Southern Cross
Electrical Engineering Limited

Annual Report

2012

Contents

Who we are

Southern Cross was established in 1978 and is a dedicated provider of large scale specialised electrical, control and instrumentation services for major resources projects.

Southern Cross delivers outstanding client service and has developed strong relationships with major operators including Rio Tinto, BHP, Woodside, QGC, Barrick and Newmont.

With extensive knowledge and expertise gained from our more than 30 years experience in the resources sector in Australia and overseas we understand the requirements of costs, compliance, quality and delivery.

"We have an exceptional pipeline of construction projects leading into operational support opportunities that can underpin our continued growth for many years to come."

Simon High, Managing Director

What we do

Southern Cross now operates through three key brands to facilitate the future growth of the company and provide "full life cycle of project" electrical services:

- SCEE Infrastructure
- SCEE Construction
- SCEE Services

The range of electrical services we offer our clients includes:

- Constructability reviews;
- Material procurement, transport and logistics;
- Electrical and instrumentation installation;
- Installation pre-commissioning and commissioning;
- Shutdown maintenance and installations;
- Installation contractual verification documentation; and
- Manufacturers' data and maintenance manuals.

Located in Western Australia and Queensland, and in Latin America, Southern Cross is well positioned to drive growth with the goal of providing long term relationships with our clients and generating sustainable revenue in the following sectors:

- Iron Ore;
- Liquefied Natural Gas;
- Coal;
- Coal Seam Gas; and
- Metals and Minerals.

2012 Highlights

Some of the highlights were:

- Continued delivery of expansion projects in the Pilbara for Rio Tinto.
- Ongoing commitment with Sino Iron at Cape Preston.
- Nearing successful completion of two major gold projects, Cadia in New South Wales and Pueblo Viejo in the Dominican Republic, and our first coal project in Queensland, Lake Vermont Coal Handling Plant.
- Successful delivery of Early Works for Thiess on QGC's LNG project in Queensland.
- Maintaining our long term relationships in our operational support and maintenance services business, both off-shore and on-shore, with clients such as BP, Stena and Rio Tinto.

Outlook

In 2013 the performance of Southern Cross will be underpinned by the framework agreements it has entered into on the Sino Iron project and with Rio Tinto for its 353mtpa program in the Pilbara. The outlook is optimistic given the strong investment pipeline in significant Oil & Gas projects around Australia, sustaining capital initiatives in various resources sectors and life cycle replacement and upgrades to their electrical infrastructure.

Southern Cross is well placed to undertake these larger complex projects with a strong balance sheet, skilled and experienced workforce and the necessary plant and equipment.

"Our expectation is for Southern Cross to have strong growth in the next financial year."

John Cooper, Chairman

Chairman's Review

John Cooper
Chairman

Dear Shareholders

I am delighted to report on the achievements of Southern Cross Electrical Engineering Limited for the 2012 financial year.

The year has been both challenging and rewarding for Southern Cross. Our results reflect the strong performance by the whole group. The benefits of our excellent client relationships are also evident in this year's result and in the strong order book for next year.

Results

Our results for 2012 reflect the enormous effort made by all personnel in Southern Cross. We have achieved record revenue of $220.0m for the year. Results from operations were $19.4m and profit after tax from continuing operations was $13.7m.

On this basis the Board has declared a dividend of 2.25 cents per share. As we enter the next financial year the Company is in a strong financial position with cash of $31.5m and a confirmed order book of $79.1m excluding recurring services work at 30 June 2012. We have significant new orders in an advanced state of negotiations.

Outlook

Our expectation is for Southern Cross to have strong growth in the next financial year. We continue to strengthen our management team as well as maintaining a focus and commitment to the ongoing development of our company systems and training at all levels.

Despite the current softening in the commodities sector, major clients continue to develop work packages in the mining and oil and gas sectors complementary to the core capabilities of our organisation. Our record in project delivery coupled with our focus on quality and safety ensures continuous improvement within the Company.

The Board of Directors

We welcomed Peter Forbes and Jack Hamilton to the Board of Southern Cross as Independent Non-Executive Directors from 1 October 2011. Their experience, together with that of Derek Parkin (Independent Non-Executive Director), Frank Tomasi (Non-Executive Director) and Simon High (CEO & Managing Director), provides the Board with significant public company experience as well as relevant operational, financial and technical expertise.

The Board is committed to the highest standards of corporate governance and welcomes the challenge in continuing to shape the future of the Company.

I would like to thank all our staff for achieving such an outstanding result in 2012 and look forward to all of our stakeholders' continued support in 2013 and beyond.

John Cooper
Chairman

"We go into 2013 with an increased order book, greater operational capacity, a strong balance sheet and having made good progress improving our systems and processes."

Simon High, Managing Director

Managing Director's Review

Simon High
Managing Director

I am pleased to be able to report on the performance of Southern Cross Electrical Engineering Limited during my second year as Managing Director and one that has produced significantly improved financial results.

Financial Results

The key financial results for 2012 were:

- Contract revenue: up 116% from $101.8m in 2011 to $220.0m in 2012.
- Profit after tax from continuing operations: up from a loss of $1.7m in 2011 to a profit of $13.7m in 2012.
- Earnings per share: up from a loss of 1.28cps in 2011 to 8.50cps in 2012.
- Cash: as at 30 June 2012 we had $31.5m cash (30 June 2011: $26.3m) and minimal debt. During the year we acquired $10.7m of fixed assets, mainly new plant, equipment and vehicles to deploy on our projects, and funded the increased working capital requirement to service our increased level of activity.
- Banking and bonding: capacity increased from $30.25m to $60.25m during the year and $5.0m of restricted cash deposits released.
- Overheads: down from an unsustainable level of 15% of revenue in 2011 to just below 10% of revenue in 2012

This was expected to be a transitional year for Southern Cross, so to achieve a strong set of financial results whilst at the same time building the foundations for much greater and sustainable growth in the future has been pleasing. This is demonstrated by the progress we have made against the three-year targets we set ourselves at the beginning of FY12 which were to achieve:

- Annual revenue in excess of $200m;
- Overheads as a percentage of revenue to be below 10%; and
- EBITDA percentage to be 15% or greater.

These three-year targets were an interim goal that allowed every part of the Group to develop strategies and action plans in an aligned manner in support of this goal. I am pleased to report that by the end of the first year of that three year period we have already achieved two of these three goals (revenue and overheads) and are making good progress with the third (EBITDA percentage).

Non-Financial Achievements

During the year we have significantly improved the size, structure and capability of many of our support services. One of the lessons learnt from our experiences in 2011 of working on large schedule of rates contracts was that our project management systems needed to be fundamentally reviewed and updated. This resulted in a two-year programme that has become known as SCEEtrak, to develop a suite of project management systems specific to the needs of an Electrical & Instrumentation construction company. We are currently mid-way through this significant upgrade and are on both budget and schedule. We have rolled out some of the early modules of SCEEtrak, with immediate improvements to our operations. The major benefits will be experienced once the whole suite of modules that make up SCEEtrak are complete and rolled out across the group, which we expect to be by June 2013.

Our overall aim is to put in place the foundations in terms of people, systems, processes, plant and equipment and financial capacity to enable Southern Cross to be a Tier 1 Electrical & Instrumentation construction company across all the markets we service. The achievements of 2012 have taken us a significant step in that direction.

Managing Director's Review (continued)

Operations Review

The overall business environment and prospects for Southern Cross during 2012 reflected a much healthier situation than encountered during 2011. From an opening order book of $75.0m at the start of 2012, we won and executed a further $145.0m, bringing our total revenue for the year to $220.0m.

Southern Cross now operates in four different resource sectors:

- Iron Ore;
- Minerals and Gold;
- Oil & Gas; and
- Coal.

Major projects in 2012

Client	***Project***	***Progress***
Pueblo Viejo Dominican Corporation	Pueblo Viejo Gold Project	Nearing Practical Completion
MCC Mining	Sino Iron Project	Ongoing
Rio Tinto Iron Ore	Sustaining Works Project	Ongoing
Cadia Holdings	Cadia Expansion Project	Complete
Rio Tinto Iron Ore	Coastal Waters 33kv Transmission Line	Ongoing
Thiess Sedgman Joint Venture	Lake Vermont Coal Handling Plant	Ongoing
Thiess	QGC Upstream Early Works	Ongoing

West Coast Operations

Activity has focussed on two major projects:

• *MCCM Sino Iron Project*

This has been a demanding project for Southern Cross, initially working on the Concentrator area of Train 1 and some of the common infrastructure referred to as Package F. Southern Cross has now commenced work on the Train 2 concentrator and on the main conveyors down to the primary crushers.

We believe we have developed a very constructive relationship with the EPC contractor, MCC Mining, and the project owners, Citic Pacific. This project is a major undertaking and I would hope, based on performance, that Southern Cross will continue to be involved until completion of the remaining four process trains and then into the operational support phase.

• *Rio Tinto Iron Ore Sustaining Works Projects*

We continued to work for Rio Tinto across a number of their operations in 2012. Many of the projects were early works related to their 333 mtpa expansion in which Southern Cross hopes to be involved in 2013 and beyond.

East Coast Operations

Operations on the East Coast have grown dramatically in 2012 and the main projects undertaken have been:

• *Cadia Expansion Project*

This project was practically complete by 30 June 2012, with a small amount of work going into 2013. We were pleased with the overall execution of the works and especially in achieving a major plant shutdown in a safe and efficient manner towards the end of calendar year 2011.

• *Lake Vermont Coal Handling Plant*

This was the first major coal project awarded to Southern Cross by the Thiess Sedgman Joint Venture and is of both strategic and operational significance. This is ongoing and we are pleased with the performance to date as well as the constructive working relationship that has developed with our client.

• *QGC Early Works*

We commenced work for Thiess on the Early Works element of their coal seam gas contract with QGC. Whilst not without some overall project challenges we are pleased with the constructive relationship with Thiess and QGC. We would hope to continue with other phases of this project during 2013 and beyond.

