phase of the Citic Pacific Sino Iron project was significant and together with the completion of Rio Tinto CLB Phase B provides a solid base of construction work for the 2015 financial year. We have continued to develop our relationship with BHP Billiton Iron Ore during the year and view the Sustaining Capital framework agreement as a potential growth area. There is also a possibility that a second wave of magnetite Iron Ore projects will proceed.

In the LNG sector it was disappointing not to have secured a greater share of the first wave of construction awards on the six Australian onshore LNG plants. However, with the significant volume of E&I works still to be performed across the projects and limited capacity to perform it, we remain hopeful of securing further work as the projects progress.

We are optimistic that we will start to see an improvement in the performance of our East Coast business in the coming year as a result of increased activity in the Coal Seam Gas and mineral processing sectors. We are also starting to see some signs of recovery in the thermal coal market.

Winning our first power generation contract at Yarnima during the year was an important milestone and opens up the

potential for further work in the sector.

#### Strategy

We remain committed to the growth of recurring revenues. 2014 saw SCEE Services grow significantly for the second successive year and we will target further organic growth in 2015 while also evaluating maintenance acquisition opportunities in other disciplines to complement our existing E&I offering.

We will also continue to explore more significant acquisition opportunities that would provide SCEE with increased scale and competence and address the market move to integrated tendering.

As competition for work in the sector continues we see market consolidation as inevitable in the near to medium term and are actively keeping abreast of potential opportunities.

### Conclusion

While I expect the resources sector to remain highly competitive as we move into 2015 I am confident that SCEE has the people, systems, processes and balance sheet strength to face the challenges that lie ahead.

We will continue to focus on delivering the exceptional client service on which our reputation is based while also evaluating the growth opportunities that we expect will arise.

I would like to thank the management and staff of SCEE for their hard work and dedication during the year. I would also like to thank all of our shareholders for their continued support.



**Simon High**

Managing Director

“ We will continue to focus on delivering the exceptional client service on which our reputation is based while also evaluating the growth opportunities that we expect will arise.”








# Directors' Report

For the year ended 30 June 2014

Your Directors submit their report for  
Southern Cross Electrical Engineering Limited  
("SCEE" or "the Company")

## Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Name and independence status	Experience, qualifications, special responsibilities and other directorships
 <p><b>John Cooper</b> Chairman - Independent Non-Executive Director</p>	<p>John has over 35 years experience in the Construction and Engineering sector in Australia and overseas. He has provided consulting services to major projects for a number of years.</p> <p>John has been Chairman since March 2011, having served on the Board since the Company listed on the ASX in 2007. John is also a Non-Executive Director of NRW Holdings Limited and Aurizon Holdings Limited.</p> <p>John was previously a member of the Murray and Roberts International Board, overseeing its operations globally and was a Non-Executive Director of Clough Engineering after having served in the role as Interim CEO during which time he successfully re-structured the Clough organisation.</p> <p>John's experience includes five years as Managing Director and Chief Executive of CMPS&amp;F and over twenty years with Concrete Constructions, where he held the position of General Manager and was on the Board. John was also previously a Non-Executive Director of Flinders Mines Limited and Neptune Marine Limited.</p> <p>He is a Fellow of The Institute of Company Directors, a Fellow of the Australian Institute of Management and a Fellow of the Institute of Engineers.</p>
 <p><b>Simon High</b> Managing Director</p>	<p>Simon has more than 35 years experience in the global resource industry (oil &amp; gas and mineral processing) having worked in Project Management roles in the UK, Norway, Europe and South Africa.</p> <p>Simon has worked in a number of senior corporate management roles as Engineering Director, Managing Director, President and Chief Operating Officer with John Brown Engineers &amp; Constructors, Aberdeen; Kvaerner Oil &amp; Gas, Houston; United Construction, Australia; and Clough Limited, Western Australia.</p> <p>He has a strong track record in executing world-class resource projects, both offshore and onshore in addition to growing new and existing businesses. Simon is experienced in developing strong customer relations based on industry knowledge, performance and trust.</p> <p>Simon has a Bachelor of Science in Civil Engineering, is a Member of the Institute of Engineers and a Fellow of the Australian Institute of Company Directors.</p> <p>Simon is a Director of KSJV, SCEE's joint venture with Kentech.</p>
 <p><b>Gianfranco Tomasi AM</b> Non-Executive Director</p>	<p>Frank is the founder of the Company. He was the Chairman of SCEE from 1978 until he retired from that role in March 2011.</p> <p>Frank has over 40 years experience in the electrical construction industry. Prior to founding SCEE he worked at Transfield from 1968 – 1978, serving as the National Manager, Electrical Department from 1971 – 1978.</p> <p>Frank holds an Electrical Engineering Certificate (NSW) and is a Fellow of the Australian Institute of Company Directors.</p> <p>Frank is a member of the Nomination and Remuneration Committee.</p> <p>Frank was awarded the Order of Australia in the 2013 Australia Day Honours list. The award recognised Frank's service to business through leadership roles in the electrical contracting industry and his contribution to the community.</p>

## Directors' report (continued)

Name and  
independence status

Experience, qualifications, special responsibilities and other directorships



**Derek Parkin**

Independent  
Non-Executive Director

Derek is a Fellow of the Institute of Chartered Accountants Australia (ICAA) and a Fellow of the Australian Institute of Company Directors.

He is currently Professor of Accounting at the University of Notre Dame, Australia, having previously been an assurance partner with Arthur Andersen and Ernst & Young. Derek's accounting experience has spanned some 40 years and four continents, primarily in the public company environment.

Derek is a past national Board member of the ICAA and has served on a number of the ICAA's national and state advisory committees. In 2011, he was a recipient of the ICAA's prestigious Meritorious Service Award.

Derek's non-executive directorships to date have been in the non-listed sphere, principally in the oil & gas and manufacturing sectors. He has also chaired a number of advisory committees in both the government and not-for-profit sectors.

Derek is the Chairman of the Audit and Risk Management Committee.



**Peter Forbes**

Independent  
Non-Executive Director

Peter is a Fellow of Certified Practising Accountants, a Fellow of Chartered Secretaries Australia and is a Fellow of the Australian Institute of Company Directors.

Peter is also a Non-Executive Director of QIC Private Capital Pty Ltd and a member of the Queensland Council of the Australian Institute of Company Directors. During the year Peter served as a Non-Executive Director of Dart Energy Limited, resigning in February 2014.

Previously, Peter was Deputy Chief Executive and Executive General Manager, Equities at Queensland Investment Corporation and has held a number of senior management positions across a broad range of industries including Non-Executive Director of Macarthur Coal Ltd.

Peter is the Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee.



**John ("Jack") Hamilton**

Independent  
Non-Executive Director

Jack has held a number of senior executive roles with international oil and gas exploration and production companies including Shell, Woodside and Liquid Niugini Gas. Whilst with Woodside, Jack was Director NW Shelf Ventures having overall responsibility for Woodside's NW Shelf Ventures Business Unit.



Jack currently holds Non-Executive Directorships with Geodynamics Ltd, DUET Group, Calix Ltd and is the Non-Executive Chairman of Antilles Oil And Gas NL. Jack is also a Non-Executive Director of Federation Training for the Victorian Government.

Jack holds a Bachelor of Chemical Engineering Degree and a Doctorate of Philosophy (Engineering) both from the University of Melbourne.

Jack is a member of both the Nomination and Remuneration Committee and the Audit and Risk Management Committee and is also a Director of KSJV, SCEE's joint venture with Kentech.

## Executive Team

The names and details of the Company's executive team during the financial year and until the date of this report are as follows. Executives were in office for this entire period unless otherwise stated.

Name	Experience, qualifications and special responsibilities
 <b>Chris Douglass</b> Chief Financial Officer/ Company Secretary	<p>Chris is responsible for the preparation of the Company's financial records, financial planning, enterprise risk management, investor relations and company secretarial duties.</p> <p>Chris was formerly the Chief Financial Officer at Pacific Energy Ltd and prior to that held a number of senior finance roles with Clough Ltd. Chris is a Chartered Accountant and member of the Governance Institute of Australia who commenced his finance career with Deloitte. Prior to his time with Deloitte, Chris qualified and practiced as a solicitor in London. Chris is a Director of KSJV, SCEE's joint venture with Kentech.</p>
 <b>Colin Harper</b> Company Secretary	<p>Colin is a Chartered Accountant and a member of the Governance Institute of Australia. Prior to joining SCEE Colin was the Chief Financial Officer and Company Secretary of FAR Limited and previously held a management position with Ernst &amp; Young.</p>

## 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 SCEE were:

Director	Number of ordinary shares	Number of options over ordinary shares
John Cooper	116,667	-
Simon High	500,000	-
Gianfranco Tomasi	65,227,131	-
Derek Parkin	70,000	-
Peter Forbes	200,000	-
Jack Hamilton	114,670	-

## Directors' Meetings

The number of Directors' meetings and meetings of committees of Directors held and attended by each of the Directors of the Company during the financial year are:

Director	Board Meetings		Audit and Risk Management Committee Meetings		Nomination and Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
John Cooper	16	15	N/A	N/A	N/A	N/A
Simon High	16	16	N/A	N/A	N/A	N/A
Gianfranco Tomasi	16	14	N/A	N/A	3	2
Derek Parkin	16	16	4	4	N/A	N/A
Peter Forbes	16	16	4	4	3	3
Jack Hamilton	16	16	4	4	3	3

The number of meetings held represents the time the director held office or was a member of the committee during the year.

## Dividends

	Cents per share	Total amount \$'000
<b>Declared and paid during the period (fully franked at 30%)</b>		
Final franked dividend for 2013	2.70c	4,361
Interim franked dividend for 2014	-	-
<b>Declared after balance date and not recognised as a liability (fully franked at 30%)</b>		
Final franked dividend for 2014	2.70c	4,361

## Principal Activities

The principal activities during the year of the entities within the consolidated group were the provision of large scale specialised electrical, control and instrumentation installation and testing services for the resources, infrastructure and heavy industrial sectors.

## Operating and Financial Review

A review of operations of the consolidated group during the financial year, the results of those operations, the changes in the state of affairs and the likely developments in the operations of the consolidated entity are set out in the Managing Director's Review on page 12.

Operating results for the year were:	2014 \$'000	2013 \$'000
Contract revenue	218,220	277,979
Profit after income tax from continuing operations	7,723	17,341

## Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Company or consolidated group during this financial year

## Significant Events after Sheet Balance Date

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

## Likely Developments and Expected Results

Other than as referred to in this report, further information as to the 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 operations of the Group are subject to the environmental regulations that apply to our clients. During 2014 the Group complied with the regulations.

## Share Options and Performance Rights

During the reporting period, no shares were issued from the exercise of options or performance rights previously granted as remuneration.

During the reporting year 1,214,583 performance rights were issued to senior management under the Senior Management Long Term Incentive Plan.

At the date of this report there are no unissued ordinary shares of the Company under options.

Further details are contained in note 31 to the accounts.

## Indemnification and Insurance of Directors and Officers

During or since the end of the financial year, the Company has paid premiums in respect of a contract insuring all the directors of the Company against a liability incurred in their role as directors of the Company, except where:

- a. the liability arises out of conduct involving a wilful breach of duty; or
- b. there has been a contravention of Sections 182 or 183 of the Corporations Act 2001.

