2015 ANNUAL REPORT

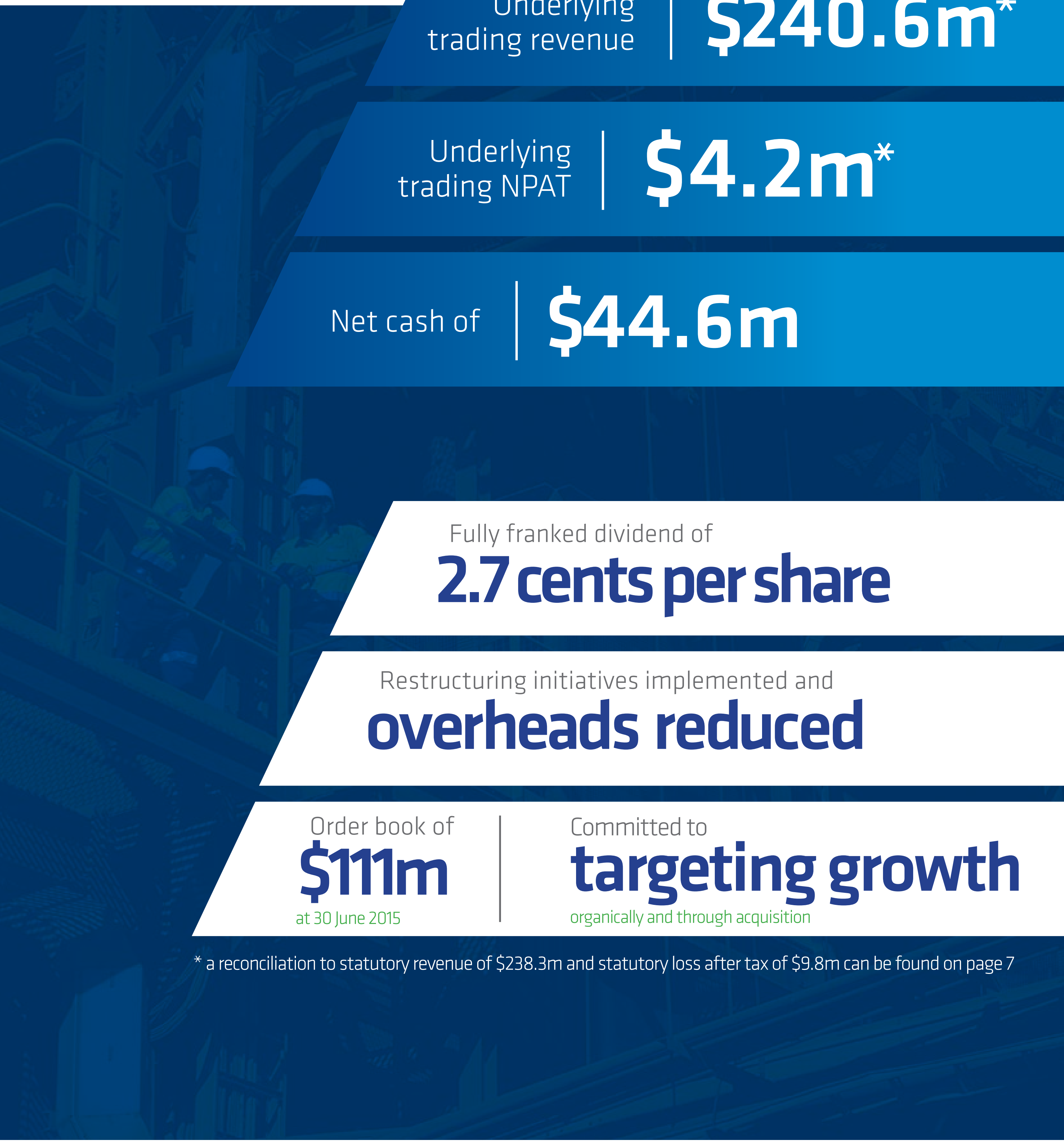
Southern Cross Electrical Engineering Limited

ABN: 92 009 307 046

Established 1978

Contents

2015 in Summary



Underlying trading revenue **$240.6m***

Underlying trading NPAT **$4.2m***

Net cash of **$44.6m**

Fully franked dividend of **2.7 cents per share**

Restructuring initiatives implemented and **overheads reduced**

Order book of **$111m** at 30 June 2015

Committed to **targeting growth** organically and through acquisition

* a reconciliation to statutory revenue of $238.3m and statutory loss after tax of $9.8m can be found on page 7

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

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

scee infrastructure

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

scee construction

Installation and commissioning of greenfield projects

scee services

Operations support, maintenance, brownfield upgrade and sustaining capital services

Our Values

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

Safety
It's in everything we do

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

Trust
We entrust and empower our team to take ownership

Reliability
We are dependable and consistently deliver high quality services

Chairman's Message

Dear Shareholders

2015 has been a challenging year for SCEE, as it has been for the majority of companies servicing the resources sector. Market conditions throughout the year remained difficult for contractors as clients continued to focus on costs amid increased competition for a reducing pool of new work in most segments of the sector.