Operations Review (continued)

International Operations

• *Pueblo Viejo Gold Project, Dominican Republic*

This project was substantially complete by 30 June 2012. Despite logistical challenges undertaking a major project overseas we are very pleased with how the project progressed and is now being closed out.

K.J. Johnson & Co

K.J. Johnson & Co has also experienced very rapid, although sustainable, growth. Much of the corporate support for K.J. Johnson & Co now comes from common group functions such as HR, Training, Safety, Quality, Plant & Equipment and Finance allowing them to focus on project delivery.

Progress on Rio Tinto's Cape Lambert 33kV line is now well advanced and was the first time we have used helicopters during construction of the project. The award of two further Rio Tinto projects, Coastal Waters and Yandi, provide a solid order book for K.J. Johnson & Co well into 2013. K.J. Johnson & Co has been rebranded SCEE Infrastructure from 1 July 2012.

Training

In June 2011 we launched the new Training Centre to accommodate the growth in training requirements and provide a holistic introduction to the company to all staff, including company inductions, gap training and safety training prior to site mobilisation.

The Training Centre has exceeded expectations in mobilisation and regular training of our employees. Direct savings have been achieved by delivering in-house training with partnering Registered Training Organisations.

Apprentice Program

We have employed 121 apprentices since 1979 and this has produced outstanding tradespeople who have progressed to Leading Hand, Supervisor and Manager roles within the company. In 2012 we had 54 apprentices across the business and the apprentice program growth strategy is aligned to the anticipated labour shortage of electricians. I believe investment in our apprentice program is one of our most important objectives.

Safety

I am pleased that our Australian operations achieved an eighth consecutive year without incurring a Lost Time Injury (LTI), which is a credit to all our employees.

Regrettably we had an incident during the year on our project in the Dominican Republic that injured two employees, resulting in them having to take time off work to recover. I am pleased that both our employees returned to work after receiving good medical attention. We learnt valuable lessons from this incident which have been shared across the Group.

Managing Director's Review (continued)

Growth Opportunities for FY13 and Beyond

Having achieved a very solid financial and operational performance in 2012, we go into 2013 with an increased order book, greater operational capacity, a strong balance sheet and having made good progress improving our systems and processes.

Order Book

Our order book going into 2013 stands at confirmed orders of $79.1m plus a further $140.0m of preferred contractor status orders in an advanced state of negotiation. The majority of both the secured as well as preferred contractor work is for execution during 2013. This order book figure excludes our recurring revenues coming from our services operations which currently generate around $2m per month, which we expect to continue at similar or greater levels.

Markets

Market conditions in Australia, China, USA and Europe have softened, especially with respect to commodity prices, which has taken some heat out of the market. This reduction in commodity prices, coupled with rising labour costs and many major projects experiencing cost increases and delayed start-ups, has left a greater feeling of uncertainty about the market outlook.

However, in the LNG sector, we currently have six major projects that have achieved Final Investment Decision (FID) and are in execution - Gorgon, Wheatstone, Inpex, QGC, GLNG and APLNG. This exceeds any previous level of work ever seen in Australia and where, in general, the E&I construction work is still to be awarded.

The QGC, GLNG and APLNG projects have upstream coal seam gas elements which are very significant amounts of work and will continue for a number of years past the LNG process plant start-up.

On the West Coast we believe iron ore developments with key clients such as Rio Tinto, BHP and Fortescue Metals Group will continue to provide a very good base workload. These, together with the magnetite projects of which some are in execution (eg Sino Iron), and others progressing to FID such as Roy Hill, South Downs, West Pilbara Iron Ore, and Jack Hills will provide a very solid pipeline of work.

Coal projects on the East Coast coupled with gold and other mineral projects in Western Australia, Queensland and South Australia will provide the fourth leg of our growth opportunities.

SCEE Services

From 1 July 2012 the merging of Hindles and our West Coast operations and maintenance support contracts under one umbrella has commenced and has been branded as SCEE Services. Whilst still relatively small, I believe this area of our company will grow quickly as new projects come on line, especially those where we are involved in the project's construction phase.

Conclusion

Whilst increased uncertainty is understandable, it does not in our opinion change the extremely positive outlook we have for the next three to five years as a minimum. I believe we have an exceptional pipeline of construction projects leading into operational support opportunities that can underpin our continued growth for many years to come.

I would like to thank all our shareholders and employees for their support and encouragement during the past year.

Simon High
Managing Director

Directors' Report

Directors' Report

For the year ending 30 June 2012

Your Directors submit their report for Southern Cross Electrical Engineering Limited ("Southern Cross", "SCEE" or "the Company") for the year ended 30 June 2012.

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.

John Cooper
Chairman, Independent Non-Executive Director

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. John accepted the role of Chairman in March 2011, having served on the Board since the Company listed on the ASX in 2007.

John is also a Non-Executive Director of Flinders Mines Limited, based in Adelaide, NRW Holdings, a major Western Australian based Civil Engineering contractor, Neptune Marine Limited, based in Perth, and QR National Limited, a Queensland based freight railway operator and rail transporter.

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.

John's experience includes five years as Managing Director and Chief Executive of CMPS&F and over twenty years with Concrete Constructions, where he held the position of General Manager and was on the Board. 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.

John was the Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee until 30 September 2011.

Gianfranco Tomasi
Non-Executive Director

Frank has over 40 years experience in the electrical construction industry.

Frank is the founder of the Company. He was the Chairman of Southern Cross from 1978 until he retired from that role in March 2011. Prior to founding the Company he worked at Transfield (WA) Pty Ltd from 1968 – 1978, serving as the National Electrical Manager from 1971 – 1978.

Frank holds an Electrical Engineering Certificate (NSW) and is a Member of the Australian Institute of Company Directors. Frank is a member of the Nomination and Remuneration Committee and was a member of the Audit and Risk Management Committee until 30 September 2011.

Peter Forbes
Independent Non-Executive Director (Appointed 1 October 2011)

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

Peter was previously a Non-Executive Director of Macarthur Coal Ltd and currently serves as a director of QIC Private Capital Pty Ltd and as a member of the Queensland Council of the Australian Institute of Company Directors.

Peter has been the Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee since 1 October 2011.

Directors (continued)

Simon High
Managing Director

Simon has over 35 years experience in many aspects of the resource industry (oil & gas and mineral processing) on a global basis. He graduated in the UK with a Bachelor of Science Degree in Civil Engineering and has worked in Project Management roles in the UK, Norway, Europe and South Africa.

For the past 18 years Simon has worked in corporate management roles as Engineering Director, Managing Director, President and Chief Operating Officer with John Brown Engineers & Constructors, Aberdeen; Kvaerner Oil & Gas, Houston; United Construction, Australia; and Clough Limited, Western Australia.

He has proven experience in capex and opex contracting roles where he has been responsible for execution of world size projects, both offshore and onshore in addition to growing new and existing businesses. Simon has a track record in developing strong customer relations based on industry knowledge, performance and trust. Simon has a Bachelor of Science in Civil Engineering, is a Fellow of the Institute of Engineers and a Fellow of the Australian Institute of Company Directors.

Derek Parkin
Independent Non-Executive Director

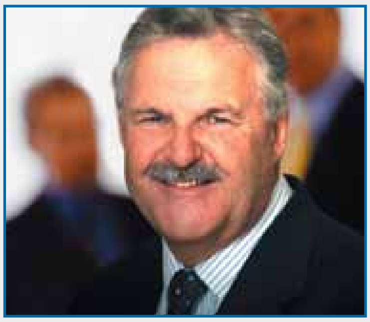
Derek is a Fellow of the Institute of Chartered Accountants Australia (ICAA) and a Fellow of the Australian Institute of Company Directors.

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 and was a member of the Nomination and Remuneration Committee until 30 September 2011.



John ("Jack") Hamilton
Independent Non-Executive Director (Appointed 1 October 2011)

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.

He holds a Bachelor of Chemical Engineering Degree and a Doctorate of Philosophy (Engineering) both from the University of Melbourne. Jack currently holds a Non-Executive Directorship with Geodynamics Ltd.

Jack has been a member of both the Nomination and Remuneration Committee and the Audit and Risk Management Committee since 1 October 2011.

Directors' Report (continued)

For the year ending 30 June 2012

Executive Team

Simon Buchhorn
Chief Operating Officer

Simon has been with SCEE for over 30 years and has extensive experience through a number of roles in the business. He is responsible for the Company's operations, contract delivery, client negotiations and general business activities.

Chris Douglass
Chief Financial Officer/Company Secretary (Appointed 19 September 2011)

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 Chartered Secretaries Australia who commenced his finance career with Deloitte. Prior to his time with Deloitte, Chris qualified and practiced as a solicitor in London. He is responsible for the preparation of the Company's financial records, financial planning, enterprise risk management, investor relations and company secretarial duties.

Stephen Fewster
Chief Financial Officer/Company Secretary (Resigned 7 October 2011)

Stephen was the Chief Financial Officer and Company Secretary at iiNet Ltd before joining SCEE in March 2008. Stephen has a Bachelor of Business and is a Chartered Accountant and a member of FINSIA.

Company Secretary

Chris Douglass CA, ACIS

Chris Douglass was appointed to the position of Company Secretary on 19 September 2011. Chris is a Chartered Accountant and a member of Chartered Secretaries Australia.

Stephen Fewster CA, SA Fin

Stephen Fewster resigned from the position of Company Secretary on 7 October 2011.