The total amount of insurance contract premiums paid was \$81,679 (2013: \$82,620).

## Proceedings on Behalf of Company

No person has applied for leave of Court 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.

## Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services, if any, during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that such services will not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

## Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 85 of this Annual Report.



# Remuneration Report (Audited)

For the year ended 30 June 2014

This Remuneration Report outlines the Director and executive remuneration arrangements of 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 any executive in the Parent and the Group that is a senior executive, general manager or secretary who meets the definition of an executive under the Corporations Act 2001.

Key Management Personnel in the period were:

#### **Non-Executive Director**

John Cooper	Independent Non-Executive Chairman
Gianfranco Tomasi	Non-Executive Director
Derek Parkin	Independent Non-Executive Director
Peter Forbes	Independent Non-Executive Director
Jack Hamilton	Independent Non-Executive Director

#### **Executive Director**

Simon High	Managing Director
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#### **Executive**

Chris Douglass	Chief Financial Officer / Company Secretary
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## **Remuneration Philosophy**

The performance of the Group depends upon the quality of its Directors and executives. To prosper, the Group must attract, motivate and retain highly skilled Directors and executives.

To this end the Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value;
- have a significant portion of executive remuneration 'at risk'; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

## **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee of the Board of Directors is responsible for determining and reviewing remuneration arrangements for the directors and executives.

The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team.

For details of who are the members of the Nomination and Remuneration Committee, refer to the Corporate Governance statement on page 34 of this Annual Report.

## **Remuneration Structure**

In accordance with best practice corporate governance, the structure of the Non-Executive Director and executive remuneration is separate and distinct.

## **Executive Remuneration**

### **Objective**

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward executives for Group, business and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure remuneration is competitive by market standards.

## Remuneration report (continued)

### Structure

In determining the level and make-up of executive remuneration, the Nomination and Remuneration Committee reviews independent research on executive remuneration.

The Company has entered into contracts of employment with the Managing Director and the executives. Details of these contracts contain the following key elements:

- Fixed remuneration;
- Variable remuneration - Short term incentive ("STI"); and
- Variable remuneration - Long term incentive ("LTI").

The nature, amount and proportion of remuneration that is performance related for each executive is set out in Table 1.

### Executive Remuneration - Fixed

#### Objective

Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee. This process consists of a review of company, business and individual performance, relevant comparative remuneration externally and internally and external research.

#### Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without undue cost for the Group. There are no guaranteed base pay increases for any executive. For the 2015 financial year the Board has determined that a pay freeze for all employees is appropriate other than in exceptional circumstances.

### Executive Remuneration – Variable – Short Term Incentive (STI)

#### Objective

The purpose of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

#### Structure

Actual STI payments granted to each executive depend on the extent to which specific targets as set at the beginning of the financial year are met. The targets consist of a number of Key Performance Indicators ("KPIs") covering both financial and non-financial, corporate and individual measures of performance.

The financial KPIs used to assess performance for Key Management Personnel are comparing to budget the following measures:

- Net profit after tax; and
- Forward order book.

For the year ended 30 June 2014, the financial KPIs account for 60% of both the Managing Director's and the executive team's STI. The non-financial KPIs comprise the achievement of strategic objectives. These KPIs account for 40% of both the Managing Director's and the executive team's STI. The strategic objectives set for each executive were chosen to align with the key drivers for the short term success of the business and provide a framework for delivering long term value. For each component of the STI against a KPI no award is made where performance falls below the minimum threshold for that KPI.

The assessment of KPIs for the year ended 30 June 2014 is based on the audited financial results for the company. The Nomination and Remuneration Committee recommends the STI to be paid to the individuals for approval by the Board. The method of assessment was chosen as it provides the Nomination and Remuneration Committee with an objective assessment of the individual's performance.

### Executive Remuneration – Variable – Long Term Incentive (LTI)

#### Objective

The objective of the LTI plan is to retain and reward the members of the executive management team in a manner which aligns this element of remuneration with the creation of shareholder wealth.

## Structure

LTI grants to executives are delivered at the discretion of the Nomination and Remuneration Committee in the form of performance rights or share options under the Senior Management Long Term Incentive Plan. During the year ended 30 June 2014, there were 672,447 performance rights issued to key management personnel under the Senior Management Long Term Incentive Plan. The Key Performance Indicators ("KPIs") used to measure performance for these performance rights are earnings per share growth and absolute total shareholder return. These KPIs were chosen because they are aligned to shareholder wealth.

Under the Group's share trading policy, Directors, employees and contractors of the Company must not engage in hedging arrangements, deal in derivatives or enter into other arrangements which limit the economic risk of any unvested entitlements under any equity based remuneration scheme, as such arrangements have been prohibited by law since 1 July 2011. The Group regularly reviews compliance with and effectiveness of its share trading policy. The Group considers contravention of the policy a serious matter and any contravention will be investigated.

On a change of control LTI grants fully vest with the executives.

## Non-Executive Director Remuneration

### Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Non-Executive Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

### Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The aggregate remuneration as approved by shareholders at the annual general meeting held on 26 November 2008 is \$600,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually.

The Board considers advice from external market surveys as well as the fees paid to Non-Executive Directors of comparable companies in our sector when undertaking the annual review process.

The Chairman of the Company's Board receives a base annual fee of \$130,000 for being the Chairman of the Group. The other Non-Executive Directors receive a base annual fee of \$80,000. An additional fee of \$7,500 per annum is also paid for each Board Committee on which a Non-Executive Director sat or \$10,000 per annum if the Director was a Chair of that Board Committee. Additionally a Non-Executive Director serving as a representative of SCEE on the Board of KSJV will receive a fee of \$10,000 per annum. Directors also receive superannuation at the statutory rate in addition to their Director fees and Committee fees. The payment of additional fees for serving on a Committee recognises the additional time commitment required by the Non Executive Directors who serve on one or more Sub-Committees.

The Non-Executive Directors do not receive retirement benefits, nor do they participate in any incentive programs. The remuneration of Non-Executive Directors for the periods ended 30 June 2014 and 30 June 2013 is detailed in Table 1 of this report.

## Consequences of performance on shareholder wealth

In considering the impact of the Group's performance on shareholder wealth and the related rewards earned by executives, the Nomination and Remuneration Committee had regard to the following measures over the years below:

	2014	2013	2012	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000
Profit/(loss) attributable to owners of the company	7,723	17,341	13,708	(1,652)	8,675
Dividends declared and paid during the year	4,361	3,633	-	5,588	7,913
Change in share price	(42%)	(31%)	43%	(20%)	13%
Return on capital employed	10%	24%	21%	(2%)	26%

The overall level of key management personnel remuneration takes into account the performance of the Group over a number of years.

## Remuneration report (continued)

Table 1 Remuneration of Key Management Personnel

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the named Company executives who are key management personnel are:

	Note	Salary & fees \$	Short-term STI cash bonus (A) \$	Non-monetary benefits \$	Total \$	Post-employment Superannuation benefits \$	Termination benefits \$	Share-based payments Share issues \$	Options and rights (B) \$	Total \$	Proportion of remuneration related %	Value of options and rights as proportion of remuneration %
Non-executive directors												
John Cooper, Chairman	2014	130,000	-	-	130,000	12,025	-	-	-	142,025	-	-
	2013	130,000	-	-	130,000	11,700	-	-	-	141,700	-	-
Gianfranco Tomasi	2014	87,500	-	-	87,500	8,094	-	-	-	95,594	-	-
	2013	87,500	-	-	87,500	7,875	-	-	-	95,375	-	-
Derek Parkin	2014	90,000	-	-	90,000	8,325	-	-	-	98,325	-	-
	2013	90,000	-	-	90,000	8,100	-	-	-	98,100	-	-
Peter Forbes	2014	97,500	-	-	97,500	9,019	-	-	-	106,519	-	-
	2013	97,500	-	-	97,500	8,775	-	-	-	106,275	-	-
Jack Hamilton	2014	105,000	-	-	105,000	9,713	-	-	-	114,713	-	-
	2013	98,333	-	-	98,333	8,217	-	-	-	106,550	-	-
Executive directors												
Simon High	2014	779,761	120,173	-	899,934	35,000	-	-	417	935,351	12.9%	-
	2013	799,900	356,250	-	1,156,150	25,000	-	-	226,154	1,407,304	41.4%	16.1%
Executives												
Chris Douglass	2014	298,517	78,686	-	377,203	25,000	-	-	8,739	410,942	21.3%	2.1%
	2013	297,573	147,250	-	444,823	24,979	-	-	93,025	562,827	42.7%	16.5%
Simon Buchhorn	1 2014	-	-	-	-	-	-	-	-	-	-	-
	2013	342,710	161,500	-	504,210	25,000	-	-	101,728	630,938	41.7%	16.1%
Total 2014		1,588,278	198,859	-	1,787,137	107,176	-	-	9,156	1,903,469	10.9%	0.5%
Total 2013		1,943,516	665,000	-	2,608,516	119,646	-	-	420,907	3,149,069	34.6%	13.5%

1. Simon Buchhorn served as Chief Operating Officer until 30 June 2013. From 1 July 2014 Mr Buchhorn served as General Manager of the KSJV Joint Venture and ceased to meet the definition of Key Management Personnel for remuneration reporting purposes.

## Notes in relation to the table of directors' and executive officers' remuneration

- a. The STI bonus is for the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria which was set out for the previous (2013) financial year. The amount was finally determined after performance reviews were completed and approved by the Nomination and Remuneration Committee.
- b. The fair value of the options and performance rights with market related vesting conditions were valued using a Monte Carlo simulation model. The use of a Monte Carlo Simulation model simulates multiple future price projections for both SCEE shares and the shares of the peer group against which they are tested. The options and performance rights with non-market related vesting conditions were valued using the Black-Scholes option model. The values derived from these models are allocated to each reporting period evenly over the period from grant date to vesting date. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. The value disclosed is the fair value of the options and performance rights recognised in this reporting period.

## Analysis of STI included in remuneration

Details of the vesting profile of the STI awarded as remuneration to the Managing Director and the named executives are below:

	Included in remuneration \$	Short term incentive	
		% vested in year	% forfeited in year
Managing Director			
Simon High	120,173	30%	70%
Executives			
Chris Douglass	78,686	50%	50%

Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria set for the 2013 financial year. No amounts vest in future financial years in respect of the STI schemes for the 2013 financial year. The 2014 financial year STI will be assessed by the Nomination and Remuneration Committee based on achievement of personal goals and satisfaction of specified performance criteria set for the 2014 financial year.