With these conditions expected to endure in the near to medium term, the Board implemented a number of restructuring initiatives to ensure that the business is appropriately sized and structured to operate efficiently and cost effectively.

Throughout the year we have continued to provide the highest level of client service and performed our work safely without a Lost Time Incident, SCEE's eleventh consecutive LTI free year in Australia.

Results

The cost of the restructuring, together with an impairment of goodwill and write-downs to assets and claims, has resulted in the Company reporting a loss after tax of $9.8m. Adjusting for these one-off items, the Company made an underlying trading profit after tax of $4.2m. Notwithstanding, we entered the 2016 financial year with a strong balance sheet, including cash of $44.6m and no debt. Further discussion of the current year result is provided in the Managing Director's Review on the following pages.

I am pleased to advise that the Board has declared a fully franked dividend of 2.70 cents per share for the year, consistent in absolute terms with the prior year. The Board believes that this strikes an appropriate balance between delivering returns to shareholders and ensuring that sufficient capital is retained in the business to allow us to take advantage of growth opportunities.

Outlook and Strategy

We had an order book at 30 June 2015 of $111m, which excludes recurring revenues under framework agreements and forecast further work to be performed under already awarded cost reimbursable contracts. This, therefore, gives us a solid baseload of work for 2016.

Whilst we expect conditions in the sector to remain highly competitive, the continued management of overheads and the implementation of our restructuring initiatives will help us counter this environment.

The Board remains committed to a strategy of targeting growth, both organically and through acquisition. We are actively exploring expansion into other geographical areas and adjacent or complementary sectors and continue to view the growth of recurring revenues as a key objective.

The Board of Directors

There were number of changes to the composition of SCEE's Board during the year. I would like to take this opportunity to acknowledge and thank John Cooper, Simon High, Peter Forbes and Jack Hamilton for their valuable contributions to SCEE during their respective tenures.

Following the addition of Simon Buchhorn and Karl Paganin to the Board, alongside Chris Douglass as interim Managing Director, the Company now has a Perth based Board that is sized for the market in which we are currently operating and with a skill set well suited to these conditions and our growth aspirations.

Whilst our search for a CEO was put on hold during the restructuring process, the Board is now actively focused on securing a business leader who is best equipped to execute both SCEE's current operations and our future strategy. In this context, I must acknowledge and commend Chris Douglass on the role he continues to play as our interim CEO.

On behalf of the Board I would like to thank all of our shareholders, clients and employees for their continuing support and in particular make special mention of our field workforce who have enhanced SCEE's "can do" reputation which has, over the years, been a consistent hallmark of our performance.

D. Parkin.

Derek Parkin
Chairman

Managing Director's Review

Financial Review

The 2015 financial year saw a continuation of the challenging market conditions being faced by contractors in the resources sector with highly competitive tendering, lower margins and commercially focussed clients and a reduction of work in segments of the market.

In order to counter the impact of operating in these conditions the Board implemented a number of restructuring initiatives aimed at ensuring the business will be appropriately organised and efficient to operate in these market conditions. These measures included:

- a review of the organisation resulting in redundancies to effect a more streamlined structure;
- a reduction of the Company's property leases;
- the sale of plant and equipment that is surplus to forecast activity requirements;
- a review of the carrying values of assets resulting in write-downs to plant and equipment, inventory and project claims recognised in work in progress; and
- a write-down of the carrying value of goodwill from previous acquisitions.

The costs of these initiatives has been recognised in the current financial year resulting in a net loss after tax of $9.8m compared to a net profit after tax of $7.7m in 2014.

Managing Directors’ Review continued

Excluding these costs, the Company made an underlying trading profit after tax of $4.2m as shown below:

	Statutory $m	Organisation restructuring $m	Asset write-downs and lease provisions $m	Claim write-downs $m	Impairment of goodwill $m	Underlying trading (unaudited) $m
Contract revenue	238.3			2.3		240.6
Contract expenses	(205.3)		0.3			(205.0)
Gross profit	**33.0**		**0.3**	**2.3**		**35.6**
Other (expense)/income	(1.0)		1.3			0.3
Employee benefits expenses	(15.9)	1.1				(14.8)
Occupancy expenses	(1.8)					(1.8)
Administration expenses	(4.7)					(4.7)
Other expenses	(1.0)					(1.0)
Depreciation expense	(6.8)					(6.8)
Amortisation	(0.1)					(0.1)
Restructuring and impairment	(11.0)	1.2	1.4		8.4	-
(Loss)/profit from operations	**(9.3)**	**2.3**	**3.0**	**2.3**	**8.4**	**6.7**
Net finance expense	(0.1)					(0.1)
(Loss)/profit before tax	**(9.4)**					**6.6**
Income tax expense	(0.4)	(0.7)	(0.6)	(0.7)	-	(2.4)
(Loss)/profit from continuing operations	**(9.8)**	**1.6**	**2.4**	**1.6**	**8.4**	**4.2**

Underlying trading revenue for the year was $240.6m representing a 10% increase from 2014.