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 Southern Cross Electrical Engineering Limited were:

Director	Number of ordinary shares	Number of options over ordinary shares
John Cooper	116,667	-
Simon High	750,000	-
Gianfranco Tomasi	65,227,131	-
Derek Parkin	20,000	-
Peter Forbes	50,000	-
Jack Hamilton	29,780	-

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[1]	10	10	2	2	2	2
Simon High[2]	10	10	N/A	N/A	N/A	N/A
Gianfranco Tomasi[3]	10	10	2	1	3	3
Derek Parkin[4]	10	10	5	5	2	2
Peter Forbes[5]	7	7	3	3	1	1
Jack Hamilton[6]	7	7	3	3	1	1

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

1. *John Cooper was the Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee until 30 September 2011.*
2. *Simon High was not a member of the Audit and Risk Management Committee and the Nomination and Remuneration Committee. As the Managing Director, Simon had a standing invitation to attend committee meetings.*
3. *Gianfranco Tomasi was a member of the Audit and Risk Management Committee until 30 September 2011.*
4. *Derek Parkin was a member of the Nomination and Remuneration Committee until 30 September 2011.*
5. *Peter Forbes was appointed as a Non-Executive Director, the Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee on 1 October 2011.*
6. *Jack Hamilton was appointed as a Non-Executive Director and a member of both the Nomination and Remuneration Committee and the Audit and Risk Management Committee on 1 October 2011.*

Directors' Report (continued)

For the year ending 30 June 2012

Dividends

	Cents per share	Total amount $'000
Declared and paid during the period (fully franked at 30%)		
Final franked dividend for 2011	-	-
Interim franked dividend for 2012	-	-
Declared after balance date and not recognised as a liability (fully franked at 30%)		
Final franked dividend for 2012	2.25c	3,617

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. The group's major projects during 2012 were:

- Sino Iron;
- Rio Tinto's Iron Ore Sustaining Works;
- Cadia;
- TSJV Lake Vermont;
- QGC Early Works;
- Pueblo Viejo; and
- Rio Tinto's Cape Lambert 33kV line.

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 Chairman's Review and Managing Director's Review.

Operating results for the year were:	2012 $'000	2011 $'000
Contract revenue	219,983	101,780
Profit/(loss) after income tax from continuing operations	13,708	(1,652)

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 2012 the Group complied with the regulations.

Share Options and Performance Rights

During the reporting period, no shares were issued from the exercise of options previously granted as remuneration.
During the reporting year 1,516,953 performance rights were issued to senior management and, subject to shareholder approval, a further 419,664 performance rights are to be issued to Simon High under the Senior Management Long Term Incentive Plan.
At the date of this report unissued ordinary shares of the Company under options are:

Expiry date	Exercise price	Number of shares
28 November 2012	$1.15	166,667
28 November 2013	$1.15	166,667
		333,334

All options expire on the earlier of their expiry date or termination of the employee's employment. All of the above options have vested. 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 $75,527 (2011: $18,872).

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, in accordance with advice from the Audit and Risk Management Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services did 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 2012 has been received and can be found on page 85 of this Annual Report.

Remuneration Report

Remuneration Report

Remuneration Report – audited

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	Appointed 1 October 2011
Jack Hamilton	Independent Non-Executive Director	Appointed 1 October 2011

Executive Director

Simon High	Managing Director	

Executive*

Simon Buchhorn	Chief Operating Officer	
Chris Douglass	Chief Financial Officer/Company Secretary	Appointed 19 September 2011
Stephen Fewster	Chief Financial Officer/Company Secretary	Resigned 7 October 2011

* *Gerard Moody, General Manager Business Development, and Philip Dawson, General Manager Corporate Services, ceased to be regarded as KMP from 1 July 2011.*

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 37 of this Annual Report.

Directors' Report (continued)

For the year ending 30 June 2012

Remuneration Report – audited (continued)

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.

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.

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.

Remuneration Report – audited (continued)

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 are comparing to budget the following measures:

- Revenue;
- Net profit after tax;
- Overheads as a percentage of revenue; and
- Forward order book.

The financial KPIs account for between 80% and 90% of both the Managing Director's and the executive team's STI. The non-financial KPIs comprise systems and process developments and health and safety improvements. These KPIs account for between 10% and 20% of both the Managing Director's and the executive team's STI. These measures were chosen as they represent 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 2012 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 2012, there were 351,874 performance rights issued to key management personnel and, subject to shareholder approval, a further 419,664 performance rights are to be issued to Simon High 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.

Directors' Report (continued)

For the year ending 30 June 2012

Remuneration Report – audited (continued)

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, which included Monadelphous Ltd, Clough Ltd and RCR Tomlinson Ltd, when undertaking the annual review process.

From 1 July 2011 until 31 December 2011 the Chairman of the Company's Board received a base annual fee of $120,000 for being the Chairman of the Group. The other Non-Executive Directors received a base annual fee of $60,500. An additional fee of $7,500 per annum was 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. Directors also received a travel allowance. From 1 January 2012 certain fees were revised upwards so that the Chairman of the Company's Board receives a base annual fee of $130,000 and the other Non-Executive Directors receive a base annual fee of $80,000. Committee fees were unchanged and the travel allowance was abolished. Directors also received 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 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 2012 and 30 June 2011 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:

	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008* $'000
Profit/(loss) attributable to owners of the company	13,708	(1,652)	8,675	15,464	11,312
Dividends paid	-	5,588	7,913	7,200	9,756
Change in share price	43%	(20%)	13%	(22%)	22%
Return on capital employed	21%	(2%)	26%	62%	44%

**Official quotation of the Company on the Australian Securities Exchange commenced on 28 November 2007.*

Profit amounts for 2008 to 2012 are calculated in accordance with Australian Accounting Standards (AASBs). The overall level of key management personnel remuneration takes into account the performance of the Group over a number of years.

Remuneration Report – audited (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:

in AUD	Note		Short-term				Post-employment	Termination benefits $	Share-based payments		Total $	Proportion of remuneration performance related %	Value of options and rights as proportion of remuneration %
			Salary & fees $	STI cash bonus (A)$	Non-monetary benefits $	Total $	Super-annuation benefits $		Share issues (B) $	Options and rights (C) (D) $			
Non-executive directors													
John Cooper		2012	132,500	-	-	132,500	11,925	-	-	-	144,425	-	-
		2011	93,667	-	-	93,667	8,572	-	-	-	102,239	-	-
Gianfranco Tomasi		2012	74,000	-	-	74,000	6,660	-	-	-	80,660	-	-
		2011	105,098	-	-	105,098	9,461	-	-	-	114,559	-	-
Brian Carman	1	2012	1,582	-	-	1,582	142	-	-	-	1,724	-	-
		2011	80,417	-	-	80,417	7,380	-	-	-	87,797	-	-
Douglas Fargher	2	2012	-	-	-	-	-	-	-	-	-	-	-
		2011	78,974	-	-	78,974	7,108	-	-	-	86,082	-	-
Derek Parkin		2012	84,000	-	-	84,000	7,560	-	-	-	91,560	-	-
		2011	19,500	-	-	19,500	1,755	-	-	-	21,255	-	-
Peter Forbes	3	2012	69,250	-	-	69,250	6,233	-	-	-	75,483	-	-
		2011	-	-	-	-	-	-	-	-	-	-	-
Jack Hamilton	3	2012	66,084	-	-	66,084	5,948	-	-	-	72,032	-	-
		2011	-	-	-	-	-	-	-	-	-	-	-
Executive directors													
Simon High		2012	711,625	105,000	-	816,625	50,000		570,000	151,079	1,587,704	16.1%	9.5%
		2011	550,001	-	-	550,001	49,500	-	-	-	599,501	-	-
Executives													
Simon Buchhorn		2012	276,878	42,830		319,708	48,173	-	-	64,067	431,948	24.7%	14.8%
		2011	299,382	94,794	-	394,176	23,055	-	-	28,935	446,166	27.7%	6.5%
Chris Douglass	4	2012	219,660	-	-	219,660	19,183	-	-	49,460	288,303	17.2%	17.2%
		2011	-	-	-	-	-	-	-	-	-	-	-
Stephen Fewster	5	2012	75,435	39,116	-	114,551	7,905	12,621	-	(21,462)	113,615	15.5%	(18.8%)
		2011	273,418	62,998	-	336,416	24,608	-	-	29,044	390,068	23.6%	7.4%
Gerard Moody	6	2012	-	-	-	-	-	-	-	-	-	-	-
		2011	242,204	33,660	-	275,864	21,798	-	-	19,056	316,718	16.6%	6.0%
Phillip Dawson	6	2012	-	-	-	-	-	-	-	-	-	-	-
		2011	211,927	29,452	-	241,379	19,074	-	-	17,468	277,921	16.9%	6.3%
Total 2012			**1,711,014**	**186,946**	**-**	**1,897,960**	**163,729**	**12,621**	**570,000**	**243,144**	**2,887,454**	**14.9%**	**8.4%**
Total 2011			**1,954,588**	**220,904**	**-**	**2,175,492**	**172,311**	**-**	**-**	**94,503**	**2,442,306**	**12.9%**	**3.9%**

1. Brian Carman resigned as a Non-Executive Director on 30 June 2011.
2. Douglas Fargher resigned as a Non-Executive Director on 16 March 2011.
3. Peter Forbes and Jack Hamilton were appointed as Non-Executive Directors on 1 October 2011.
4. Chris Douglass was appointed Chief Financial Officer on 19 September 2011.
5. Stephen Fewster resigned on 7 October 2011.
6. Gerard Moody and Philip Dawson ceased to be regarded as KMP from 1 July 2011.

Directors' Report (continued)

For the year ending 30 June 2012

Remuneration Report – audited (continued)

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 set for the 2011 financial year using the criteria set out on page 23. The amount was finally determined after performance reviews were completed and approved by the Nomination and Remuneration Committee.

B. On 29 November 2011 750,000 ordinary shares were issued at nil consideration to Simon High as approved by shareholder resolution at the Company's Annual General Meeting on 28 November 2011. These shares were fair valued at $570,000.

C. 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 value disclosed is the fair value of the options and performance rights recognised in this reporting period.

D. The 419,664 performance rights to be allocated to Simon High under the 2012 LTI are still subject to shareholder approval but have been recognised as set out in (C) above.