## Share Based Payments

### Performance rights granted as remuneration in 2014

During the period performance rights over ordinary shares in the company were granted as remuneration to KMP. These performance rights will vest subject to the meeting of performance set out below. Details on performance rights that were granted during the period are as follows:

	Number	Grant date	Fair value per performance right at grant date (\$)	Exercise price per performance right (\$)	Vesting Date	Expiry Date
<b>Executive director</b>						
Simon High <sup>1,3</sup>	243,885	28 October 2013	1.03	0.00	30 June 2016	30 June 2017
Simon High <sup>2,3</sup>	243,884	28 October 2013	0.68	0.00	30 June 2016	30 June 2017
<b>Executives</b>						
Chris Douglass <sup>1</sup>	92,339	8 October 2013	1.14	0.00	30 June 2016	30 June 2017
Chris Douglass <sup>2</sup>	92,339	8 October 2013	0.80	0.00	30 June 2016	30 June 2017
	<u>672,447</u>					

1. Performance rights granted with EPS growth as the vesting condition

2. Performance rights granted with Absolute TSR as the vesting condition

3. Performance rights allocated to Simon High were approved by Shareholders at the Company's AGM on 28 October 2013

Up to 100% of the allocated performance rights may vest, subject to the achievement of the performance conditions as set out below. The key terms of the performance rights are:

- To be performance tested over a three year period from 1 July 2013 to 30 June 2016 ("Performance Period");
- No performance rights will vest until 30 June 2016;
- Performance testing criteria are 50% against Absolute Total Shareholder Return ("TSR") performance, and 50% against Earnings Per Share ("EPS") performance; and
- Expiry on the 4th anniversary of the grant date unless an earlier lapsing date applies

The TSR formula is:

$$((\text{Share Price at Test Date} - \text{Share Price at Start Date}) + (\text{Dividends Reinvested})) / \text{Share Price at Start Date}$$

TSR will be assessed against targets for threshold performance of 12% per annum compounded over the Performance Period and for stretch performance of 15% per annum compounded over the Performance Period. The vesting schedule is as follows for TSR performance over the Performance Period:

Less than 12% per annum compounded	0% vesting
12% per annum compounded	50% vesting
Between 12% and 15% per annum compounded	Pro-rata vesting between 50% and 100%
At or above 15% per annum compounded	100% vesting

EPS will be assessed against targets for threshold performance of 17 cents per share in the 2016 financial year and for stretch performance of 22 cents per share in the 2016 financial year. The vesting schedule is as follows for EPS performance in the 2016 financial year:

Less than 17 cents per share	0% vesting
17 cents per share	50% vesting
Between 17 and 22 cents per share	Pro-rata vesting between 50% and 100%
At or above 22 cents per share	100% vesting

Once the performance measurement calculation has been finalised the company will allot and issue the equivalent number of shares at nil consideration on the basis of one ordinary share per vested performance right for all performance rights exercised.

Where a participant ceases employment prior to the vesting of their share options or performance rights, the share options or performance rights are forfeited unless in the event of retirement, permanent disablement or death the Board, at their absolute discretion, waive the exercise and vesting conditions associated with the performance rights or allow the performance rights to continue to be assessed over the original performance assessment period. In the event of a change of control of the Company, all options and performance rights that have not lapsed may be exercised.

## Details of equity incentives affecting current and future remuneration

Details of the vesting profiles of the rights and options held by each key management person are as follows:

Director	Instrument	Number	Grant Date	% vested in year	% forfeited in year	Vesting Date	Expiry Date (A)
Simon High	2012 Rights	419,664	29 October 2012	-	-	30 June 2014	30 June 2015
	2013 Rights	323,396	29 October 2012	-	-	30 June 2015	30 June 2016
	2014 Rights	487,769	28 October 2013	-	-	30 June 2016	30 June 2017
<b>Executive</b>							
Chris Douglass	2012 Rights	164,868	2 May 2012	-	-	30 June 2014	30 June 2015
	2013 Rights	120,724	25 September 2012	-	-	30 June 2015	30 June 2016
	2014 Rights	184,678	8 October 2013	-	-	30 June 2016	30 June 2017

- A. Performance rights are performance tested following completion of the performance period, which ends on the vesting date. Where some or all of the performance rights meet the vesting conditions these can be exercised up to the expiry date. Performance rights not meeting the vesting conditions are forfeited. Subsequent to 30 June 2014 it has been determined that the vesting conditions in respect of the 2012 Performance rights have not been met and all 2012 performance rights will be forfeited.

## Options and rights over equity instruments

The movement during the reporting period in the number of options and rights over ordinary shares in Southern Cross Electrical Engineering Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

### Performance Rights over equity instruments

Director	Held at 1 July 2013	Granted as compensation	Exercised	Forfeited	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
Simon High	743,060	487,769	-	-	1,230,829	-	-
<b>Executive</b>							
Chris Douglass	285,592	184,678	-	-	470,270	-	-

## Remuneration report (continued)

### Movements in shares

The movement during the reporting period in the number of ordinary shares in Southern Cross Electrical Engineering Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows

#### Ordinary shares

Directors	Held at 30 June 2013	Purchases	Sales	Held at 30 June 2014
Gianfranco Tomasi	65,227,131	-	-	65,227,131
Simon High	400,000	100,000	-	500,000
John Cooper	116,667	-	-	116,667
Derek Parkin	20,000	50,000	-	70,000
Peter Forbes	50,000	150,000	-	200,000
Jack Hamilton	29,780	84,890	-	114,670
<b>Executives</b>				
Chris Douglass	-	-	-	-

### Employment Contracts

All executives have non-fixed term employment contracts. The company may terminate the employment contract by providing the other party notice as follows:

Executive	Notice Period
Simon High	12 months*
Chris Douglass	6 months

\* Simon High must provide six months notice to the Company prior to resignation. All other executives must provide notice as per above.

The Group retains the right to terminate a contract immediately by making a payment in lieu of the notice period. An executive may be terminated immediately for a breach of their employment conditions. Upon termination the executive is entitled to receive their accrued annual leave and long service leave together with any superannuation benefits. There are no other termination payment entitlements.

### Transactions with key management personnel

The Group has entered into rental agreements over the following properties:

- F & A Tomasi Superannuation Fund owns the properties at 41 and 44 Macedonia St, Naval Base WA, which are leased to Southern Cross Electrical Engineering Limited.
- G & A Tomasi own the properties at 45, 47, 49 & 51 Macedonia Street, Naval Base WA which are leased to Southern Cross Electrical Engineering Limited.
- Frank Tomasi Nominees Pty Ltd owns the property at 43 Hope Valley Road, Naval Base WA, which was leased to Southern Cross Electrical Engineering Limited.

Gianfranco Tomasi and spouse are sole directors of Frank Tomasi Nominees Pty Ltd and are the sole shareholders. Frank Tomasi Nominees Pty Ltd as trustee for the Frank Tomasi Family Trust is a major shareholder of Southern Cross Electrical Engineering Ltd.

Under the terms of each of the above property leases, the rent payable is subject to an annual review. This review adjusts the annual rent by the movement in the consumer price index. At the completion of every third year the annual rent is subject to a market review.

The rental payments made above are all at normal market rates and were reviewed by an independent valuer in October 2013 except for 44 Macedonia Street and 43 Hope Valley Road which were reviewed in July 2014.

Total rent paid by SCEE in the 2014 financial year in respect of the above agreements was \$772,000.





# Corporate Governance Statement

For the year ended 30 June 2014

The Board of Directors of Southern Cross Electrical Engineering Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of SCEE on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Group's compliance with the Corporate Governance Council's Recommendations.

Recommendation	Comply Yes/No	Reference
<b>Principle 1 – Lay solid foundations for management and oversight</b>		
1.1 Companies should establish the functions reserved for the Board and those delegated to senior management and disclose those functions.	Yes	Page 37
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	Pages 25 - 27
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	Pages 37 -40
<b>Principle 2 – Structure the board to add value</b>		
2.1 A majority of the Board should be Independent Directors.	Yes	Pages 37 - 38
2.2 The Chairman should be an Independent Director.	Yes	Page 38
2.3 The roles of Chairman and Chief Executive Officer should not be exercised by the same individual.	Yes	Page 38
2.4 The Board should establish a Nomination Committee.	Yes	Page 40
2.5 Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	Yes	Page 38
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	Pages 37 - 40
<b>Principle 3 – Promote ethical and responsible decision making</b>		
3.1 Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>the practices necessary to maintain confidence in the Company's integrity;</li> <li>the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and</li> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Yes	Website
3.2 Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes	Pages 38 - 39
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	No	Page 39
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Page 39
3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Pages 37 - 40

## Corporate governance statement (continued)

Recommendation	Comply Yes/No	Reference
<b>Principle 4 – Safeguard integrity in financial reporting</b>		
4.1 The Board should establish an Audit Committee.	Yes	Page 39 - 40
4.2 Structure the Audit Committee so that it consists of: <ul style="list-style-type: none"> <li>only Non-Executive Directors;</li> <li>a majority of Independent Directors;</li> <li>an Independent Chairman, who is not Chairman of the Board;</li> <li>at least three members.</li> </ul>	Yes	Page 39 - 40
4.3 The Audit Committee should have a formal charter.	Yes	Website
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Pages 37 - 40
<b>Principle 5 – Make timely and balanced disclosure</b>		
5.1 Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Pages 37-40
<b>Principle 6 – Respect the rights of shareholders</b>		
6.1 Design and disclose a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Yes	Website
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Pages 37-40
<b>Principle 7 – Recognise and manage risk</b>		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 39
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.	Yes	Page 39
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 259A 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.	Yes	Page 39
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Pages 37 - 40
<b>Principle 8 – Remuneration fairly and responsibly</b>		
8.1 The Board should establish a Remuneration Committee.	Yes	Page 40
8.2 The Remuneration Committee should be structured so that it: <ul style="list-style-type: none"> <li>consists of a majority of Independent Directors;</li> <li>is chaired by an Independent Chair;</li> <li>has at least three members.</li> </ul>	Yes	Page 40
8.3 Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.	Yes	Pages 25 - 29
8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Pages 37 - 40

SCEE's corporate governance practices were in place throughout the year ended 30 June 2014, unless otherwise stated. SCEE complies in all material respects with the Council's best practice recommendations.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by SCEE refer to our website:

[www.scee.com.au](http://www.scee.com.au)

## Board Functions

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established processes for the nomination and selection of Directors and for the operation of the Board.

The responsibility for the operation and administration of the Company is delegated by the Board to the Managing Director and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:

- Audit and Risk Management Committee; and
- Nomination and Remuneration Committee.

The roles and responsibilities of these committees are discussed throughout this Corporate Governance Statement.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budgets – via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored;
- and reporting to shareholders.

## Structure of the Board

The skills, experience and expertise relevant to the position of director held by each Director in office at the date of the annual report is included in the Directors' Report on pages 19 and 20. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

In the context of Director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

## Corporate governance statement (continued)

In accordance with the definition of independence above, and the materiality thresholds set, Mr J Cooper, Prof D Parkin, Mr P Forbes and Dr J Hamilton are considered to be Independent Directors. As a result, the Board has a majority of independent Non-Executive Directors with combined skills and capabilities which best serve the interests of shareholders.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The term in office held by each Director in office at the date of this report is as follows:

Director	Term in office (Years)	Role
John Cooper	7	Chairman
Simon High	4	Managing Director
Gianfranco Tomasi	36	Non-Executive Director
Derek Parkin	3	Non-Executive Director
Peter Forbes	2	Non-Executive Director
Jack Hamilton	2	Non-Executive Director

## Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the Nomination and Remuneration Committee conducted performance evaluations of the executive team which involved an assessment of each executive's performance against specific and measurable qualitative and quantitative performance criteria. It is the intention to conduct regular reviews of each Board member's performance. The performance criteria against which Directors and executives are assessed are aligned with the financial and non-financial objectives of SCEE.