SCEE entered the year operating at high activity levels as we completed our work on the Rio Tinto Cape Lambert Port B Phase B and BHP Billiton Iron Ore Yarnima Power Station projects. Activity early in the second half of the year was low as a result of the completion of these key projects and a slower than anticipated ramp up of new awards. Towards the end of the period we saw a marked increase in mobilisations across projects, including CITIC Pacific Sino Iron and Roy Hill, which has continued into the 2016 financial year. At 30 June we had an order book of $111m, excluding recurring revenues under framework agreements and forecast growth of work under existing cost reimbursable contracts.

A more detailed discussion of SCEE’s 2015 projects is included in the Operations Review which follows.

Underlying trading gross margins for the year were 14.8% compared to 20.1% in 2014. This is reflective of the lower margins being achieved by contractors in the current environment. The prior year gross margin benefited from strong performance in the early part of the year when several large lump sum projects, secured prior to the emergence of these tougher market conditions, were successfully closed out.

Underlying trading overheads as a percentage of revenue were 9.3% compared to 11.9% in 2014. Management has remained focussed on cost control throughout the period and, following the recent restructuring exercise, we expect that overheads will reduce further in absolute terms in 2016.

After reporting a first half profit after tax of $4.1m we recorded only a small underlying trading profit after tax in the second half. Importantly this consisted of a loss of $1.4m in the third quarter and a return to profit of $1.5m in the fourth quarter as activity increased.

Our balance sheet remained strong throughout the year and at 30 June 2015 we had a cash balance of $44.6m. In addition, all asset finance debt was paid out prior to the year end leaving the Company debt free.

Managing Directors' Review continued

We have made significant progress in settling outstanding project claims. This resulted in a write-down of WIP with an NPAT impact of $1.6m but the imminent receipt of the settlement amounts will further increase the underlying cash balance. In particular, all claims relating to projects that operationally completed in previous calendar years were settled before year end.

The Board, as always, will continue to assess recoverability of claims and consequently adjust carrying values when appropriate, but following these write-downs has enhanced confidence regarding the collectability of the carrying values of current WIP and Debtors.

Plant, equipment and systems with a book value of $3.3m were deemed to be surplus to requirements for expected activity levels and were written off or made available for sale. A loss on disposal totalling $2.2m before tax was recognised in the current year. We will see a significant decrease in our annual depreciation charge in 2016 as a result of this rationalisation. Capital expenditure is expected to remain low in the near term.

The assessment of the carrying value of goodwill from prior acquisitions resulted in a write-down of $8.4m with the value in use of the respective cash generating units being impacted by the current market environment.

The Board has declared a final fully franked dividend for the year of 2.7 cents per share which maintains the dividend at the same absolute level as 2013 and 2014. The franking account balance on hand at 30 June 2015 was $12.0m.

Operations Review

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

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

scee infrastructure

SCEE Infrastructure earned revenues of $45.7m in 2015 (2014: $50.9m). Key projects during the year were:

BHP Billiton Iron Ore Yarnima Power Station

In the year SCEE completed its work at BHP Billiton Iron Ore's Yarnima Power Station near Newman in Western Australia with the work growing from its original awarded scope of $25m.

BHP Billiton Iron Ore Sustaining Capital

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

Queensland Coal Seam Gas Works

On the East Coast we have been performing powerline installation work for the Roma Stage 2a and Fairview Eastern Flank coal seam gas projects.

Managing Directors’ Review continued

scee construction

SCEE Construction earned revenues of $123.9m in 2015 (2014: $133.8m). Key projects during the year were:

Rio Tinto Cape Lambert Port B Phase B

During the year SCEE successfully completed work on Phase B of Rio Tinto’s Cape Lambert Port B expansion. SCEE’s scope included the E&I works on the car dumpers and screenhouse and had a peak manning of 480. The project commenced in 2014 at an award value in excess of $80m.

Civmec Nammuldi

SCEE was subcontracted to perform the Electrical and Instrumentation component of Civmec’s stockyard and train load out works at Rio Tinto’s Nammuldi Below Water Table project 60km north of Tom Price in Western Australia. The work, with an award value in excess of $10m, was successfully completed during the year.

CITIC Pacific Sino Iron

During the year CITIC Pacific awarded SCEE over $70m of E&I works at the Sino Iron project in Cape Preston, Western Australia. The scope covers the installation and commissioning of all E&I works across process lines 3 to 6 and follows SCEE’s successful completion of work on lines 1 and 2 and the central processing plant in prior years. Activity has ramped up significantly in recent months and SCEE currently has a workforce of over 400 on site.

scee services

SCEE Services earned revenues of $68.7m in 2015 (2014: $33.5m). Key projects during the year were:

Rio Tinto Electrical Infrastructure Replacement Program

SCEE continued to perform work throughout the year at Rio Tinto’s Cape Lambert and East Intercourse Island sites as part of the Electrical Infrastructure Replacement Program.