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:

	Short term incentive (A)		
	Included in remuneration $	% vested in year	% forfeited in year
Managing Director			
Simon High	105,000	44%	56%
Executives			
Simon Buchhorn	42,830	44%	56%
Chris Douglass (B)	-	-	-
Stephen Fewster	39,116	44%	56%

Note: Gerard Moody and Philip Dawson ceased to be regarded as KMP from 1 July 2011.

(A) 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 2011 financial year. No amounts vest in future financial years in respect of the STI schemes for the 2011 financial year. The 2012 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 2012 financial year.

(B) Chris Douglass was appointed Chief Financial Officer on 19 September 2011 and therefore was not entitled to receive any STI payments relating to the 2011 financial year.

Remuneration Report – audited (continued)

Share Based Payments

Performance rights granted as remuneration in 2012

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.

Table 2 - 2012 Performance Rights

	Granted		Terms and Conditions for each Grant				Vested As at 30 June 2012		Forfeited As at 30 June 2012	
	No.	Grant date	Fair value per performance right at grant date ($)	Exercise price per performance right ($)	Vesting Date	Expiry Date	No.	%	No.	%
Executive Director										
Simon High[1, 3]	209,832	2/5/12	1.25	0.00	30 June 2014	30 June 2015	-	-	-	-
Simon High[2, 3]	209,832	2/5/12	0.92	0.00	30 June 2014	30 June 2015	-	-	-	-
Executives										
Simon Buchhorn[1]	93,503	2/5/12	1.25	0.00	30 June 2014	30 June 2015	-	-	-	-
Simon Buchhorn[2]	93,503	2/5/12	0.92	0.00	30 June 2014	30 June 2015	-	-	-	-
Chris Douglass[1]	82,434	2/5/12	1.25	0.00	30 June 2014	30 June 2015	-	-	-	-
Chris Douglass[2]	82,434	2/5/12	0.92	0.00	30 June 2014	30 June 2015	-	-	-	-
	771,538						-	-	-	-

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 to be allocated to Simon High are subject to shareholder approval*

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 2011 to 30 June 2014 ("Performance Period");
- No performance rights will vest until 30 June 2014;
- 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.

Directors' Report (continued)

For the year ending 30 June 2012

Remuneration Report – audited (continued)

The TSR formula is:

((Share Price at Test Date – Share Price at Start Date) + (Dividends Reinvested))/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 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

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.

Performance rights granted as remuneration in 2011

During the 2011 financial year 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 conditions summarised below. Details on the performance rights that were granted during the 2011 period are as follows:

Table 3 - 2011 Performance Rights

	Granted		Terms and Conditions for each Grant				Vested As at 30 June 2012		Forfeited As at 30 June 2012	
	No.	Grant date	Fair value per performance right at grant date ($)	Exercise price per performance right ($)	Vesting Date	Expiry Date	No.	%	No.	%
Executives										
Simon Buchhorn[1]	30,215	31/7/2010	0.96	0.00	30 June 2012	30 June 2013	-	-	30,215	100%
Stephen Fewster[1, 3]	27,596	31/7/2010	0.96	0.00	30 June 2012	30 June 2013	-	-	27,596	100%
Simon Buchhorn[2]	30,216	31/7/2010	0.67	0.00	30 June 2012	30 June 2013	15,108	50%	15,108	50%
Stephen Fewster[2, 3]	27,595	31/7/2010	0.67	0.00	30 June 2012	30 June 2013	-	-	27,595	100%
	115,622						15,108	-	100,514	-

1. *Performance rights granted with EPS growth as the vesting condition*
2. *Performance rights granted with Relative TSR as the vesting condition*
3. *Stephen Fewster resigned on 7 October 2011 and forfeited his performance rights all of which had not yet vested on that date.*

Remuneration Report – audited (continued)

The performance rights are to be performance tested over a three-year period from 1 July 2009 to 30 June 2012. The hurdles used to determine performance are Earnings per Share (EPS) growth and Relative Total Shareholder Return (TSR).

The performance rights based on the three year compound EPS growth of the Company (50% of award) will vest as follows:

Below 7.5%	Nil
Between 7.5% and 10%	Pro-rata vesting between 50% and 100%
Above 10%	100% satisfied

The performance rights based on the relative growth in the TSR of the Company (50% of award) in comparison to the basket of companies named below, as selected by the Board, will vest as follows:

0 to 49th percentile	Nil
50th to 74th percentile	Linear scale: 50% to 98% satisfied
75th to 100th percentile	100% satisfied

The Comparator Companies Basket comprises the following companies provided that any of the following companies whose shares are not quoted on the ASX for the relevant three year period will not be included:

Ausenco Ltd	Campbell Brothers Ltd	Cardno Ltd	Clough Ltd	Coffey Ltd
Engenco Ltd	Fleetwood Ltd	Lycopodium Ltd	Mermaid Marine Ltd	Monadelphous Ltd
Nomad Ltd	Sedgman Ltd	Worley Parsons Ltd	VDM Group Ltd	

Analysis of movement in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person is detailed below:

	Granted in year $	Value of options exercised in year $	Lapsed in year $
Executive			
Stephen Fewster[1]	-	-	21,272
	-	**-**	**21,272**

1. Stephen Fewster resigned on 7 October 2011 and forfeited his options all of which had vested but not been exercised on that date.

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*
Simon Buchhorn	3 months
Chris Douglass	6 months
Stephen Fewster	3 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.

Corporate Governance Statement

Corporate Governance Statement

For the year ending 30 June 2012

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	Explanation
Principle 1 – Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved for the board and those delegated to senior management and disclose those functions.	Yes	Pages 33-34
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Pages 21-23
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	Pages 31-37
Principle 2 – Structure the board to add value			
2.1	A majority of the Board should be independent directors.	Yes	Pages 33-34
2.2	The chairman should be an independent director.	Yes	Pages 33-34
2.3	The roles of chairman and chief executive officer should not be exercised by the same individual.	Yes	Pages 33-34
2.4	The Board should establish a nomination committee.	Yes	Pages 36-37
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Pages 33-34
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	Pages 33-37
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	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.	No	Pages 34-35
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	Pages 34-35
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	Pages 34-35
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.		Pages 31-37
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	Yes	Pages 35-36
4.2	Structure the audit committee so that it consists of: • only non-executive directors; • a majority of independent directors; • an independent chairman, who is not chairman of the Board; and • at least three members.	Yes	Pages 35-36
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 31-37

Corporate Governance Statement (continued)

For the year ending 30 June 2012

	Recommendation	Comply Yes / No	Explanation
Principle 5 – Make timely and balanced disclosure			
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 31-37
Principle 6 – Respect the rights of shareholders			
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 31-37
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Pages 34-35
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	Pages 34-35
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 36
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Pages 31-37
Principle 8 – Remuneration fairly and responsibly			
8.1	The Board should establish a remuneration committee.	Yes	Pages 36-37
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent chair; • has at least three members.	Yes	Pages 36-37
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Pages 21-29
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Pages 31-37

SCEE's corporate governance practices were in place throughout the year ended 30 June 2012, 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

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 14 and 15. 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.

In accordance with the definition of independence above, and the materiality thresholds set, Mr J Cooper, Mr D Parkin, Mr P Forbes and Dr J Hamilton are considered to be Independent Directors. 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.

Corporate Governance Statement (continued)

For the year ending 30 June 2012

Structure of the Board (continued)

Mr P Forbes and Dr J Hamilton commenced on 1 October 2011 which resulted from that date in there being a majority of independent Non-Executive Directors with combined skills and capabilities which best serve the interests of shareholders.

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	5	Chairman
Simon High	2	Managing Director
Gianfranco Tomasi	34	Non-Executive Director
Derek Parkin	1	Non-Executive Director
Peter Forbes (appointed 1 October 2011)	0	Non-Executive Director
Jack Hamilton (appointed 1 October 2011)	0	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 Southern Cross Electrical Engineering Limited entitlements under any equity based remuneration scheme (such as an incentive or performance based scheme).

Diversity

The Code of Conduct for the Company to its stakeholders commits it to be an equal opportunity employer and to promote and support a diverse workforce at all levels. However the Board has not yet established a specific policy regarding gender, age, ethnic and cultural diversity which includes a requirement to establish measurable objectives for achieving diversity. The Board is considering preparing such a policy for approval in the forthcoming financial year.

Diversity (continued)

Gender representation in the Company is as follows:

	30 June 2012		30 June 2011	
	Female (%)	Male (%)	Female (%)	Male (%)
Board representation	0%	100%	0%	100%
Senior management representation	14%	86%	8%	92%
Group representation	10%	90%	10%	90%

The Company has also implemented 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 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 Non-Executive Directors. The members of the audit committee during the year were:

D Parkin (Chairman)	
J Cooper	(resigned 30 September 2011)
F Tomasi	(resigned 30 September 2011)
P Forbes	(appointed 1 October 2011)
J Hamilton	(appointed 1 October 2011)

Corporate Governance Statement (continued)

For the year ending 30 June 2012

Audit and Risk Management Committee (continued)

Qualifications of audit committee members

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.

J Cooper has over 35 years experience in the management of risks associated with the industry in which we operate.

G Tomasi understands all facets of the business being the founder. His appointment to the Audit and Risk Management Committee was on a temporary basis until the appointment of the additional Independent Non-Executive Directors was completed.

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

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 17 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.

Nomination and Remuneration Committee (continued)

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:

J Cooper	(Chairman, resigned 30 September 2011)
P Forbes	(appointed Chairman 1 October 2011)
F Tomasi	
D Parkin	(resigned 30 September 2011)
J Hamilton	(appointed 1 October 2011)

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 17 of the Directors' Report.

Signed in accordance with a resolution of the Directors.