## Trading Policy

Under the Company's Share Trading Policy, a Director, executive or other employee must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities. A Director or executive is not allowed to deal in Securities of the Company as a matter of course in the following periods:

- from balance date to the release of annual or half yearly results;
- within the period of 1 month prior to the issue of a prospectus; and
- where there is in existence price sensitive information that has not been disclosed because of an ASX Listing Rule exception.

Directors and executives should wait at least two hours after the relevant release before dealing in Securities so that the market has had time to absorb the information.

Before commencing to trade, a Director or any executive or other employee nominated by the Board must first notify the Company Secretary of their intention to do so. The notification must state that the proposed purchase or sale is not as a result of access to, or being in possession of, price sensitive information that is not currently in the public domain. As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by the Directors in the securities of the company.

Directors, executives and employees of the Company must not engage in hedging arrangements, deal in derivatives or enter into other arrangements which limit the economic risk of any unvested SCEE entitlements under any equity based remuneration scheme (such as an incentive or performance based scheme).

## Diversity

The Company's Code of Conduct commits it as an equal opportunity employer, promoting and supporting a diverse workforce at all levels.

During the year the Company adopted a formal Diversity Policy which encompasses ethnicity, gender, language, age, religion, socio-economic status, physical and mental ability, experience and education.

The Policy recognises the Company's talented and diverse workforce as a key competitive advantage and that our business success is a reflection of the quality, dedication and skill of our people. The Company is an equal opportunity employer where employees

are evaluated on their own merits. All employees are treated with respect and dignity and it is the Company's policy that they will not be subjected to any form of discrimination, harassment and other objectionable conduct in the workplace.

The Board is committed to setting measurable objectives for maintaining a broad culture of diversity in our workplace. In this context, the Board does not consider it appropriate to disclose these objectives in respect of gender diversity, in keeping with the broad ambit of our Diversity Policy. Nevertheless, gender representation statistics are provided, for information, in line with the Corporate Governance Council's Recommendations.

Gender representation in the Company is as follows:

	30 June 2014		30 June 2013	
	Female (%)	Male (%)	Female (%)	Male (%)
Board representation	0%	100%	0%	100%
Senior management representation	13%	87%	7%	93%
Group representation	10%	90%	11%	89%

The Company also has a formal indigenous strategy in both our Australian and international operations to encourage community engagement. This strategy outlines the Company's commitment to providing Indigenous employment opportunities, ongoing support, training and career development.

## Risk

The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an annual assessment of the effectiveness of risk management and internal compliance and control. To this end comprehensive practices are in place that are directed towards achieving the following objectives:
  - effectiveness and efficiency in the use of the Company's resources;
  - compliance with applicable laws and regulations; and
  - preparation of reliable published financial information.

## Audit and Risk Management Committee

The Board has an Audit and Risk Management Committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity to manage its key inherent risks. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for the establishing and maintaining a framework of risk management, internal control and ethical standards to the Audit and Risk Management Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Risk Management Committee are independent Non-Executive Directors. The members of the Audit and Risk Management Committee during the year were:

Prof D Parkin (Chairman)  
Mr P Forbes  
Dr J Hamilton

## Corporate governance statement (continued)

### Qualifications of Audit and Risk Management Committee members

Prof D Parkin is currently Professor of Accounting at the University of Notre Dame Australia. Previously he was an assurance partner with Arthur Andersen and Ernst & Young. Derek is a Fellow of the Institute of Chartered Accountants Australia

Mr P Forbes is a Fellow of Certified Practicing Accountants and a Fellow of Chartered Secretaries Australia.

Dr J Hamilton has a Doctorate of Philosophy (Engineering) from the University of Melbourne and many years experience in the management of risks associated with the industry in which we operate.

For details on the number of meetings of the Audit and Risk Management Committee held during the year and the attendees at those meetings, refer to page 22 of the Directors' Report.

## Managing Director and CFO Certification

The Managing Director and Chief Financial Officer have provided a written statement to the Board that:

their views provided on the Company's and Consolidated Entity's financial reports are founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and

that the Company's and Consolidated Entity's risk management and internal compliance and control systems are operating effectively in all material respects.

## Nomination and Remuneration Committee

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Nomination and Remuneration Committee links the nature and amount of Executive Directors' and officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of quality management to the Company; and
- performance incentives which allow executives to share the rewards of the success of SCEE.

For full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report.

In relation to the issuing of options and performance rights, discretion is exercised by the Board, having regard to the overall performance of SCEE and the performance of the individual during the period. The SCEE Senior Management Long Term Incentive Plan rules have been approved by shareholders.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves and the executive team. The Board has established a Nomination and Remuneration Committee, comprising three Non-Executive Directors including two independent Directors. Members of the Nomination and Remuneration Committee throughout the year were:

Mr P Forbes (Chairman)

Mr F Tomasi

Dr J Hamilton

The Committee is also responsible for ensuring that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of Director.

For details of directors' attendance at Nomination and Remuneration Committee meetings, refer to page x of the Directors' Report.

Signed in accordance with a resolution of the directors.



Simon High

Managing Director

25 August 2014







# 2014 Financial Report

For the year ended 30 June 2014

# Consolidated Statement of Comprehensive Income

For the year ending 30 June 2014

	Note	2014 \$'000	2013 \$'000
Contract revenue	6	218,220	277,979
Contract expenses		(174,378)	(216,656)
<b>Gross profit</b>		<b>43,842</b>	<b>61,323</b>
Other income	7	103	704
Employee benefits expenses	8	(18,161)	(20,384)
Occupancy expenses		(1,988)	(2,240)
Administration expenses		(4,794)	(6,401)
Other expenses	9	(1,097)	(1,757)
Depreciation expense	11	(7,124)	(5,811)
Amortisation of customer contract intangibles	11	(151)	(150)
<b>Results from operations</b>		<b>10,630</b>	<b>25,284</b>
Finance income	10	993	908
Finance expenses	10	(1,143)	(1,160)
<b>Net finance expense</b>	10	<b>(150)</b>	<b>(252)</b>
<b>Profit before tax</b>		<b>10,480</b>	<b>25,032</b>
Income tax expense	12	(2,757)	(7,691)
<b>Profit from continuing operations</b>		<b>7,723</b>	<b>17,341</b>
<b>Other comprehensive income</b>			
Items that are or may be reclassified to the profit and loss:			
Foreign currency translation loss/(gain) for foreign operations		68	(92)
<b>Other comprehensive expense/(income), net of income tax</b>		<b>68</b>	<b>(92)</b>
<b>Total comprehensive income</b>		<b>7,791</b>	<b>17,249</b>
<b>Attributable to:</b>			
Owners of the Company		<b>7,791</b>	<b>17,249</b>
<b>Earnings per share:</b>			
Basic earnings per share (cents)	13	<b>4.78</b>	<b>10.74</b>
Diluted earnings per share (cents)	13	<b>4.78</b>	<b>10.70</b>

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

# Consolidated Balance Sheet

As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	37,869	40,865
Trade and other receivables	15	28,461	18,567
Tax receivable		-	2,632
Inventories	16	2,649	2,316
Construction work in progress	17	28,909	41,709
Prepayments	18	686	564
<b>Total current assets</b>		<b>98,574</b>	<b>106,653</b>
<b>Non-current assets</b>			
Property, plant and equipment	22	30,741	33,649
Intangible assets	34	17,249	17,400
<b>Total non-current assets</b>		<b>47,990</b>	<b>51,049</b>
<b>Total assets</b>		<b>146,564</b>	<b>157,702</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	23,968	34,219
Unearned revenue	24	1,134	1,705
Loans and borrowings	27	1,875	1,878
Employee entitlements	25	5,459	5,953
Tax payable		2,117	-
<b>Total current liabilities</b>		<b>34,553</b>	<b>43,755</b>
<b>Non-current liabilities</b>			
Loans and borrowings	27	820	2,695
Employee entitlements	25	326	437
Deferred tax liability	12	6,612	9,498
<b>Total non-current liabilities</b>		<b>7,758</b>	<b>12,630</b>
<b>Total liabilities</b>		<b>42,311</b>	<b>56,385</b>
<b>Net assets</b>		<b>104,253</b>	<b>101,317</b>
<b>Equity</b>			
Share capital	28	57,578	57,578
Reserves	28	553	979
Retained earnings		46,122	42,760
<b>Total equity</b>		<b>104,253</b>	<b>101,317</b>

The above balance sheet should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

As at 30 June 2014

	Share Capital \$'000	Retained Earnings \$'000	Share Based Payments Reserve \$'000	Translation Reserve \$'000	Total Equity \$'000
Balance as at 1 July 2012	57,554	29,052	1,012	(751)	86,867
<b>Total comprehensive income for the period</b>					
Profit for the period	-	17,341	-	-	17,341
Foreign currency translation loss	-	-	-	(92)	(92)
Total comprehensive income/(loss)	-	17,341	-	(92)	17,249
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to equity holders	-	(3,633)	-	-	(3,633)
Cost of share-based payment	24	-	810	-	834
Total transactions with owners	24	(3,633)	810	-	(2,799)
<b>Balance as at 30 June 2013</b>	<b>57,578</b>	<b>42,760</b>	<b>1,822</b>	<b>(843)</b>	<b>101,317</b>
	Share Capital \$'000	Retained Earnings \$'000	Share Based Payments Reserve \$'000	Translation Reserve \$'000	Total Equity \$'000
Balance as at 1 July 2013	57,578	42,760	1,822	(843)	101,317
<b>Total comprehensive income for the period</b>					
Profit for the period	-	7,723	-	-	7,723
Foreign currency translation gain	-	-	-	68	68
Total comprehensive income	-	7,723	-	68	7,791
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to equity holders	-	(4,361)	-	-	(4,361)
Cost of share-based payment	-	-	(494)	-	(494)
Total transactions with owners	-	(4,361)	(494)	-	(4,855)
<b>Balance as at 30 June 2014</b>	<b>57,578</b>	<b>46,122</b>	<b>1,328</b>	<b>(775)</b>	<b>104,253</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

For the year ending 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		220,628	277,464
Cash paid to suppliers and employees		(212,221)	(239,539)
Interest received		993	908
Interest paid		(1,143)	(1,160)
Income taxes paid		(895)	(5,296)
<b>Net cash from operating activities</b>	29	<b>7,362</b>	<b>32,377</b>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of assets		113	91
Acquisition of property, plant and equipment		(4,329)	(18,505)
<b>Net cash (used in) investing activities</b>		<b>(4,216)</b>	<b>(18,414)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(1,878)	(890)
Dividends paid	28	(4,361)	(3,633)
<b>Net cash (used in) financing activities</b>		<b>(6,239)</b>	<b>(4,523)</b>
Net increase/(decrease) in cash and cash equivalents		(3,093)	9,440
Cash and cash equivalents at beginning of period		40,865	31,545
Effect of exchange rate fluctuations on cash held		97	(120)
<b>Cash and cash equivalents at 30 June</b>	14	<b>37,869</b>	<b>40,865</b>

The above cash flow statement should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

For the year ended 30 June 2014



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# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 1. Reporting entity

Southern Cross Electrical Engineering Limited ("the Company", "the parent") is a company incorporated and domiciled in Australia. The company's shares are publicly traded on the Australian Stock Exchange.

The consolidated financial statements for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is a for-profit entity and the nature of the operations and principal activities of the Group are described in the Directors' Report.

## 2. Basis of preparation

### (a) Statement of compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Accounting 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 Board (IASB). A listing of new standards and interpretations not yet adopted is included in note 3(u).