BHP Billiton Iron Ore Sustaining Capital

SCEE Services also performed work under the Sustaining Capital framework agreement discussed in the SCEE Infrastructure section above.

KSJV

SCEE’s LNG focussed joint venture, KSJV, continued to work throughout the year for Bechtel at Curtis Island on the Australia Pacific LNG project. The work is ongoing and being performed on a cost reimbursable basis. During the year KSJV was also awarded work by Bechtel on the GLNG Plant project on Curtis Island. SCEE’s 50% share of revenues from KSJV of $37.6m are included in the Construction division revenues noted above.

International

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

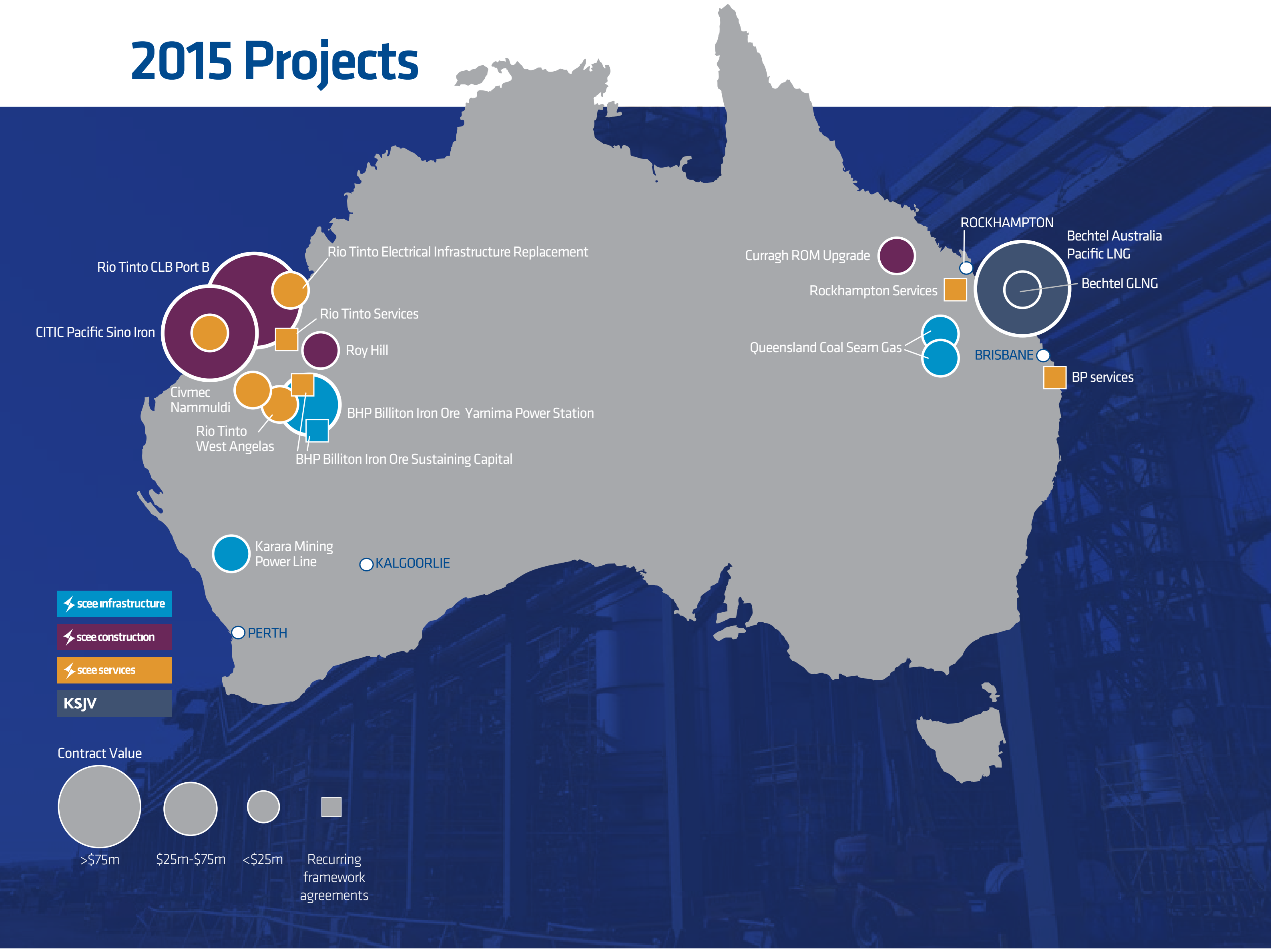
Health and Safety

Performing our work safely remains our highest priority and I am delighted to report that we completed our 2015 operations without suffering a Lost Time Injury (LTI). This is the eleventh consecutive year LTI free in Australia.