John Cooper
Director
27 August 2012

Financial Statements

Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Contract revenue	6	219,983	101,780
Contract expenses		(176,568)	(85,598)
Gross profit		**43,415**	**16,182**
Other income/(loss)	7	538	(64)
Employee benefits expenses	8	(14,805)	(10,096)
Occupancy expenses		(1,405)	(733)
Administration expenses		(4,507)	(3,414)
Other expenses	9	(1,050)	(774)
Business combination expenses		-	(456)
Depreciation expense	11	(2,669)	(1,605)
Amortisation of customer contract intangibles	35	(151)	(151)
Results from operations		**19,366**	**(1,111)**
Finance income	10	1,162	170
Finance expenses	10	(790)	(970)
Net finance income/(expenses)	10	**372**	**(800)**
Profit/(loss) before income tax		**19,738**	**(1,912)**
Income tax (expense)/benefit	12	(6,030)	260
Profit/(loss) after income tax from continuing operations		**13,708**	**(1,652)**
Attributable to:			
Owners of the Company		**13,708**	**(1,652)**
Other comprehensive income:			
Foreign currency translation gains for foreign operations		(659)	358
Income tax on other comprehensive income		-	-
Other comprehensive income, net of income tax		(659)	358
Total comprehensive income/(loss)		**13,049**	**(1,293)**
Attributable to:			
Owners of the Company		**13,049**	**(1,293)**
Earnings/(loss) per share:			
Basic earnings/(loss) per share (cents)	13	**8.50**	**(1.28)**
Diluted earnings/(loss) per share (cents)	13	**8.50**	**(1.28)**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2012

	Note	2012 $'000	2011 $'000
Assets			
Current assets			
Cash and cash equivalents	14	31,545	26,280
Term deposits	15	-	5,000
Trade and other receivables	16	21,665	17,196
Tax receivable		1,558	312
Inventories	17	1,166	1,301
Construction work in progress	18	35,751	5,931
Prepayments	19	262	173
Assets held for sale	20	-	3,610
Total current assets		91,947	59,803
Non-current assets			
Property, plant and equipment	23	17,147	9,083
Intangible assets	35	17,551	17,701
Total non-current assets		34,698	26,785
Total assets		126,645	86,588
Liabilities			
Current liabilities			
Trade and other payables	24	26,988	7,001
Unearned revenue	25	4	600
Loans and borrowings	28	388	3,486
Employee entitlements	26	4,806	2,623
Tax payable		1,192	-
Total current liabilities		33,378	13,710
Non-current liabilities			
Loans and borrowings	28	1,176	-
Employee entitlements	26	383	205
Deferred tax liability	12	4,841	3
Total non-current liabilities		6,400	209
Total liabilities		39,778	13,919
Net assets		86,867	72,668
Equity			
Share capital	29	57,554	56,984
Reserves	29	261	340
Retained earnings		29,052	15,344
Total equity		86,867	72,668

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

Statement of Changes in Equity

As at 30 June 2012

	Share Capital $'000	Retained Earnings $'000	Share Based Payments Reserve $'000	Translation Reserve $'000	Total Equity $'000
Balance as at 1 July 2010	24,964	22,584	321	(450)	47,420
Total comprehensive income for the period					
Loss for the period	-	(1,652)	-	-	(1,652)
Foreign currency translation gain	-	-	-	358	358
Total comprehensive income/(loss)	-	(1,652)	-	358	(1,293)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	32,020	-	-	-	32,020
Dividends to equity holders	-	(5,588)	-	-	(5,588)
Cost of share-based payment	-	-	110	-	110
Total transactions with owners	32,020	(5,588)	110	-	26,542
Balance as at 30 June 2011	**56,984**	**15,344**	**432**	**(92)**	**72,668**

	Share Capital $'000	Retained Earnings $'000	Share Based Payments Reserve $'000	Translation Reserve $'000	Total Equity $'000
Balance as at 1 July 2011	56,984	15,344	432	(92)	72,668
Total comprehensive income for the period					
Profit for the period	-	13,708	-	-	13,708
Foreign currency translation loss	-	-	-	(659)	(659)
Total comprehensive income/(loss)	-	13,708	-	(659)	13,049
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-
Cost of share-based payment	570	-	580	-	1,150
Total transactions with owners	570	-	580	-	1,150
Balance as at 30 June 2012	**57,554**	**29,052**	**1,012**	**(751)**	**86,867**

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

Statement of Cash Flows

For the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Cash receipts from customers		185,859	105,142
Cash paid to suppliers and employees		(175,060)	(103,531)
Interest received		1,162	170
Interest paid		(790)	(970)
Income taxes paid		(1,192)	(599)
Net cash from operating activities	30	**9,979**	**212**
Cash flows from investing activities			
Proceeds from the sale of assets		3,732	-
Acquisition of property, plant and equipment		(9,740)	(1,779)
Net cash (used in) investing activities		**(6,008)**	**(1,779)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares (net of costs)		-	32,020
Repayment of borrowings		(2,915)	(1,448)
Dividends paid	29	-	(5,588)
Proceeds/(Payment) for term deposits		5,000	(5,000)
Net cash from financing activities		**2,085**	**19,984**
Net increase in cash and cash equivalents		6,056	18,417
Cash and cash equivalents at beginning of period		26,280	7,498
Effect of exchange rate fluctuations on cash held		(791)	366
Cash and cash equivalents at 30 June	14	**31,545**	**26,280**

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

Index to notes to the Financial Report

For the year ending 30 June 2012

Notes to the Financial Report

For the year ending 30 June 2012

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 2012 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 27 August 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- 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 Neuvos 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 date.

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

2. Basis of preparation (continued)

(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.

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 32 – measurement of share based payments; and
- Note 35 – 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 18).

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.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. 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.

(ii) 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.

Notes to the Financial Report (continued)

For the year ending 30 June 2012

3. Significant accounting policies (continued)

(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.

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 statement of financial position 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 (including restricted term deposits).
- 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 16).

3. Significant accounting policies (continued)

(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 statement of financial position 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.

(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 straight-line 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.

Notes to the Financial Report (continued)

For the year ending 30 June 2012

3. Significant accounting policies (continued)

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 – 10 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:

	2012	2011
• 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.

3. Significant accounting policies (continued)

(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.

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.

Notes to the Financial Report (continued)

For the year ending 30 June 2012

3. Significant accounting policies (continued)

(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.

(iii) Short-term benefits

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

3. Significant accounting policies (continued)

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 Report (continued)

For the year ending 30 June 2012

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.

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 periods beginning after 1 July 2011 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the consolidated entity, except for:

(i) AASB 9 Financial Instruments which becomes mandatory for the consolidated entity's 2014 consolidated financial statements and could change the classification and measurement of financial assets and investments in jointly controlled entities. The consolidated entity does not plan to adopt this standard early and the extent of the impact has not been determined.

(ii) AASB 13 Fair Value Measurement which becomes mandatory for the consolidated entity's 2014 consolidated financial statements and explains how to measure fair value when required to by other accounting standards.

In the current year, the consolidated entity has adopted all of the new and revised standards and interpretations issued by the AASB that are relevant to its operation and effective for the current annual reporting period. None of these have had any significant impact on the consolidated financial statements.

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.

Notes to the Financial Report (continued)

For the year ending 30 June 2012

4. Determination of fair values (continued)

(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.

(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 results and financial position of the Group's single operating segment, electrical and instrumentation services, are prepared for the CEO on a basis consistent with Australian Accounting Standards, and thus no additional disclosures in relation to the revenues, profit or loss, assets and liabilities and other material items have been made. 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.

	2012		2011	
	Revenue $'000	Non-current assets $'000	Revenue $'000	Non-current assets $'000
Australia	198,469	34,396	94,298	27,607
South America and Caribbean	21,514	302	7,482	537
Eliminations	-	-	-	(1,359)
	219,983	34,698	101,780	26,785

Revenues from three customers of the Group's Australian segment generated respectively $50m, $47m and $32m of the Group's total revenue (2011: $33m generated from one customer).

6. Contract revenue

	2012 $'000	2011 $'000
Contract revenue	219,983	101,780
	219,983	101,780

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/(loss) on sale of non-current assets	(221)	7
Apprenticeship incentive grants	124	-
Foreign exchange gains	213	-
Other	422	(72)
	538	(64)

8. Employee benefits expenses

Remuneration, bonuses and on-costs	(13,178)	(9,622)
Amounts provided for employee entitlements	(477)	(364)
Share-based payments expense	(1,150)	(110)
	(14,805)	(10,096)

The above employee benefits expenses do not include employee benefits expenses recorded within contract expenses. Employee benefits included in contract expenses were $87.4m (2011: $56.1m).

9. Other expenses

Repairs and maintenance	(279)	(191)
Motor vehicles	(629)	(504)
Other	(142)	(79)
	(1,050)	(774)

10. Finance income and expenses

Interest income on bank deposits	1,162	170
Finance income	1,162	170
Interest expense on bank borrowings	(222)	(642)
Finance charges payable under finance lease contracts	(99)	(33)
Bank charges	(359)	(217)
Bank guarantee fees	(110)	(78)
Finance expense	(790)	(970)
Net finance income/(expenses)	372	(800)

Notes to the Financial Report (continued)

For the year ending 30 June 2012

11. Depreciation and amortisation expenses

	2012 $'000	2011 $'000
Buildings	(17)	(112)
Leasehold improvements	(173)	(81)
Plant and equipment	(1,193)	(667)
Motor vehicles	(826)	(455)
Office furniture and equipment	(460)	(289)
	(2,669)	(1,605)
Amortisation of customer contract intangibles	(151)	(151)

12. Income tax expense

(a) Income Statement		
Current tax (expense)/benefit		
Current period	(1,192)	(2,029)
Under provision from prior year	-	(64)
	(1,192)	(2,094)
Deferred tax expense		
Origination and reversal of temporary differences	(4,838)	2,354
Income tax benefit/(expense) reported in the income statement	(6,030)	260
(b) Amounts charged or credited directly to equity		
Expenses relating to capital raising	-	(378)
Income tax expense reported in equity	-	(378)
(c) Reconciliation between tax expense and pre-tax accounting profit		
Accounting profit/(loss) before income tax	19,738	(1,912)
Income tax using the Company's domestic tax rate of 30% (2011: 30%)	(5,921)	574
Tax effect of permanent differences	(405)	-
Tax losses of foreign operations not recognised	(150)	(262)
Non-deductible contract intangible amortisation	-	(45)
Other	-	(44)
Deferred Tax Assets not previously recognised now brought to account	208	-
Effect of different tax rate applicable to foreign branches 25% (2011: 25%)	238	38
Income tax benefit/(expense) reported in the income statement	(6,030)	260
The applicable effective tax rates are:	30.6%	(13.6%)