The consolidated financial statements were authorised for issue by the Board of Directors on 25 August 2014.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except as set out in note 4:

- Share-based payment arrangements are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

### (c) Functional and presentation currency

#### i. Functional and presentation currency

Both the functional and presentation currency of Southern Cross Electrical Engineering Limited and its Australian subsidiaries are Australian dollars (\$). The functional currency for the Peruvian subsidiary is Nevos Soles. Overseas functional currencies are translated to the presentation currency (see below).

#### ii. Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### iii. Translation of Group Entities functional currency to presentation currency

The results of the overseas subsidiaries are translated into Australian Dollars as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at balance sheet date.

Exchange variations resulting from the translation are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

### (d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 2. Basis of preparation (continued)

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. Information about accounting estimates is included in the following notes:

- Note 31 – measurement of share based payments; and
- Note 34 – recoverable amount for testing goodwill.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements relate to contract revenue (note 3(m)(i) and 6) and contract work in progress (note 3(h)(i)) and 17).

Revenue from construction contracts is recognised using the percentage of completion method. Judgement is exercised in determining the stage of completion of the contract and in reliably estimating the total contract revenue and contract costs to completion. The stage of contract completion is generally measured by reference to physical completion. An assessment of total labour hours and other costs incurred to date as a percentage of estimated total costs for each contract is used if it is an appropriate proxy for physical completion. Task lists and milestones are also used to calculate or confirm the percentage of completion if appropriate.

The key judgement in determining revenue from construction contracts is estimating the unapproved variations and claims to be included in project forecast revenue. The Company uses its best estimate and its expertise to determine the value included supported by qualified external experts where necessary. The outcome of the events which are the subject of these judgements are by nature uncertain such that final positions resolved with clients can differ materially from original estimates.

## 3. Significant accounting policies

Except as described below the accounting policies applied by the Group in this financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2013.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application 1 July 2013.

AASB 10 Consolidated Financial Statements (2011)

AASB 11 Joint Arrangements

AASB 12 Disclosure of Interests in Other Entities

AASB 13 Fair Value Measurement

AASB 119 Employee Benefits (2011)

Improvements to AASBs 2009-2011 Cycle

These changes have not had either a material recognition or measurement impact on the financial report however disclosure has been updated as follows.

### Fair value measurement

AASB 113 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASB's. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASB's, including AASB 7 Financial Instruments: Disclosures. In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures.

Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

### (a) Basis of consolidation

#### i. Subsidiaries

Subsidiaries are entities controlled by the Group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 3. Significant accounting policies (continued)

### ii. Interest in a joint arrangement

The Group has interests in joint arrangements which are classified as joint operations, which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activity of the entities. The Group recognises its interest in the joint operations using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses which are accounted for by separately recognising the Group's share of underlying assets and liabilities of the joint arrangement with similar items, line by line, in its consolidated financial statements.

### iii. Transactions eliminated on consolidation

Intra-group balances and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investments to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## (b) Foreign currency

### i. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

### ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. Income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

## (c) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short term deposits with an original maturity 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 fair value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## (d) Financial instruments

### i. Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 3. Significant accounting policies (continued)

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

The Group has the following non-derivative financial assets:

- Loans and receivables.
- Cash and cash equivalents.

### Loans and receivables

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

Loans and receivables comprise trade and other receivables (see note 15).

### ii. Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

The Group's non-derivative financial liabilities comprise Loans and borrowings and Trade and other payables.

### iii. Share capital

#### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

## (e) Property, plant and equipment

### i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised as part of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 3. Significant accounting policies (continued)

### ii. Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### iii. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	40 years
Leasehold improvements	6 – 38 years
Plant and equipment	2 – 20 years
Motor vehicles	2 – 10 years
Office furniture and fittings	2 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

## (f) Intangible assets

### i. Goodwill

Goodwill is measured at cost less accumulated impairment losses. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

### ii. Other intangible assets

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

### iii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill and brands is recognised in profit or loss as incurred.

### iv. Amortisation

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current period are as follows:

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 3. Significant accounting policies (continued)

	2014	2013
• Customer contracts	1 – 5 years	1 – 5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### (g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the net present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's Balance Sheet.

### (h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### (i) Construction work in progress

Construction 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 (see note 3(m)(i)) 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.

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

### (j) Impairment

#### i. Financial assets

A financial asset not carried at fair value through the 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 the asset that can be estimated reliably.

Objective evidence that a financial asset (including equity securities) is impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset level and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical trends.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 3. Significant accounting policies (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### ii. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## (k) Employee benefits

### i. Long-term benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AAA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the Projected Unit Credit method.

### ii. Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 3. Significant accounting policies (continued)

### iii. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### iv. Share-based payment transactions

The fair value of performance rights and share options granted to employees is recognised at grant date as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the performance rights and share options. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

## (l) 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. The unwinding of the discount is recognised as finance cost.

## (m) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

### i. Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

### ii. Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

All revenue is stated net of the amount of goods and services tax (GST).

## (n) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 3. Significant accounting policies (continued)

### (o) Finance income and expenses

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, bank charges and lease payments. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis.

### (p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of 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 it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. 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. 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 tax 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.

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

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.

### (q) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (r) 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 profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise performance rights and share options granted to employees.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 3. Significant accounting policies (continued)

### (s) Segment reporting

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

Segment results that are reported to the Managing Director 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 intangible assets other than goodwill.

### (t) Financial guarantees

Financial guarantee contracts are initially measured at their fair values and subsequently measured at the higher of:

- the amount of obligation under the contract, as determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount recognised initially less cumulative amortisation recognised in accordance with AASB 118 Revenue.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

### (u) New standards and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except AASB 9 Financial Instruments, which will become mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets and financial liabilities. The IASB currently has an active project to make limited amendments to the classification of measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

## 4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### i. Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

### ii. Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 4. Determination of fair values (continued)

### iii. Trade and other receivables

The fair value of trade and other receivables acquired in a business combination, excluding construction work in progress, but including service concession receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### iv. Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

### v. Share-based payment transactions

The fair value of employee performance rights and share options is measured using an appropriate pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

## 5. Segment reporting

Revenue is principally derived by the Group from the provision of electrical and instrumentation services to the resources, energy and infrastructure sectors.

The Group has branded itself into the following three operating divisions: SCEE Construction, SCEE Infrastructure and SCEE Services. For the year ended 30 June 2014, the Construction division contributed revenue of \$133.8 million (2013: \$185.8 million), the Infrastructure division contributed revenue of \$50.9 million (2013: \$69.7 million) and the Services division contributed revenue of \$33.5 million (2013: \$22.5 million). Included in these amounts is \$6.3 million (2013: \$4.8 million) of inter-entity revenue, which is eliminated on consolidation. The divisions are exposed to similar operational risks and rewards and are only divisions for the purposes of addressing target market opportunities and facilitating appropriate project management structures.

The directors believe that the aggregation of the operating divisions for segment reporting purposes is appropriate as they:

- have similar economic characteristics;
- perform similar services using similar business processes;
- provide their services to a similar client base;
- have a centralised pool of shared assets and services; and
- operate in similar regulatory environments.

All divisions have therefore been aggregated to form one operating segment.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	2014		2013	
	Revenue \$'000	Non-current assets \$'000	Revenue \$'000	Non-current assets \$'000
Australia	217,762	47,675	275,550	50,756
South America and Caribbean	458	315	2,429	293
	218,220	47,990	277,979	51,049

Revenues from two customers of the Group's Australian segment generated respectively \$141 million and \$27 million of the Group's total revenue (2013: \$224 million generated from three customers).

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 6. Contract revenue

	2014 \$'000	2013 \$'000
Contract revenue	218,220	277,979
	218,220	277,979

The contract revenue has been determined based on the percentage of completion using the costs incurred to date and the total forecast contract costs. The amount of revenue recognised is based on the construction contract, variation notices and claims under negotiation between the Group and its customers.

## 7. Other income/(loss)

Net gain on sale of non-current assets	29	(33)
Apprenticeship incentive grants	2	147
Foreign exchange losses	(167)	420
Other	239	170
	103	704

## 8. Employee benefits expenses

Remuneration, bonuses and on-costs	(18,375)	(18,858)
Amounts provided for employee entitlements	(280)	(696)
Share-based payments expense	494	(830)
	(18,161)	(20,384)

The above employee benefits expenses do not include employee benefits expenses recorded within contract expenses. Employee benefits included in contract expenses were \$111.7m (2013: \$124.2m).

## 9. Other expenses

Repairs and maintenance	(204)	(397)
Motor vehicles	(724)	(1,106)
Other	(169)	(254)
	(1,097)	(1,757)

## 10. Finance income and expenses

Interest income on bank deposits	993	908
Finance income	993	908
Interest expense on bank borrowings	(75)	(127)
Finance charges payable under finance lease	(265)	(239)
Bank charges	(559)	(574)
Bank guarantee fees	(244)	(220)
Finance expense	(1,143)	(1,160)
Net finance income/(expenses)	(150)	(252)

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 11. Depreciation and amortisation expenses

	2014 \$'000	2013 \$'000
Buildings	(17)	(17)
Leasehold improvements	(233)	(162)
Plant and equipment	(2,775)	(2,598)
Motor vehicles	(1,913)	(1,987)
Office furniture and equipment	(2,186)	(1,047)
	(7,124)	(5,811)
Amortisation of customer contract intangibles	(151)	(150)

## 12. Income tax expense

### (a) Income Statement

Current tax expense		
Current period	(5,643)	(2,714)
Under provision from prior year	-	(316)
	(5,643)	(3,030)
Deferred tax expense		
Origination and reversal of temporary differences	2,886	(4,661)
Income tax expense reported in the income statement	(2,757)	(7,691)

### (b) Amounts charged or credited directly to equity

Share-based payments	-	(4)
Income tax expense reported in equity	-	(4)

### (c) Reconciliation between tax expense and pre-tax accounting profit

Accounting profit before income tax	10,480	25,032
Income tax using the Company's domestic tax rate of 30% (2012: 30%)	(3,144)	(7,510)
Tax effect of permanent differences	(156)	(245)
Tax losses of foreign operations not recognised	(23)	(195)
Adjustments for current tax of prior periods - Foreign	1	(316)
Research and development tax offsets	612	895
Other	(47)	(329)
Effect of different tax rate applicable to foreign branches 29% (2012: 25%)	-	9
Income tax expense reported in the income statement	(2,757)	(7,691)
The applicable effective tax rates are:	26.3%	30.7%

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 12. Income tax expense (continued)

Deferred tax assets and liabilities

	Balance Sheet		Movement recognised in Income Statement		Movement recognised in Equity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Deferred tax liabilities						
Retentions	(164)	(36)	128	5	-	-
Work in progress	(8,672)	(12,512)	(3,840)	3,544	-	-
Property, plant and equipment	(23)	(23)	-	-	-	-
	(8,859)	(12,571)	(3,712)	3,549	-	-
Deferred tax assets						
Accruals	46	41	(5)	(41)	-	-
Employee benefits	2,023	2,432	409	(434)	-	-
Property, plant and equipment	19	31	12	(12)	-	-
Other	153	182	29	91	-	-
Employee share trust LTI equity settlement	-	382	382	(378)	-	(4)
Borrowing costs	6	5	(1)	26	-	-
Tax losses	-	-	-	1,860	-	-
	2,247	3,073	826	1,112	-	(4)
Net deferred tax assets/(liabilities)	(6,612)	(9,498)	(2,886)	4,661	-	(4)