NECA WA Awards

At the 2015 NECA WA Excellence and Apprentice Awards, SCEE received a Certificate of Commendation in the 'Industrial – Large Project' category for our work on the Rio Tinto Cape Lambert Phase B Project and Daniel Cocker won the 'Industrial' category 4th year apprentice award, the third consecutive year that he has won his category. On behalf of the Board, I would like to congratulate Daniel on this outstanding achievement and wish him the best of luck representing SCEE and WA in the national NECA awards.

2015 Projects



Managing Directors' Review continued

Outlook

Current Activity and Order Book

As we enter 2016 the volume of activity at CITIC Pacific Sino Iron is now significantly increased and we continue to work at Curtis Island for Bechtel on the Australia Pacific LNG project through KSJV. We have also recently commenced work at Roy Hill both for Decmil and directly to Samsung. The group workforce currently totals around 1000 employees and recruitment is continuing.

All current projects are progressing well and are profitable.

Our order book at 30 June 2015 was $111m which is a similar level to the start of the year. In addition to this we estimate that we will perform approximately $30m of work under existing cost reimbursable contracts which has not been included in the year end order book.

The figures above exclude recurring revenues which currently run at approximately $2m per month.

Tendering activity remains high across the business but as previously discussed market conditions continue to be challenging in the domestic resources construction sector.

Markets

Current market conditions are expected to continue for the foreseeable future as clients are faced with depressed commodity prices.

The pipeline of large scale construction work has decreased significantly as a result. We expect this to be offset in part by an increase in operations and maintenance and sustaining capital opportunities as capital projects are completed.

Iron Ore remains a core commodity for the Company and we expect this to continue to provide the majority of our revenues in 2016. We have existing construction work on the CITIC Pacific Sino Iron and Roy Hill projects and continue to build our relationship with BHP Billiton Iron Ore under our sustaining capital framework agreement. We also have a long standing relationship with Rio Tinto. We continue to target increased operations and maintenance work and have recently been awarded a framework agreement for this work at an Iron Ore project.

In the LNG sector we have ongoing work for Bechtel on Curtis Island through KSJV. With multiple Australian LNG plants currently in construction we expect to see the requirement for electrical contractors on these projects hit its peak during 2016. We remain hopeful that KSJV can secure work on one or more of these other projects.

During the year we performed some work on Queensland Coal Seam Gas projects. We continue to see opportunity for growth in this sector as once the LNG projects become operational there is a continued requirement for new gas supply to provide throughput to the plants.

We expect the coal market to remain depressed in the near term and continue to view metals and minerals as a spot market and will tender opportunities as they arise.

Internationally we have resumed limited tendering for work through our Peruvian subsidiary and we are currently evaluating a number of other overseas opportunities.

Strategy

With the volume of available work in the domestic resources construction sector expected to remain low in the near to medium term, we continue to evaluate the entry into other potential revenue streams, both geographical and in other adjacent or complementary sectors.

Increasing revenue from operational maintenance and sustaining capital programs remains a core strategic target.

Management continues to monitor and evaluate merger and acquisition opportunities that are consistent with this strategy.

We will continue to monitor and manage overheads closely to ensure that the business is appropriately sized for activity levels.

Managing Directors' Review continued

Conclusion

While it was disappointing to report a loss in the current year we enter 2016 with a strong balance sheet, streamlined structure and healthy order book.

The Board has a strategy in place that we hope will see the Company expand beyond its historic core market as a resources focussed E&I construction player.

As always we will continue to focus on delivering the exceptional service that our clients associate with SCEE.

I would like to thank the management and staff of SCEE for their hard work and dedication during what has been a difficult year and our shareholders for their continued support.

Chris Douglass
Interim Managing Director

We will continue to focus on delivering the exceptional service that our clients associate with SCEE.

Directors' Report

For the year ended 30 June 2015

Your Directors submit their report for Southern Cross Electrical Engineering Limited ("SCEE" or "the Company") for the year ended 30 June 2015.

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.

Derek Parkin OAM

Independent Chairman and Non-Executive Director

Derek has been a Non-Executive Director of SCEE since March 2011 and was appointed Chairman in May 2015.

Derek is a Fellow of the Institute of Chartered Accountants Australia and New Zealand (CAANZ) 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 became a member of the Nomination and Remuneration Committee on 6 May 2015.

Derek was awarded the Medal of the Order of Australia in the 2015 Australia Day honours list. The award recognised Derek's service to accountancy through a range of professional, academic, business and advisory roles.

Chris Douglass

Interim Managing Director and Chief Executive Officer *(appointed 30 March 2015)*

Chris was appointed as Interim Managing Director and Chief Executive Officer in March 2015 when the Board commenced the recruitment of a permanent appointment.

Chris is also the Company's Chief Financial Officer and Joint Company Secretary.

Prior to joining SCEE in 2011 Chris was the Chief Financial Officer at Pacific Energy Ltd and has previously held a number of senior finance roles with Clough Ltd.