12. Income tax expense (continued)

Deferred tax assets and liabilities

	Balance Sheet		Movement recognised in Income Statement		Movement recognised in Equity	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Deferred tax liabilities						
Retentions	(31)	-	31	-	-	-
Work in progress	(8,968)	(1,437)	7,531	(3,267)	-	-
Property, plant and equipment	(23)	(23)	-	-	-	-
Prepayments	-	(52)	(52)	40	-	-
Employee Benefits	-	-	-	-	-	-
	(9,022)	(1,512)	7,510	(3,227)	-	-
Deferred tax assets						
Accruals	-	-	-	435	-	-
Employee benefits	1,998	897	(1,101)	73	-	-
Property, plant and equipment	19	19		-	-	-
Future IPO related tax benefits (Income statement)	46	214	169	214	-	-
Future IPO related tax benefits	227	378	151	151	-	(378)
Borrowing costs	31	-	(31)	-	-	-
Tax losses	1,860	-	(1,860)	-	-	-
	4,181	1,508	(2,672)	873	-	(378)
Net deferred tax assets/(liabilities)	(4,841)	(4)	4,838	(2,354)		

13. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of $13,708,000 (2011: Loss of $1,652,000) and a weighted average number of ordinary shares outstanding of 161,176,552 (2011: 129,069,542), calculated as follows:

Profit/(loss) attributable to ordinary shareholders

	2012 $'000	2011 $'000
Profit/(loss) for the period	13,708	(1,652)

Weighted average number of ordinary shares

	Note	2012 $'000	2011 $'000
Issued ordinary shares at 1 July	29	160,736,826	124,178,939
Effective new balance resulting from issue of shares in the year		439,726	4,890,603
Weighted average number of ordinary shares at 30 June		161,176,552	129,069,542

Notes to the Financial Report (continued)

For the year ending 30 June 2012

13. Earnings per share (continued)

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of $13,708,000 (2011: Loss of $1,652,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 161,229,800 (2011: 129,069,542), calculated as follows:

Profit/(loss) attributable to ordinary shareholders (diluted)

	Consolidated	
	2012 $'000	2011 $'000
Profit/(loss) for the period	13,708	(1,652)

Weighted average number of ordinary shares (diluted)

	2012	2011
Weighted average number of ordinary shares for basic earnings per share	161,176,552	129,069,542
Effect of dilution:		
Share options and performance rights on issue	53,248	-
Weighted average number of ordinary shares at 30 June	161,229,800	129,069,542

14. Cash and cash equivalents

	2012 $'000	2011 $'000
Bank balances	15,452	5,816
Short term deposits	16,093	20,464
Cash and cash equivalents in the statement of cash flows	31,545	26,280

The effective interest rate on short-term bank deposits was 1.5% (2011: 1.4%); these deposits are all at call.

15. Term deposits

Restricted term deposit	-	5,000
	-	5,000

16. Trade and other receivables

Current		
Trade receivables	21,665	17,196
	21,665	17,196

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.

17. Inventories

Raw materials and consumables – at cost	1,166	1,301
	1,166	1,301

18. Construction work in progress

	2012 $'000	2011 $'000
Costs incurred to date	134,159	30,239
Recognised profit	30,035	6,183
Progress billings	(128,443)	(30,492)
Construction work in progress	35,751	5,930

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.

19. Prepayments

Prepayments	262	173
	262	173

20. Assets held for sale

Assets held for sale	-	3,610
	-	3,610

The land and buildings owned by K.J. Johnson & Co Pty Ltd were classified as assets held for sale at 30 June 2011 and were disposed of in the financial year.

21. 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 (%)	
		2012	2011
Cruz Del Sur Ingeniería Electra (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

Notes to the Financial Report (continued)

For the year ending 30 June 2012

22. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2012 the parent company of the consolidated entity was Southern Cross Electrical Engineering Limited.

	Company	
	2012 $'000	2011 $'000
Result of the parent entity		
Profit/(loss) for the period	5,521	(3,244)
Other comprehensive income/(loss)	(119)	(199)
Total comprehensive income/(loss) for the period	5,402	(3,443)
Financial position of parent entity at year end		
Current assets	50,630	41,674
Total assets	90,716	75,566
Current liabilities	16,307	8,934
Total liabilities	17,737	9,139
Total equity of the parent entity comprising:		
Share capital	57,554	56,984
Reserves	603	142
Retained earnings	14,822	9,301
Total Equity	72,979	66,427

Parent entity contingencies:

The parent entity has commitments and contingent liabilities which are included in note 33 and 34. At 30 June 2012 there were in existence guarantees of performance of a subsidiary.

23. 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
Cost						
Balance at 1 July 2010	4,716	2,148	7,114	5,093	1,528	20,599
Additions	-	161	1,144	151	323	1,779
Disposals	-	-	-	-	-	-
Reclassification of assets held for sale	(3,800)	-	-	-	-	(3,800)
Balance at 30 June 2011	916	2,309	8,258	5,244	1,851	18,578
Balance at 1 July 2011	916	2,309	8,258	5,244	1,851	18,578
Additions	-	305	4,357	4,118	1,953	10,733
Disposals	-	-	-	(13)	-	(13)
Balance at 30 June 2012	916	2,614	12,615	9,349	3,804	29,298
Depreciation and impairment losses						
Balance at 1 July 2010	(129)	(411)	(4,052)	(2,870)	(618)	(8,080)
Depreciation for the year	(112)	(81)	(667)	(455)	(289)	(1,604)
Disposals	-	-	-	-	-	-
Reclassification of assets held for sale	190	-	-	-	-	190
Balance at 30 June 2011	(51)	(492)	(4,719)	(3,325)	(907)	(9,494)
Balance at 1 July 2011	(51)	(492)	(4,719)	(3,325)	(907)	(9,494)
Depreciation for the year	(17)	(173)	(1,193)	(826)	(460)	(2,669)
Disposals	-	-	-	12	-	12
Balance at 30 June 2012	(68)	(665)	(5,912)	(4,139)	(1,367)	(12,151)
Carrying amounts						
At 1 July 2010	4,587	1,737	3,062	2,223	910	12,519
At 30 June 2011	865	1,817	3,538	1,919	944	9,083
At 1 July 2011	865	1,817	3,538	1,919	944	9,083
At 30 June 2012	848	1,949	6,703	5,210	2,437	17,147

Notes to the Financial Report (continued)

For the year ending 30 June 2012

24. Trade and other payables

	2012 $'000	2011 $'000
Current		
Trade payables	10,538	4,743
Accrued expenses	15,097	2,152
Goods and services tax payable	1,353	106
	26,988	7,001

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 27.

25. Unearned revenue

Current		
Unearned revenue	4	600
	4	600

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

26. Employee entitlements

Current		
Annual leave	3,987	1,919
Long service leave	819	704
	4,806	2,623
Non-current		
Long service leave	383	205
	383	205

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.

27. 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.

27. 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	
	2012 $'000	2011 $'000
Cash	31,545	26,280
Term deposits	-	5,000
Trade and other receivables	21,665	17,196
	53,210	48,476

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 40 percent (2011: 41 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	
	2012 $'000	2011 $'000
Australia	18,386	14,684
South America and Caribbean	3,279	2,513
	21,665	17,197

Notes to the Financial Report (continued)

For the year ending 30 June 2012

27. Financial instruments (continued)

Impairment losses

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

	Gross 2012 $'000	Impairment 2012 $'000	Gross 2011 $'000	Impairment 2011 $'000
Not past due	17,274	-	2,858	-
Past due 0-30 days	3,432	-	13,968	-
Past due 30-60 days	113	-	266	-
Past due 60 days and over	846	-	104	-
More than one year	-	-	-	-
	21,665	-	17,196	-

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.

27. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity 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
30 June 2012							
Non-derivative financial assets							
Cash and cash equivalents	31,545	31,545	31,545	-	-	-	-
Trade and other receivables	21,665	21,665	21,665	-	-	-	-
	53,210	53, 210	53, 210	-	-	-	-
Non-derivative financial liabilities							
Finance lease liabilities	1,564	1,629	237	233	519	640	-
Trade and other payables	26,988	26,988	26,988	-	-	-	-
	28,552	28,617	27,225	233	519	640	-
30 June 2011							
Non-derivative financial assets							
Cash and cash equivalents	26,280	26,280	26,280	-	-	-	-
Term Deposits	5,000	5,000	-	5,000	-	-	-
Trade and other receivables	17,196	17,196	17,196	-	-	-	-
	48,476	48,476	43,476	5,000	-	-	-
Non-derivative financial liabilities							
Finance lease liabilities	571	704	704	-	-	-	-
Bank borrowings	2,915	2,915	2,915	-	-	-	-
Trade and other payables	7,001	7,001	7,001	-	-	-	-
	10,487	10,620	10,620	-	-	-	-

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 exposures to the United States Dollar (USD) and Peru Nuevo Sol (PEN).

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.