## 13. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2014 was based on the profit attributable to ordinary shareholders of \$7,723,000 (2013: \$17,341,000) and a weighted average number of ordinary shares outstanding of 161,523,130 (2013: 161,507,514), calculated as follows:

Profit/(loss) attributable to ordinary shareholders

	2014 \$'000	2013 \$'000
Profit/(loss) for the period	7,723	17,341

Weighted average number of ordinary shares

	Note	2014	2013
Issued ordinary shares at 1 July	28	161,523,130	161,486,826
Effective new balance resulting from issue of shares in the year		-	20,688
Weighted average number of ordinary shares at 30 June		161,523,130	161,507,514

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 13. Earnings per share (continued)

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2014 was based on the profit attributable to ordinary shareholders of \$7,723,000 (2013: \$17,341,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 161,523,130 (2013: 162,020,925), calculated as follows:

Profit attributable to ordinary shareholders (diluted)

	Consolidated	
	2014 \$'000	2013 \$'000
Profit for the period	7,723	17,341

Weighted average number of ordinary shares (diluted)

	2014	2013
Weighted average number of ordinary shares for basic earnings per share	161,523,130	161,507,514
Effect of dilution:		
Share options and performance rights on issue	-	513,411
Weighted average number of ordinary shares at 30 June	161,523,130	162,020,925

## 14. Cash and cash equivalents

	2014 \$'000	2013 \$'000
Bank balances	10,080	1,855
Short term deposits	27,789	39,010
Cash and cash equivalents in the statement of cash flows	37,869	40,865

The effective interest rate on cash and cash equivalents was 3.1% ; these deposits are either at call or on short term deposit.

## 15. Trade and other receivables

Current		
Trade receivables	28,461	18,567
	28,461	18,567

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss has not been recognised due to the collection record of the counterparties with whom the Group transacts.

## 16. Inventories

Raw materials and consumables – at cost	2,649	2,316
	2,649	2,316

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 17. Construction work in progress

	2014 \$'000	2013 \$'000
Costs incurred to date	133,935	157,489
Recognised profit	37,961	39,856
Progress billings	(142,987)	(155,636)
Construction work in progress	28,909	41,709

Work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. Cost includes all expenditure related directly to specific projects. Recognised profit is based on the percentage complete method and is determined using the costs incurred to date and the total forecast contract costs.

## 18. Prepayments

Prepayments	686	564
	686	564

## 19. Investments in subsidiaries

The consolidated financial statements include the financial statements of Southern Cross Electrical Engineering Ltd and the subsidiaries listed in the following table.

	Country of Incorporation	Equity Interest (%)	
		2014	2013
Cruz Del Sur Ingeniería Eléctrica (Peru) S.A	Peru	100	100
Southern Cross Electrical Engineering (WA) Pty Ltd	Australia	100	100
Southern Cross Electrical Engineering Tanzania Pty Ltd	Tanzania	100	100
Southern Cross Electrical Engineering Ghana Pty Ltd	Ghana	100	100
K.J. Johnson & Co. Pty Ltd	Australia	100	100
FMC Corporation Pty Ltd	Australia	100	100
Southern Cross Electrical Engineering (Australia) Pty Ltd	Australia	100	100
Hazquip Industries Pty Ltd	Australia	100	100

## 20. Interest in joint operations

The Group has a 50% interest in KSJV Unincorporated and KSJV (Aust) Pty Ltd, of which the principal activity is to deliver electrical, instrument, telecommunication works to onshore processing elements of the region's LNG projects. These joint arrangements are accounted for as joint operations.

The Group's share of the underlying assets and liabilities as at 30 June 2014 and 2013 and revenues and expenses of the joint operations for the year 30 June 2014 and 2013, which is proportionally consolidated in the consolidated financial statements, is as follows:

	2014 \$'000	2013 \$'000
Share of the joint operations statement of financial position:		
Current assets	1,395	-
Non-current assets	-	-
Current liabilities	(1,197)	-
Non-current liabilities	(88)	-
Equity	(110)	-

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 20. Interest in joint operations (continued)

	2014 \$'000	2013 \$'000
Share of the joint operations revenue and profit:		
Revenue	5,237	-
Contract expenses	(4,654)	-
Other expenses	(323)	-
Profit before tax	260	-
Income tax expense	(78)	-
<b>Profit for the year from continuing operations</b>	<b>182</b>	<b>-</b>

The joint operations have no contingent liabilities or capital commitments as at 30 June 2014 and 30 June 2013.

## 21. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2014 the parent company of the Consolidated entity was Southern Cross Electrical Engineering Limited.

	Company	
	2014 \$'000	2013 \$'000
<b>Result of the parent entity</b>		
<b>Profit for the period</b>	<b>7,564</b>	<b>14,584</b>
Other comprehensive loss	-	(13)
<b>Total comprehensive income for the period</b>	<b>7,564</b>	<b>14,571</b>
<b>Financial position of parent entity at year end</b>		
Current assets	93,153	105,934
Total assets	151,790	143,986
Current liabilities	50,746	51,944
Total liabilities	58,693	55,204
<b>Total equity of the parent entity comprising:</b>		
Share capital	57,578	57,578
Reserves	905	1,399
Retained earnings	34,613	29,805
<b>Total Equity</b>	<b>93,097</b>	<b>88,782</b>

Parent entity contingencies:

The parent entity has commitments and contingent liabilities which are included in note 32 and 33. At 30 June 2014 there were in existence guarantees of performance of a subsidiary.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 22. Property, plant and equipment

	Land and Buildings \$'000	Leasehold Improvements \$'000	Plant and equipment \$'000	Motor Vehicles \$'000	Office Furniture and Equipment \$'000	Total \$'000
<b>Cost</b>						
Balance at 1 July 2012	916	2,614	12,615	9,349	3,804	29,298
Additions	-	328	10,590	6,966	4,523	22,407
Disposals	-	(2)	(579)	(897)	(258)	(1,736)
Exchange differences	-	-	84	-	-	84
Balance at 30 June 2013	916	2,940	22,710	15,418	8,069	50,053
Balance at 1 July 2013	916	2,940	22,710	15,418	8,069	50,053
Additions	-	412	586	-	3,331	4,329
Disposals	-	(11)	(114)	(594)	(5)	(724)
Exchange differences	-	-	(29)	-	1	(28)
Balance at 30 June 2014	916	3,341	23,153	14,824	11,396	53,630
<b>Depreciation and impairment losses</b>						
Balance at 1 July 2012	(68)	(665)	(5,912)	(4,139)	(1,367)	(12,151)
Depreciation for the year	(17)	(162)	(2,598)	(1,987)	(1,047)	(5,811)
Disposals	-	1	565	809	241	1,616
Exchange differences	-	-	(58)	-	-	(58)
Balance at 30 June 2013	(85)	(826)	(8,003)	(5,317)	(2,173)	(16,404)
Balance at 1 July 2013	(85)	(826)	(8,003)	(5,317)	(2,173)	(16,404)
Depreciation for the year	(17)	(233)	(2,775)	(1,913)	(2,186)	(7,124)
Disposals	-	11	133	493	3	640
Exchange differences	-	-	(1)	-	-	(1)
Balance at 30 June 2014	(102)	(1,048)	(10,646)	(6,737)	(4,356)	(22,889)
<b>Carrying amounts</b>						
At 1 July 2012	848	1,949	6,703	5,210	2,437	17,147
At 30 June 2013	831	2,114	14,707	10,101	5,896	33,649
At 1 July 2013	831	2,114	14,707	10,101	5,896	33,649
At 30 June 2014	814	2,293	12,507	8,087	7,040	30,741

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 23. Trade and other payables

	2014 \$'000	2013 \$'000
<b>Current</b>		
Trade payables	8,100	14,058
Accrued expenses	14,680	18,048
Goods and services tax payable	1,188	2,113
	<u>23,968</u>	<u>34,219</u>

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

## 24. Unearned revenue

<b>Current</b>		
Unearned revenue	1,134	1,705
	<u>1,134</u>	<u>1,705</u>

Unearned revenue arises when the Group has invoiced the client in advance of performing the contracted services.

## 25. Employee entitlements

<b>Current</b>		
Annual leave	4,622	5,059
Long service leave	837	894
	<u>5,459</u>	<u>5,953</u>
<b>Non-current</b>		
Long service leave	<u>326</u>	<u>437</u>

A provision has been recognised for employee entitlements relating to long service leave. 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 on historical data. The measurement and recognition accounting policy relating to employee benefits have been included in note 3(k) to this report.

## 26. Financial instruments

### Overview

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risks, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit and Risk Management Committee, which is responsible for overseeing how management monitors risk and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The committee reports regularly to the Board of Directors on its activities.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 26. Financial instruments (continued)

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations in relation to the management and mitigation of these risks.

### 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.

### 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:

	Carrying amount	
	2014 \$'000	2013 \$'000
Cash and cash equivalents	37,869	40,865
Trade and other receivables	28,461	18,567
	66,330	59,432

### Cash

The Group's cash and cash equivalents are held with major banks and financial institutions.

### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 79 percent (2013: 56 percent) of the Group's trade receivables are attributable to transactions with two major customers. Geographically, the concentration of credit risk is within Australia and, by industry, the concentration is within the mining, and oil and gas industry.

When entering into new customer contracts for service, the Group only enters into contracts with reputable companies. Management monitors the Group's exposure on a monthly basis.

In the last five years no provision for impairment loss has been recognised against the customers with whom the Group transacts. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, aging profile, maturity and existence of previous financial difficulties.

The Group does not require collateral in respect of trade and other receivables.

The Group has not established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables as it not considered necessary based on the payment history of its client base.

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2014 \$'000	2013 \$'000
Australia	28,349	18,422
South America and Caribbean	112	145
	28,461	18,567

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 26. Financial instruments (continued)

### Impairment losses

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

	Gross 2014 \$'000	Impairment 2014 \$'000	Gross 2013 \$'000	Impairment 2013 \$'000
Not past due	19,586	-	15,513	-
Past due 0-30 days	7,018	-	2,461	-
Past due 30-60 days	1,684	-	427	-
Past due 60 days and over	173	-	166	-
More than one year	-	-	-	-
	28,461	-	18,567	-

Based on historic default rates, the Group believes no impairment allowance is necessary in respect of trade receivables as the customers have a good credit history with the Group.

There was no renegotiation in credit terms during the period.

### 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 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.

The Group uses project costing to assess the cash flows required for each project currently underway and entered into. Management monitors cash flow using rolling forecasts and annual budgets that are monitored at a Board level on a monthly basis.