Chris, a Chartered Accountant and member of the Governance Institute of Australia, commenced his finance career with Deloitte. Prior to his time with Deloitte, Chris qualified and practiced as a solicitor in London.

Back row (left to right): Karl Paganin, Simon Buchhorn, Chris Douglass, Colin Harper
Front (left to right): Gianfranco Tomasi, Derek Parkin

Gianfranco Tomasi AM

Non-Executive Director

Frank is the founder of the Company. He was the Chairman of SCEE from 1978 until he retired from that role in March 2011.

Frank has over 40 years experience in the electrical construction industry. Prior to founding SCEE he worked at Transfield from 1968 – 1978, serving as the National Manager Electrical Department from 1971 – 1978.

Frank holds an Electrical Engineering Certificate (NSW) and is a Fellow of the Australian Institute of Company Directors.

Frank is a member of the Nomination and Remuneration Committee. Frank was also a member of the Audit and Risk Management Committee from the 6 May 2015 to 30 June 2015.

Frank was awarded the Order of Australia in the 2013 Australia Day Honours list. The award recognised Frank's service to business through leadership roles in the electrical contracting industry and his contribution to the community.

Simon Buchhorn

Non-Executive Director
(appointed 6 May 2015)

Simon was appointed to the Board in May 2015.

Simon has a comprehensive understanding of SCEE's operations having been employed by the Company for over 30 years prior to retiring in 2014.

During this time he worked in a number of key positions across the business including over 6 years as Chief Operating Officer and a period as interim Chief Executive Officer. He was also the General Manager of SCEE's LNG focussed Joint Venture KSJV.

Simon brings to the Board significant experience in contract delivery and operational performance both domestically and internationally.

Simon is a member of the Audit and Risk Management Committee. Simon was also a member of the Nomination and Remuneration Committee from the 6 May 2015 to 30 June 2015.

Karl Paganin

Independent
Non-Executive Director
(appointed 4 June 2015)

Karl was appointed to the Board in June 2015.

Karl has 15 years of senior executive experience in Investment Banking, specialising in transaction structuring, equity capital markets, mergers and acquisitions and providing strategic management advice to listed public companies. Prior to that, Karl was Director of Major Projects and Senior Legal Counsel for Heytesbury Pty Ltd (the private company of the Holmes a Court family) which was the proprietor of John Holland Group Pty Ltd. Karl is also a board member of Autism West Support Inc. a non for profit charity supporting families affected by autism.

On 30 June 2015 Karl was appointed as Chairman of the Nomination and Remuneration Committee and as a member of the Audit and Risk Management Committee.

Directors' Report continued

John Cooper

Independent Chairman
and Non-Executive Director
(resigned 5 May 2015)

John resigned from the Board in May 2015 having served as a Director since 2007 and as Chairman since 2011.

John is a Non-Executive Director of NRW Holdings Limited, Aurizon Holdings Limited and UGL Limited.

Simon High

Managing Director
(resigned 27 March 2015)

Simon resigned from the Board in March 2015 having served as Managing Director and Chief Executive Officer since 2010.

Peter Forbes

Independent Non-Executive Director
(resigned 5 May 2015)

Peter resigned from the Board in May 2015 having served as a Director since 2011. Peter was also Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee.

Peter served as a Non-Executive Director of Dart Energy Limited for part of financial year 2014.

John ("Jack") Hamilton

Independent Non-Executive Director
(resigned 5 May 2015)

Jack resigned from the Board in May 2015 having served as a Director since 2011. Jack was also a member of both the Nomination and Remuneration Committee and the Audit and Risk Management Committee.

Jack is a Non-Executive Director of Geodynamics Ltd and DUET Group and the Non-Executive Chairman of Antilles Oil And Gas NL.

Company Secretaries

Colin Harper

Colin is a Chartered Accountant with over 15 years experience of resources sector finance. Colin is also a member of the Governance Institute of Australia.

Prior to joining SCEE in 2012 Colin was the Chief Financial Officer and Company Secretary of FAR Limited and previously worked for Ernst & Young in both Australia and the UK.

Chris Douglass

Details provided on page 14.

Directors' interests

As at the date of this report, the relevant interests of the directors in the shares and rights or options over shares issued by the Company are as follows:

Director	Ordinary shares	Rights over ordinary shares	Options over ordinary shares
Derek Parkin	70,000	-	-
Chris Douglass	-	526,515	-
Gianfranco Tomasi	65,227,131	-	-
Simon Buchhorn	765,108	-	-
Karl Paganin	22,668	-	-

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:

	Board Meetings		Audit and Risk Management Committee Meetings		Nomination and Remuneration Committee Meetings	
Director	Held	Attended	Held	Attended	Held	Attended
Derek Parkin	15	15	4	4	2	2
Chris Douglass	5	5	-	-	-	-
Gianfranco Tomasi	15	14	1	1	4	4
Simon Buchhorn	3	3	1	1	1	1
Karl Paganin	1	1	-	-	1	1
John Cooper	12	10	-	-	-	-
Simon High	10	10	-	-	-	-
Peter Forbes	12	11	3	3	2	2
Jack Hamilton	12	12	3	3	2	2

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

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.