Notes to the Financial Report (continued)

For the year ending 30 June 2012

27. Financial instruments (continued)

Exposure to currency risk

The Group's exposure to USD risk was as follows:

	AUD 2012 $'000	AUD 2011 $'000
Cash	207	595
Trade receivables	-	2,824
Trade and other payables	-	(604)
Net balance sheet exposure	207	2,815

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
AUD:USD	1.03	0.99	1.02	1.06

Sensitivity analysis

A 10 percent change of the Australian Dollar against the US Dollar at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

	Consolidated			
	Profit or loss		Equity	
	10% increase $000	10% decrease $000	10% increase $000	10% decrease $000
30 June 2012				
USD	(25)	17	-	-
30 June 2011				
USD	(211)	257	(33)	40

27. Financial instruments (continued)

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	
	2012 $'000	2011 $'000
Fixed rate instruments		
Financial liabilities	1,564	571
Variable rate instruments		
Financial assets	31,545	26,280
Financial liabilities	-	2,915

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 2012.

	Profit or loss		Equity	
	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
30 June 2012				
Variable rate instruments	315	(315)	-	-
Cash flow sensitivity (net)	315	(315)	-	-
30 June 2011				
Variable rate instruments	74	(74)	-	-
Cash flow sensitivity (net)	74	(74)	-	-

Fair values

Fair values versus carrying amounts

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

Other Price Risk

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

Notes to the Financial Report (continued)

For the year ending 30 June 2012

27. Financial instruments (continued)

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 50% 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.

28. 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 27.

	2012 $'000	2011 $'000
Current liabilities		
Secured bank loan (i)	-	2,915
Finance lease liabilities (ii)	388	571
	388	3,486
Non-current liabilities		
Secured bank loan	-	-
Finance lease liabilities	1,176	-
	1,176	-

(i) On 28 June 2012 the Group entered into a new financing facility for the provision of bank guarantees and working capital with the Commonwealth Bank of Australia ("CBA"). As part of this agreement the Group was no longer required to maintain a $5.0 million restricted term deposit that it had been required to do as a consequence of being non-compliant with its financial covenants at 30 June 2011 (refer note 15).

(ii) 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.

29. Capital and reserves

Share capital

		2012		2011	
	Note	Number	$'000	Number	$'000
Ordinary shares					
Issued and fully paid		161,486,826	57,554	160,736,826	56,984
Movements in shares on issue					
Balance at the beginning of the financial year		160,736,826	56,984	124,178,939	24,964
Exercise of options		-	-	-	-
Shares as consideration		-	-	-	-
Share based payments	(iii)	750,000	570	-	-
Capital raising	(i)	-	-	36,557,887	32,902
Cost of capital raising	(ii)	-	-	-	(882)
Balance at the end of the financial year		161,486,826	57,554	160,736,826	56,984

(i) On 18 April 2011, Southern Cross announced it had completed a $30 million placement ("Placement") to institutional and sophisticated investors and a Share Purchase Plan would be offered to shareholders. The Placement was completed in two tranches on 27 April 2011 and 27 May 2011 by issuing 18,500,000 ordinary shares and 14,833,334 ordinary shares at $0.90 respectively. The Share Purchase Plan was completed on 31 May by issuing 3,224,553 shares at $0.90.

(ii) The tax effected cost of these issues was $882,366.

(iii) On 30 November 2011 750,000 shares were issued to Simon High for nil consideration.

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

	2012 $'000	2011 $'000
Reserves		
Translation reserve	(751)	(92)
Share based payments reserve	1,012	432
	261	340

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.

Notes to the Financial Report (continued)

For the year ending 30 June 2012

29. Capital and reserves (continued)

Dividends

Dividends recognised in the current year by the Group are:

	Cents per share	Total amount $'000	Franked	Date of payment
2012				
Final 2011 ordinary		-		
Interim 2012 ordinary		-		
Total amount		-		
2011				
Final 2010 ordinary	4.5	5,588	Franked	5 November 2010
Interim 2011 ordinary	-	-	-	-
Total amount		5,588		

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

The Board considered it prudent not to declare a final dividend for 2011 and interim dividend for 2012.

	Company	
	2012 $'000	2011 $'000
Franking account balance	6,299	4,714

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.

30. Reconciliation of cash flows from operating activities

	2012 $'000	2011 $'000
Cash flows from operating activities		
Profit/(loss) for the year	**13,708**	**(1,652)**
Adjustments for:		
Depreciation and amortisation	2,820	1,756
Foreign exchange (gain)/loss	(213)	-
(Gain)/Loss on sale of property, plant and equipment	221	(7)
Other non-cash items	-	-
Equity-settled share-based payment transactions	1,150	110
(Increase)/decrease in assets:		
Trade and other receivables	(4,469)	(6,916)
Income tax receivable	(1,246)	1,873
Work in progress	(29,820)	9,750
Inventories	135	(33)
Prepayments	(89)	(132)
Increase/(decrease) in liabilities:		
Trade and other payables	19,987	(2,198)
Unearned revenue	(596)	600
Provisions and employee benefits	2,361	(207)
Income tax payable	1,192	-
Deferred income tax	4,838	(2,732)
Net cash from operating activities	**9,979**	**212**

Notes to the Financial Report (continued)

For the year ending 30 June 2012

31. Related parties

Details of Key Management Personnel

Key Management Personnel in the period were:

Non-Executive Director		
John Cooper	Independent Chairman	
Gianfranco Tomasi	Non-Executive Director	
Derek Parkin	Independent Non-Executive Director	
Peter Forbes	Independent Non-Executive Director	Appointed 1 October 2011
Jack Hamilton	Independent Non-Executive Director	Appointed 1 October 2011
Executive Director		
Simon High	Managing Director	
Executive*		
Simon Buchhorn	Chief Operating Officer	
Chris Douglass	Chief Financial Officer/Company Secretary	Appointed 19 September 2011
Stephen Fewster	Chief Financial Officer/Company Secretary	Resigned 7 October 2011

** Gerard Moody, General Manager Business Development, and Philip Dawson, General Manager Corporate Services, ceased to be regarded as KMP from 1 July 2011.*

There were no other changes of key management people after reporting date and before the date the financial report was authorised for issue.

Key management personnel compensation

The key management personnel compensation is as follows:

	2012 $'000	2011 $'000
Short-term employee benefits	1,898	2,175
Post-employment benefits	163	172
Termination benefits	13	-
Share-based payments	813	95
	2,887	2,442

Individual directors' and executives' compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report on pages 21 to 29.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

31. Related parties (continued)

Other key management personnel transactions

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year. The terms and conditions of the transactions with the related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

			Transactions value year ended 30 June	
		Note	2012 $'000	2011 $'000
Other related parties				
F & A Tomasi Superannuation Fund	Rental income	(i)	235	208
G & A Tomasi	Rental income	(ii)	68	56
Frank Tomasi Family Trust	Rental income	(iii)	28	27
Frank Tomasi Nominees Pty Ltd	Rental income	(iv)	272	-

(i) F & A Tomasi Superannuation Fund owns the properties at 41 and 44 Macedonia Street, Naval Base WA, which are leased to Southern Cross Electrical Engineering Limited.

(ii) G & A Tomasi own the properties at Lot 2 Covehill Road Tasmania and 45, 47, 49 & 51 Macedonia Street, Naval Base WA which are leased to Southern Cross Electrical Engineering Limited. During 2011 the lease for Covehill Road property expired and the company did not renew the lease.

(iii) Frank Tomasi Family Trust owns the property which is leased to the Denver branch of Southern Cross Electrical Engineering Limited.

(iv) 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 from 1 July 2011.

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 Limited.

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 June 2009 except for 44 Macedonia Street and 43 Hope Valley Road which were reviewed in June 2012.

Notes to the Financial Report (continued)

For the year ending 30 June 2012

31. Related parties (continued)

Options and rights over equity instruments

The movement during the reporting period in the number of options 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:

Options over equity instruments

	Held at 1 July 2011	Granted as compensation	Exercised	Forfeited	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
Executives							
Simon Buchhorn	333,334	-	-	-	333,334	-	333,334
Stephen Fewster	250,742	-	-	(250,742)	-	-	-
	584,076	-	-	(250,742)	333,334	-	333,334

	Held at 1 July 2010	Granted as compensation	Exercised	Forfeited	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
Executives							
Simon Buchhorn	500,000	-	-	(166,666)	333,334	-	333,334
Stephen Fewster	417,408	-	-	(166,666)	250,742	-	250,742
	917,408	-	-	(333,332)	584,076	-	584,706

2011 Performance Rights over equity instruments

	Held at 1 July 2011	Granted as compensation	Exercised	Forfeited	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
Executives							
Simon Buchhorn	60,431	-	-	(45,323)	15,108	15,108	15,108
Stephen Fewster	55,191	-	-	(55,191)	-	-	-
	115,622	-	-	(100,514)	15,108	15,108	15,108

	Held at 1 July 2010	Granted as compensation	Exercised	Forfeited	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
Executives							
Simon Buchhorn	-	60,431	-	-	60,431	-	-
Stephen Fewster	-	55,191	-	-	55,191	-	-
Gerard Moody*	-	48,890	-	-	48,890	-	-
Phil Dawson*	-	44,815	-	-	44,815	-	-
	-	209,327	-	-	209,327	-	-

** Gerard Moody, General Manager Business Development, and Philip Dawson, General Manager Corporate Services, ceased to be regarded as KMP from 1 July 2011.*

31. Related parties (continued)

2012 Performance Rights over equity instruments

	Held at 1 July 2011	Granted as compensation	Exercised	Forfeited	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
Executive Director							
Simon High*	-	419,664	-	-	419,664	-	-
Executive							
Simon Buchhorn	-	187,006	-	-	187,006	-	-
Chris Douglass	-	164,868	-	-	164,868	-	-
	-	771,538	-	-	771,538	-	-

** Performance rights to be allocated to Simon High are subject to shareholder approval*

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 cessation of employment is due to termination initiated by the Company or death. In the event of a change of control of the Company, all options and performance rights that have not lapsed may be exercised.