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

	Carrying amount \$'000	Contractual cash flows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
<b>30 June 2014</b>							
<b>Non-derivative financial liabilities</b>							
Finance lease liabilities	2,695	2,849	1,032	974	796	47	-
Trade and other payables	23,968	23,968	23,968	-	-	-	-
	26,663	26,817	25,000	974	796	47	-
<b>30 June 2013</b>							
<b>Non-derivative financial liabilities</b>							
Finance lease liabilities	4,573	4,996	1,084	1,063	2,006	843	-
Trade and other payables	34,219	34,219	34,219	-	-	-	-
	38,792	39,215	35,303	1,063	2,006	843	-

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 26. Financial instruments (continued)

### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency in which they are measured. The Group has no material currency risk exposures at 30 June 2014 or 30 June 2013.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

### Interest rate risk

#### Profile

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

	Carrying amount	
	2014 \$'000	2013 \$'000
<b>Fixed rate instruments</b>		
Financial liabilities	2,695	4,573
<b>Variable rate instruments</b>		
Financial assets	37,869	40,865

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

#### 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) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit or loss		Equity	
	100bp increase \$'000	100bp decrease \$'000	100bp increase \$'000	100bp decrease \$'000
<b>30 June 2014</b>				
Variable rate instruments	630	(630)	-	-
Cash flow sensitivity (net)	630	(630)	-	-
<b>30 June 2013</b>				
Variable rate instruments	551	(551)	-	-
Cash flow sensitivity (net)	551	(551)	-	-

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 26. Financial instruments (continued)

### Fair values

#### Fair values versus carrying amounts

The fair values of financial assets and liabilities materially equates to the carrying values shown in the balance sheet.

#### Other Price Risk

The Group is not directly exposed to any other price risk.

### 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 has not implemented a formal capital management policy however they have implemented a dividend policy.

The Group intends to distribute to shareholders up to approximately 60% of net profit after tax in the form of fully franked dividends, subject to general business and financial conditions, the Group's taxation position, its working capital and future capital expenditure requirements, the availability of sufficient franking credits and any other factors the Board considers relevant.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

## 27. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the Group's exposure to interest rate, liquidity and risk, see note 26.

	2014 \$'000	2013 \$'000
<b>Current liabilities</b>		
Finance lease liabilities	1,875	1,878
	1,875	1,878
<b>Non-current liabilities</b>		
Finance lease liabilities	820	2,695
	820	2,695

The finance lease liabilities are carried in the accounts at their carrying value and are secured over the assets that are subject to the hire purchase agreement.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 28. Capital and reserves

### Share capital

	Note	2014		2013	
		Number	\$'000	Number	\$'000
<b>Ordinary shares</b>					
Issued and fully paid		161,523,130	57,578	161,523,130	57,578
<b>Movements in shares on issue</b>					
Balance at the beginning of the financial year		161,523,130	57,578	161,486,826	57,554
Share based payments		-	-	36,304	24
Balance at the end of the financial year		161,523,130	57,578	161,523,130	57,578

### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### Share based payments reserve

The share based payments reserve records the fair value of share based payments provided to employees.

### Dividends

Dividends recognised in the current year by the Group are:

	Cents per share	Total amount \$'000	Franked	Date of payment
<b>2014</b>				
Final 2013 ordinary	2.70	4,361	Franked	17th October 2013
Interim 2014 ordinary		-		
Total amount		4,361		
<b>2013</b>				
Final 2012 ordinary	2.25	3,633	Franked	18th October 2012
Interim 2013 ordinary		-		
Total amount		3,633		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

### Declared after end of year

After the balance sheet date a dividend of 2.70 cents per share in the amount of \$4.361 million was proposed by the directors. The dividend has not been provided in the financial statements.

	Company	
	2014	2013
	\$'000	\$'000
Franking account balance	8,201	9,305

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- (a) franking credits that will arise from the payment of the current tax liabilities; and
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the year end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 29. Reconciliation of cash flows from operating activities

	2014 \$'000	2013 \$'000
Cash flows from operating activities		
<b>Profit for the year</b>	<b>7,723</b>	<b>17,341</b>
Adjustments for:		
Depreciation and amortisation	7,274	5,961
(Profit)/Loss on sale of property, plant and equipment	(29)	33
Equity-settled share-based payment transactions	(494)	830
<b>(Increase)/decrease in assets:</b>		
Trade and other receivables	(9,894)	3,097
Income tax receivable	2,632	(1,075)
Work in progress	12,800	(5,959)
Inventories	(333)	(1,150)
Prepayments	(122)	(302)
<b>Increase/(decrease) in liabilities:</b>		
Trade and other payables	(10,250)	7,230
Unearned revenue	(571)	1,701
Provisions and employee benefits	(604)	1,201
Income tax payable	2,117	(1,192)
Deferred income tax	(2,887)	4,661
<b>Net cash from operating activities</b>	<b>7,362</b>	<b>32,377</b>

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 30. Related parties

### Transactions with key management personnel

#### i. Key management personnel compensation

Key management personnel compensation comprised the following:

	2014 \$'000	2013 \$'000
Short-term employee benefits	1,787	2,608
Post-employment benefits	107	120
Termination benefits	-	-
Share-based payments	9	421
	1,903	3,149

Compensation of the Group's key management personnel includes salaries and non-cash benefits made up of a short term incentive and long term incentive scheme (see note 31 (i)).

#### ii. Key management personnel transactions

Directors of the Company control 41% of the voting shares of the Company.

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

Transactions value year ended 30 June	
2014 \$'000	2013 \$'000

#### Other related parties

Gianfranco Tomasi	Rental income	772	581
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The Group has entered into rental agreements over the following properties:

- F & A Tomasi Superannuation Fund owns the properties at 41 and 44 Macedonia St, Naval Base WA, which are leased to Southern Cross Electrical Engineering Limited.
- G & A Tomasi own the properties at 45, 47, 49 & 51 Macedonia Street, Naval Base WA which are leased to Southern Cross Electrical Engineering Limited.
- Frank Tomasi Nominees Pty Ltd owns the property at 43 Hope Valley Road, Naval Base WA, which was leased to Southern Cross Electrical Engineering Limited.

Gianfranco Tomasi and spouse are sole directors of Frank Tomasi Nominees Pty Ltd and are the sole shareholders. Frank Tomasi Nominees Pty Ltd as trustee for the Frank Tomasi Family Trust is a major shareholder of Southern Cross Electrical Engineering Ltd.

Under the terms of each of the above property leases, the rent payable is subject to an annual review. This review adjusts the annual rent by the movement in the consumer price index. At the completion of every third year the annual rent is subject to a market review.

The rental payments made above are all at normal market rates and were reviewed by an independent valuer in October 2013 except for 44 Macedonia Street and 43 Hope Valley Road which are due to be reviewed in July 2014.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 31. Share-based payments

### (a) Expense recognised in profit or loss

Share based payments expenses for the year comprises:

		2014 \$'000	2013 \$'000
Issue of ordinary shares to key management		-	10
Issue of ordinary shares to senior management		-	14
2014 Performance Rights	(i)	297	252
2013 Performance Rights	(ii)	(136)	558
2012 Performance Rights	(iii)	(655)	-
		(494)	834

The amount recognised is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

#### i. 2014 Performance Rights

During the year Performance Rights were offered to key management personnel and senior management under the terms of the Senior Management Long Term Incentive Plan. The terms and conditions of the Performance Rights are as follows. All Performance Rights are to be settled by the physical delivery of shares.

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life
Performance rights issued to senior management on 12 December 2013	65,949	Employed on 30 June 2016 and exceed performance hurdle	30 months
Performance rights issued to key management on 28 October 2013	487,769	Employed on 30 June 2016 and exceed performance hurdle	32 months
Performance rights issued to key management on 8 October 2013	184,678	Employed on 30 June 2016 and exceed performance hurdle	33 months
Performance rights issued to senior management on 8 October 2013	476,187	Employed on 30 June 2016 and exceed performance hurdle	33 months
Total performance rights	1,214,583		

Up to 100% of the allocated performance rights may vest, subject to the achievement of the performance conditions as set out below. The key terms of the performance rights are:

To be performance tested over a three year period from 1 July 2013 to 30 June 2016 ("Performance Period");

No performance rights will vest until 30 June 2016;

Performance testing criteria are 50% against Absolute Total Shareholder Return ("TSR") performance, and 50% against Earnings Per Share ("EPS") performance; and

Expiry on the 4th anniversary of the grant date unless an earlier lapsing date applies

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 31. Share-based payments (continued)

The TSR formula is:

$$((\text{Share Price at Test Date} - \text{Share Price at Start Date}) + (\text{Dividends Reinvested}))/\text{Share Price at Start Date}$$

TSR will be assessed against targets for threshold performance of 12% per annum compounded over the Performance Period and for stretch performance of 15% per annum compounded over the Performance Period. The vesting schedule is as follows for TSR performance over the Performance Period:

Less than 12% per annum compounded	0% vesting
12% per annum compounded	50% vesting
Between 12% and 15% per annum compounded	Pro-rata vesting between 50% and 100%
At or above 15% per annum compounded	100% vesting

EPS will be assessed against targets for threshold performance of 17 cents per share at the end of the Performance Period and for stretch performance of 22 cents per share at the end of the Performance Period. The vesting schedule is as follows for EPS performance at the end of the Performance Period:

Less than 17 cents per share	0% vesting
17 cents per share	50% vesting
Between 17 and 22 cents per share	Pro-rata vesting between 50% and 100%
At or above 22 cents per share	100% vesting

Once the performance measurement calculation has been finalised the company will allot and issue the equivalent number of shares at nil consideration on the basis of one ordinary share per vested performance right for all performance rights exercised.

During the year 209,372 of the 2014 performance rights were forfeited.

### ii. 2013 Performance Rights

There were 961,050 2013 Performance Rights on issue at 1 July 2013. No 2013 Performance Rights were granted, none vested and 381,615 were forfeited during the year.

The 2013 Performance Rights were performance tested over a three-year period from 1 July 2012 to 30 June 2015. The hurdles used to determine performance are Relative Total Shareholder Return (TSR) and Earnings per Share (EPS) performance.

TSR will be assessed against targets for threshold performance of 12% per annum compounded over the Performance Period and for stretch performance of 15% per annum compounded over the Performance Period. The vesting schedule is as follows for TSR performance over the Performance Period:

Less than 12% per annum compounded	0% vesting
12% per annum compounded	50% vesting
Between 12% and 15% per annum compounded	Pro-rata vesting between 50% and 100%
At or above 15% per annum compounded	100% vesting

EPS will be assessed against targets for threshold performance of 17 cents per share at the end of the Performance Period and for stretch performance of 22 cents per share at the end of the Performance Period. The vesting schedule is as follows for EPS performance at the end of the Performance Period:

Less than 17 cents per share	0% vesting
17 cents per share	50% vesting
Between 17 and 22 cents per share	Pro-rata vesting between 50% and 100%
At or above 22 cents per share	100% vesting

### iii. 2012 Performance Rights

There were 1,821,617 2013 Performance Rights on issue at 1 July 2013. No 2012 Performance Rights were granted, none vested and 491,881 were forfeited during the year. Subsequent to 30 June 2014 it has been determined that the vesting conditions in respect of the remaining 2012 Performance rights have not been met and these will be forfeited.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 31. Share-based payments (continued)

The 2012 Performance Rights were performance tested over a three-year period from 1 July 2011 to 30 June 2014. The hurdles used to determine performance are Relative Total Shareholder Return (TSR) and Earnings per Share (EPS) performance.