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:

	Held at 30 June 2011	Purchases	Received on exercise of options	Sales	Share based payment	Held at 30 June 2012
Directors						
Gianfranco Tomasi	65,227,131	-	-	-	-	65,227,131
Simon High	-	-	-	-	750,000	750,000
John Cooper	116,667	-	-	-	-	116,667
Derek Parkin	20,000	-	-	-	-	20,000
Peter Forbes	-	50,000	-	-	-	50,000
Jack Hamilton	-	29,780	-	-	-	29,780
Executives						
Simon Buchhorn	727,778		-	-	-	727,778
Stephen Fewster	-	-	-	-	-	-
Chris Douglass	-	-	-	-	-	-

Notes to the Financial Report (continued)

For the year ending 30 June 2012

31. Related parties (continued)

Movements in shares (continued)

	Held at 1 July 2010	Purchases	Received on exercise of options	Sales	Share based payment	Held at 30 June 2011
Directors						
Gianfranco Tomasi	61,200,000	4,027,131	-	-	-	65,227,131
Simon High	-	-	-	-	-	-
Brian Carman	2,000,000	200,000	-	-	-	2,200,000
John Cooper	100,000	16,667	-	-	-	116,667
Douglas Fargher	200,000	-	-	-	-	200,000
Derek Parkin	-	20,000	-	-	-	20,000
Executives						
Simon Buchhorn	600,000	127,778	-	-	-	727,778
Stephen Fewster	-	-	-	-	-	-
Gerard Moody	-	-	-	-	-	-
Phillip Dawson	-	-	-	-	-	-

32. Share-based payments

Share based payments are as follows:

		2012 $'000	2011 $'000
Issue of ordinary shares to Simon High	(i)	570	-
2012 Performance Rights	(ii)	629	-
2011 Performance Rights	(iii)	(49)	13
Options	(iv)	-	97
		1,150	110

(i) Issue of ordinary shares to Simon High

On 29 November 2011 750,000 ordinary shares were issued at nil consideration to Simon High as approved by shareholder resolution at the Company's Annual General Meeting on 28 November 2011.

(ii) 2012 Performance Rights

In the period 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.

32. Share-based payments (continued)

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life
Performance rights issued to key management personnel on 2 May 2012*	771,538	Employed on 30 June 2014 and exceed performance hurdle	26 months
Performance rights issued to senior management on 2 May 2012	445,079	Employed on 30 June 2014 and exceed performance hurdle	26 months
Performance rights issued to senior management on 31 May 2012	515,000	Employed on 30 June 2014 and exceed performance hurdle	25 months
Performance rights issued to senior management on 25 June 2012	205,000	Employed on 30 June 2014 and exceed performance hurdle	24 months
Total share options	1,936,617		

**419,664 of the 2 May 2012 Performance rights are to be allocated to Simon High and are subject to shareholder approval*

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 2011 to 30 June 2014 ("Performance Period");
- No performance rights will vest until 30 June 2014;
- 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:

((Share Price at Test Date – Share Price at Start Date) + (Dividends Reinvested))/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 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

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.

Notes to the Financial Report (continued)

For the year ending 30 June 2012

32. Share-based payments (continued)

(iii) 2011 Performance Rights

There were 249,294 2011 Performance Rights on issue at 1 July 2011. No 2011 Performance Rights were granted, 36,304 vested and 212,990 were forfeited during the year.

The 2011 Performance Rights were performance tested over a three-year period from 1 July 2009 to 30 June 2012. The hurdles used to determine performance are Earnings per Share (EPS) growth and Relative Total Shareholder Return (TSR).

The performance rights based on the three year compound EPS growth of the Company (50% of award) will vest as follows:

Below 7.5%	Nil
Between 7.5% and 10%	Pro-rata vesting between 50% and 100%
Above 10%	100% satisfied

The performance rights based on the relative growth in the TSR of the Company (50% of award) in comparison to the basket of companies named below, as selected by the Board, will vest as follows:

0 to 49th percentile	Nil
50th to 74th percentile	Linear scale: 50% to 98% satisfied
75th to 100th percentile	100% satisfied

The Comparator Companies Basket comprises the following companies provided that any of the following companies whose shares are not quoted on the ASX for the relevant three year period will not be included:

Ausenco Ltd	Campbell Brothers Ltd	Cardno Ltd	Clough Ltd	Coffey Ltd
Engenco Ltd	Fleetwood Ltd	Lycopodium Ltd	Mermaid Marine Ltd	Monadelphous Ltd
Nomad Ltd	Sedgman Ltd	Worley Parsons Ltd	VDM Group Ltd	

(iv) Options

The options outstanding at 30 June 2012 all have an exercise price of $1.15 and a weighted average contractual life of 5 years. No options were exercised and 250,742 were forfeited during the year.

	Weighted average exercise price 2012	Number of Options 2012	Weighted average exercise price 2011	Number of Options 2011
Outstanding at 1 July	$1.15	584,076	$1.15	917,408
Options exercised during the period	$1.15	-	$1.15	-
Options forfeited during the period	$1.15	(250,742)	$1.15	(333,332)
Outstanding at 30 June	$1.15	333,334	$1.15	584,076
Exercisable at 30 June	$1.15	333,334	$1.15	584,076

33. Commitments

Leasing commitments

Operating lease commitments – as lessee

The Group has entered into commercial property leases. These leases have an average life of 6 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 2012 are:

	2012 $'000	2011 $'000
Within one year	776	196
After one but no more than five years	2,661	784
After more than five years	1,134	257
Total minimum lease payments	4,571	1,237

Under the terms off 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.

34. 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.

	2012 $'000	2011 $'000
Bank Guarantees	14,915	13,986
Surety Bonds	907	-

Total bank guarantee facilities at 30 June 2012 were $40,250,000 and the unused portion was $ 25,335,000. This facility is subject to annual review.

Notes to the Financial Report (continued)

For the year ending 30 June 2012

35. Intangible assets – goodwill and customer contracts

Reconciliation of carrying amount

Cost	Note	Goodwill $'000	Customer Contracts $'000	Total $'000
Balance as at 1 July 2010		17,174	1,811	18,985
Acquisitions through business combinations		-	-	
Balance as at 30 June 2011		**17,174**	**1,811**	**18,985**
Balance as at 1 July 2011		17,174	1,811	18,985
Acquisitions through business combinations		-	-	
Balance as at 30 June 2012		**17,174**	**1,811**	**18,985**
Amortisation and impairment losses				
Balance as at 1 July 2010		-	(1,133)	(1,133)
Impairment loss		-	-	-
Amortisation		-	(151)	(151)
Balance as at 30 June 2011		**-**	**(1,284)**	**(1,284)**
Balance as at 1 July 2011		-	(1,284)	(1,284)
Impairment loss		-	-	-
Amortisation		-	(151)	(151)
Balance as at 30 June 2012		**-**	**(1,435)**	**(1,435)**
Carrying amounts				
At 1 July 2010		17,174	678	17,852
At 30 June 2011		**17,174**	**527**	**17,701**
At 1 July 2011		17,174	527	17,701
At 30 June 2012		**17,174**	**377**	**17,551**

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:

	2012 $'000	2011 $'000
FMC Corporation Pty Ltd	3,167	3,167
K.J. Johnson & Co Pty Ltd	3,616	3,616
Southern Cross Electrical Engineering (Australia) Pty Ltd	10,391	10,391
	17,174	17,174

35. Intangible assets – goodwill and customer contracts (continued)

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. 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.
- Revenue for 2013 is based on forecast results. 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 historically.
- A pre-tax discount rate of 16% was applied. This discount rate was estimated based on past experience, and industry average weighted cost of capital, which was based on debt leveraging of 5% at a market rate of 8.6%.

36. 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.

37. Auditor's remuneration

	2012 $	2011 $
Remuneration of KPMG Australia as the auditor of the parent entity for:		
- Auditing or reviewing the financial report	208,000	205,000
Other services		
- Accounting assistance	69,000	10,000
	277,000	215,000

Directors' Declaration

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 2012 and of the 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 2012.

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

Signed in accordance with a resolution of the Directors:

John Cooper
Chairman
Perth
27 August 2012

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 2012, 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 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*.

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 2012 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 for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Southern Cross Electrical Engineering Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG.

KPMG

R Gambitta
Partner

Perth
27 August 2012

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 2012 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

R. Gambitta
Partner

Perth
27 August 2012

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 20 August 2012)

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number	Percentage
Gianfranco Tomasi	65,227,131	40.4%
Acorn Capital	12,018,795	7.4%
Antares Equities	10,480,089	6.5%
Treasury Group	10,210,344	6.3%

Voting rights

Ordinary shares

Refer to note 29 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	113	-
1,001 - 5,000	220	-
5,001 - 10,000	156	2
10,001 - 100,000	261	24
100,001 and over	45	5
	795	31

The number of shareholders holding less than a marketable parcel of ordinary shares is 61.

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.

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
FRANK TOMASI NOMINEES PTY LTD <FRANK TOMASI FAMILY A/C>	65,227,131	40.39
J P MORGAN NOMINEES AUSTRALIA LIMITED	20,394,569	12.63
NATIONAL NOMINEES LIMITED	17,730,500	10.98
CITICORP NOMINEES PTY LIMITED	7,608,905	4.71
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,904,016	4.28
UBS NOMINEES PTY LTD	4,019,055	2.49
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	3,790,475	2.35
BNP PARIBAS NOMS PTY LTD <MASTER CUST DRP>	3,451,594	2.14
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	2,587,629	1.60
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	2,214,108	1.37
CARMAN SUPER PTY LTD <M & B CARMAN SUPER FUND A/C>	2,200,000	1.36
MR JORN WILLIAM HENRY GRANGER	1,398,293	0.87
MR RAYMOND JOHN WISE	1,398,293	0.87
GWYNVILL TRADING PTY LTD	1,350,672	0.84
ZERO NOMINEES PTY LTD	1,139,667	0.71
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 SIMON HIGH	750,000	0.46
BOND STREET CUSTODIANS LIMITED <CELESTE CONCENTRATED FUND>	575,000	0.36
	145,494,959	90.10

Offices and officers

Company Secretary

Chris Douglass

Principal Registered Office

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Locations of Share Registry

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