TSR will be assessed against targets for threshold performance of 12% per annum compounded over the Performance Period and for stretch performance of 15% per annum compounded over the Performance Period. The vesting schedule is as follows for TSR performance over the Performance Period:

Less than 12% per annum compounded	0% vesting
12% per annum compounded	50% vesting
Between 12% and 15% per annum compounded	Pro-rata vesting between 50% and 100%
At or above 15% per annum compounded	100% vesting

EPS will be assessed against targets for threshold performance of 12 cents per share at the end of the Performance Period and for stretch performance of 15 cents per share at the end of the Performance Period. The vesting schedule is as follows for EPS performance at the end of the Performance Period:

Less than 12 cents per share	0% vesting
12 cents per share	50% vesting
Between 12 and 15 cents per share	Pro-rata vesting between 50% and 100%
At or above 15 cents per share	100% vesting

### iv. Options

The options outstanding at 30 June 2014 all have an exercise price of \$1.15 and a weighted average contractual life of 5 years. At year end options outstanding are as follows:

	Weighted average exercise price 2014	Number of Options 2014	Weighted average exercise price 2013	Number of Options 2013
Outstanding at 1 July	\$1.15	166,667	\$1.15	333,334
Options exercised during the period	\$1.15	-	\$1.15	-
Options forfeited during the period	\$1.15	166,677	\$1.15	166,667
Outstanding at 30 June	\$1.15	-	\$1.15	166,667
Exercisable at 30 June	\$1.15	-	\$1.15	166,667

No options were exercised during the year (2013: Nil) and 166,667 were forfeited during the year (2013: 166,667 forfeited).

### (b) Measurement of fair values

The fair value of the TSR Performance Rights has been measured using the Monte-Carlo simulation. The EPS Performance Rights has been measured using the Binomial tree methodology.

The inputs used in the measurement of the fair values at grant date were as follows:

#### 2014

The performance rights issued in respect of the 2014 financial year were granted in three separate tranches as follows:

Grant Date	8 October 2013	28 October 2013	12 December 2013
Vesting date	30 June 2016	30 June 2016	30 June 2016
Share price at grant date	\$1.21	\$1.10	\$0.80
Expected life	2.7 years	2.7 years	2.6 years
Volatility	40%	40%	40%
Risk free interest rate	2.88%	2.85%	2.83%
Dividend yield	2.2%	2.4%	3.3%
Fair value of TSR component	\$0.80	\$0.68	\$0.34
Fair value of EPS component	\$1.14	\$1.03	\$0.73

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 31. Share-based payments (continued)

2013

The performance rights issued in respect of the 2013 financial year were granted in two separate tranches as follows:

Grant Date	25 October 2012	29 October 2012
Vesting date	30 June 2015	30 June 2015
Share price at grant date	\$1.15	\$1.24
Expected life	2.8 years	2.7 years
Volatility	40%	40%
Risk free interest rate	2.55%	2.57%
Dividend yield	3.9%	3.6%
Fair value of TSR component	\$0.48	\$0.57
Fair value of EPS component	\$1.03	\$1.13

### (c) Reconciliation of outstanding performance rights

The number and weighted average exercise prices of performance rights under the programmes were as follows:

	2014 Number of rights	2013 Number of rights
Outstanding at 1 July	2,782,667	1,936,617
Granted during the year	1,214,583	961,050
Forfeited during the year	(1,082,868)	(115,000)
Outstanding at 30 June	2,914,382	2,782,667
Vested and exercisable at 30 June	-	-

Subsequent to 30 June 2014 it has been determined that the vesting conditions in respect of the 2012 Performance rights have not been met and 1,328,736 performance rights included as outstanding above will be forfeited.

## 32. Commitments

### Leasing commitments

#### Operating lease commitments – as lessee

The Group has entered into commercial property leases. These leases have an average life of 3 years remaining with options to renew at the end of the initial term. Future minimum rentals payable under non-cancellable operating leases as at 30 June 2014 are:

	2014 \$'000	2013 \$'000
Within one year	1,051	850
After one but no more than five years	2,787	2,445
After more than five years	987	821
Total minimum lease payments	4,825	4,116

Under the terms of the above property leases, the rent payable is subject to annual review. This review adjusts the annual rent by the movement in the consumer price index. At the end of every third year annual rent is subject to a market review.

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 33. Contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	2014 \$'000	2013 \$'000
Bank Guarantees	19,677	19,751
Surety Bonds	14,641	14,060

Total bank guarantee facilities at 30 June 2014 were \$60 million and the unused portion was \$40.3 million. This facility is subject to annual review. Total surety bonds facilities at 30 June 2014 were \$30 million and the unused portion was \$15.4 million. This facility is subject to annual review. Both facilities are set to mature on 31 August 2015.

## 34. Intangible assets – goodwill and customer contracts

### Reconciliation of carrying amount

Cost	Note	Goodwill \$'000	Customer Contracts \$'000	Total \$'000
Balance as at 1 July 2012		17,174	1,811	18,985
Acquisitions through business combinations		-	-	-
Balance as at 30 June 2013		17,174	1,811	18,985
Balance as at 1 July 2013		17,174	1,811	18,985
Acquisitions through business combinations		-	-	-
Balance as at 30 June 2014		17,174	1,811	18,985
<b>Amortisation</b>				
Balance as at 1 July 2012		-	(1,435)	(1,435)
Amortisation		-	(150)	(150)
Balance as at 30 June 2013		-	(1,585)	(1,585)
Balance as at 1 July 2013		-	(1,585)	(1,585)
Amortisation		-	(151)	(151)
Balance as at 30 June 2014		-	(1,736)	(1,736)
<b>Carrying amounts</b>				
At 1 July 2012		17,174	377	17,551
At 30 June 2013		17,174	226	17,400
At 1 July 2013		17,174	226	17,400
At 30 June 2014		17,174	75	17,249

# Notes to the Financial Statements continued

For the year ending 30 June 2014

## 34. Intangible assets – goodwill and customer contracts (continued)

### Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which goodwill is monitored for internal management purpose.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2014 \$'000	2013 \$'000
Construction	7,066	7,066
Infrastructure	3,616	3,616
Services	6,492	6,492
	<u>17,174</u>	<u>17,174</u>

The recoverable amount of the above cash generating units ("CGUs") was based on their value in use. The carrying amount of the CGUs was determined to be lower than their recoverable amounts and therefore no impairment charge has been recognised.

Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU. Five years of cash flows were included in the discounted cash flow models together with a terminal value reflecting a long term growth rate of 2% (2013: 1.5%). The calculation of value in use was based on the following key assumptions:

Cash flows were projected based on past experience, actual operating results and independent research on the markets the CGUs operate.

EBITDA for 2015 is based on the board approved budget with EBITDA for 2016 – 2019 based on management forecasts. The anticipated annual revenue growth included in the cash flow projections has been based on growth rates that have been estimated by management. The margins included in the projected cash flow are the same rate that has been achieved by projects commencing in 2014.

A post-tax discount rate of 12.4% (2013: 9.6%) was applied. This discount rate was estimated based on past experience and industry average weighted cost of capital.

## 35. Subsequent events

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

## 36. Auditor's remuneration

	2014 \$	2013 \$
Remuneration of KPMG Australia as the auditor of the parent entity for:		
- Auditing or reviewing the financial report	255,577	282,003
	<u>255,577</u>	<u>282,003</u>

# Directors' Declaration

1. In the opinion of the directors of Southern Cross Electrical Engineering Limited (the "Company"):
  - a. The consolidated financial statements and notes, and the Remuneration report in the Directors' report, 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 2014 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. the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a),
  - c. there are reasonable grounds to believe that 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 managing director and chief financial officer for the financial year ended 30 June 2014.

This declaration is made in accordance with a resolution of the Board of Directors.

Signed in accordance with a resolution of the directors:



**Simon High**

Managing Director

Perth

25 August 2014



## **Independent auditor's report to the members of Southern Cross Electrical Engineering Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Southern Cross Electrical Engineering Limited (the company), which comprises the consolidated balance sheet as at 30 June 2014, and 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 36 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(a), 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*.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



*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 2014 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(a).

**Report on the remuneration report**

We have audited the Remuneration Report included in the directors' report on pages 24 to 32 for the year ended 30 June 2014. 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 Southern Cross Electrical Engineering Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Matthew Beevers  
Partner

Perth

25 August 2014



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

To: the directors of Southern Cross Electrical Engineering Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 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

Matthew Beevers  
*Partner*

Perth

25 August 2014

# ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

## Shareholdings (as at 8 August 2014)

### Substantial shareholders

The number of shares held by substantial shareholders and their associates as advised to the Company are set out below:

Shareholder	Number	Number
Gianfranco Tomasi	65,227,131	40.4%
Commonwealth Bank of Australia	15,109,621	9.4%
Celeste Funds Management	12,299,349	7.6%
Acorn Capital	12,018,795	7.4%

## Voting rights

### Ordinary shares

Refer to note 28 in the financial statements

### Options

There are no voting rights attached to the options.

## Distribution of equity security holders

Category	Number of equity security holders	
	Ordinary shares	Options/ Performance rights
1 - 1,000	186	-
1,001 - 5,000	357	-
5,001 - 10,000	232	-
10,001 - 100,000	393	18
100,001 and over	45	4
	1,213	22

The number of shareholders holding less than a marketable parcel of ordinary shares is 144.

## Securities Exchange

The Company is listed on the Australian Securities Exchange. The home exchange is Perth.

## Other information

Southern Cross Electrical Engineering Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

# ASX Additional Information

## Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
FRANK TOMASI NOMINEES PTY LTD <FRANK TOMASI FAMILY A/C>	63,027,131	39.02
CITICORP NOMINEES PTY LIMITED	16,781,423	10.39
J P MORGAN NOMINEES AUSTRALIA LIMITED	12,144,550	7.52
UBS NOMINEES PTY LTD	11,493,957	7.12
NATIONAL NOMINEES LIMITED	7,429,723	4.60
ZERO NOMINEES PTY LTD	7,378,000	4.57
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	5,594,411	3.46
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,620,982	2.86
CARMAN SUPER PTY LTD <M & B CARMAN SUPER FUND A/C>	2,000,000	1.24
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,770,043	1.10
OFFSHORE ELECTRICAL SERVICES PTY LTD	1,500,000	0.93
MR RAYMOND JOHN WISE	1,280,846	0.79
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	1,085,000	0.67
MR ANDREW WILLIAM MCKENZIE + MRS CATHERINE PATRICIA MCKENZIE <A W MCKENZIE SUPER FUND A/C>	1,025,052	0.63
CHEMCO SUPERANNUATION FUND PTY LTD <CHEMCO SUPER FUND NO 2 A/C>	900,000	0.56
CHEMCO SUPERANNUATION FUND PTY LTD <CHEMCO SUPER FUND NO 2 A/C>	830,000	0.51
MR JORN WILLIAM HENRY GRANGER	794,269	0.49
GHISA PTY LTD	700,000	0.43
BUCHHORN PTY LTD <SGK BUCHHORN FAMILY S/F A/C>	515,108	0.32
MR SIMON ROBERT HIGH + MRS KATHLEEN MARY HIGH <SIMON HIGH S/F A/C>	500,000	0.31
	141,370,495	87.52

# Glossary

CSG	Coal seam gas
E&I	Electrical and Instrumentation
EPC	Engineering, procurement and construction
EPCM	Engineering, procurement and construction management
JV	Joint venture
LNG	Liquefied natural gas
LTI	Lost time incident
NPAT	Net profit after tax
SMP	Structural, mechanical and piping

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