Directors' Report continued

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.

Operating and Financial Review

A review of operations of the consolidated group during the financial year, the results of those operations and the likely developments in the operations are set out in the Managing Director's Review on page 6.

Operating results for the year were:	2015 $'000	2014 $'000
Contract revenue	238,329	218,220
(Loss)/Profit after income tax from continuing operations	(9,801)	7,723

Dividends

Operating results for the year were:	Cents per share	Total amount $'000
Declared and paid during the period (fully franked at 30%)		
Final franked dividend for 2014	2.70c	4,361
Interim franked dividend for 2015	-	-
Declared after balance date and not recognised as a liability (fully franked at 30%)		
Final franked dividend for 2015	2.70c	4,272

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

The operations of the Group are subject to the environmental regulations that apply to our clients. During 2015 the Group complied with the regulations.

Share Options and Performance Rights

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

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

Further details are contained in note 26 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 $72,492 (2014: $81,679).

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

Non-audit Services

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

- all non-audit services are reviewed and approved by the Audit and Risk Management 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.

Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 75 and forms part of the Directors' report for the financial year ended 30 June 2015.

Remuneration Report

The Remuneration Report is set out on pages 20 to 27 and forms part of this report.

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.

Signed in accordance with a resolution of the directors.

D. Parkin

Derek Parkin
Chairman
25 August 2015

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.

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.

Remuneration Structure

In accordance with best practice corporate governance, the structure of executive and non-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:

- attract, motivate and retain highly skilled executives;
- 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

The Company has entered into contracts of employment with the Managing Director and the executives. 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 on page 23.

Fixed Remuneration

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.

Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee. There are no guaranteed base pay increases for any executive. For the 2016 financial year the Board has accepted management's recommendation that pay levels are held at existing levels other than in exceptional circumstances.

Remuneration Report – Audited continued

Variable Remuneration – Short Term Incentive (STI)

The objective 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.

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 measures of performance.

For the year ended 30 June 2015, the financial KPIs accounted for 70% of the executive team's STI and set specific profit and order book targets.

The non-financial KPIs comprised the achievement of strategic objectives. The strategic objectives set for each executive were chosen to align with the key drivers for the short term success of the business and provide a framework for delivering long term value.

The assessment of performance against KPIs is based on the audited financial results for the company. For each component of the STI against a KPI no award is made where performance falls below the minimum threshold for that KPI. The Nomination and Remuneration Committee recommends the STI to be paid to the individuals for approval by the Board.

Variable Remuneration – Long Term Incentive (LTI)

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.

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.

The Key Performance Indicators ("KPIs") used to measure performance for these incentives are earnings per share growth and absolute total shareholder return. These KPIs are measured over a three year performance period and were chosen because they are aligned to shareholder wealth creation.

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.

Remuneration Report – Audited continued

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 Non-Executive Director fee structure is reviewed annually. The Board considers external market surveys as well as the fees paid to Non-Executive Directors of comparable companies in our sector when undertaking the annual review process.

Effective May 2015, the Board agreed to reduce the annual fee paid to the Chairman of the Board from $130,000 to $110,000. The base fee paid to other Non-Executive Directors was maintained at $80,000 per annum but it was agreed to indefinitely suspend the payment of additional fees to Directors who sit on Board Committees.

Prior to May 2015 an additional fee of $7,500 per annum was 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 in recognition of the additional time commitment required by the Non-Executive Directors who serve on one or more Sub-Committees.

Directors also receive superannuation at the statutory rate in addition to their Director and Committee fees.

The Non-Executive Directors do not receive retirement benefits, nor do they participate in any incentive programs.

The remuneration paid to Non-Executive Directors 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:

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Profit/(loss) attributable to owners of the company	(9,801)	7,723	17,341	13,708	(1,652)
Dividends declared and paid during the year	4,361	4,361	3,633	-	5,588
Change in share price	(38%)	(42%)	(31%)	43%	(20%)
Return on capital employed	(10%)	10%	24%	21%	(2%)

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:

			Short-term				Post-employment		Share-based payments	
	Note		Salary & fees $	STI cash bonus (A) $	Non-monetary benefits $	Total $	Superannuation benefits $	Termination benefits $	Options and rights (B) $	Total $
Non-Executive directors										
Derek Parkin, Chairman	1	2015	92,542	-	-	92,542	8,791	-	-	101,333
		2014	90,000	-	-	90,000	8,325	-	-	98,325
Gianfranco Tomasi		2015	86,764	-	-	86,764	8,243	-	-	95,007
		2014	87,500	-	-	87,500	8,094	-	-	95,594
Simon Buchhorn	2	2015	11,118	-	-	11,118	-	-	-	11,118
		2014	-	-	-	-	-	-	-	-
Karl Paganin	3	2015	6,000	-	-	6,000	570	-	-	6,570
		2014	-	-	-	-	-	-	-	-
John Cooper	4	2015	113,505	-	-	113,505	10,783	-	-	124,288
		2014	130,000	-	-	130,000	12,025	-	-	142,025
Peter Forbes	4	2015	85,128	-	-	85,128	8,087		-	93,215
		2014	97,500	-	-	97,500	9,019	-	-	106,519
Jack Hamilton	4	2015	82,110		-	82,110	7,800	-	-	89,910
		2014	105,000	-	-	105,000	9,713	-	-	114,713
Executive directors										
Chris Douglass	5	2015	368,654	-	-	368,654	24,551	-	37,364	430,569
		2014	-	-	-	-	-	-	-	-
Simon High	6	2015	684,931	-	-	684,931	35,000	729,401	(200,460)	1,248,872
		2014	779,761	120,173	-	899,934	35,000	-	417	935,351
Executives										
Chris Douglass – Chief Financial Officer	5	2015	-	-	-	-	-	-	-	-
		2014	298,517	78,686	-	377,203	25,000	-	8,739	410,942
Andy Ozolins – Chief Operating Officer	7	2015	347,721	-	-	347,721	30,987	-	29,056	407,764
		2014	-	-	-	-	-	-	-	-
Total 2015			1,878,473	-	-	1,878,473	134,812	729,401	(134,040)	2,608,646
Total 2014			1,588,278	198,859	-	1,787,137	107,176	-	9,156	1,903,469

1. Appointed Chairman 6 May 2015.
2. Appointed 6 May 2015.
3. Appointed 4 June 2015.
4. Resigned 5 May 2015.
5. Appointed interim CEO and Managing Director on 30 March 2015. Disclosed remuneration for 2015 also includes remuneration in respect of Mr Douglass' role as Chief Financial Officer. In 2014 Mr Douglass was an executive of the Company for the full year.
6. Resigned 27 March 2015.
7. Appointed 12 August 2014.

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

A. The STI bonus is for the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria which was set out for the previous financial year. The amount is finally determined after performance reviews are completed and approved by the Nomination and Remuneration Committee.

B. The fair value of the options and performance rights with market related vesting conditions were valued using a Monte Carlo simulation model. The use of a Monte Carlo Simulation model simulates multiple future price projections for both SCEE shares and the shares of the peer group against which they are tested. The options and performance rights with non-market related vesting conditions were valued using the Black-Scholes option model. The values derived from these models are allocated to each reporting period evenly over the period from grant date to vesting date. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. The value disclosed is the fair value of the options and performance rights recognised in this reporting period.

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
Chris Douglass	6 months
Andy Ozolins	6 months

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.

Options and rights over equity instruments

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

Performance Rights over equity instruments

Executive	Held at 1 July 2014	Granted as remuneration	Exercised	Forfeited	Held at 30 June 2015	Vested during the year	Vested and exercisable at 30 June 2015
Chris Douglass	470,270	341,837	-	(164,868)	647,239	-	-
Andy Ozolins	-	260,204	-	-	260,204	-	-
Simon High	1,230,829	842,026	-	(2,072,855)	-	-	-
	1,701,099	**1,444,067**	**-**	**(2,237,723)**	**907,443**	**-**	**-**

Subsequent to 30 June 2015 it was determined that the vesting conditions in respect of the 2013 performance rights held by Mr Douglass have not been met and 120,724 performance rights have been forfeited.

Performance rights granted as remuneration in 2015

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:

Executive	Number	Grant date	Fair value per performance right at grant date ($)	Exercise price per performance right ($)	Vesting Date	Expiry Date
Chris Douglass[1]	170,919	4/11/14	0.42	0.00	30 June 2017	30 June 2018
Chris Douglass[2]	170,918	4/11/14	0.25	0.00	30 June 2017	30 June 2018
Andy Ozolins[1]	130,102	4/11/14	0.42	0.00	30 June 2017	30 June 2018
Andy Ozolins[2]	130,102	4/11/14	0.25	0.00	30 June 2017	30 June 2018
Simon High[1, 3]	421,013	4/11/14	0.42	0.00	30 June 2017	30 June 2018
Simon High[2, 3]	421,013	4/11/14	0.25	0.00	30 June 2017	30 June 2018
	1,444,067					

1. Performance rights granted with EPS growth as the vesting condition
2. Performance rights granted with Absolute TSR as the vesting condition
3. All performance rights granted to Simon High were forfeited during the year on cessation of employment

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 2014 to 30 June 2017 ("Performance Period");
- No performance rights will vest until 30 June 2017;
- 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 8% 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 8% per annum compounded	0% vesting
8% per annum compounded	50% vesting
Between 8% and 15% per annum compounded	Pro-rata vesting between 50% and 100%
At or above 15% per annum compounded	100% vesting

Remuneration Report – Audited continued

EPS will be assessed against targets for threshold performance of 5.7 cents per share in the 2017 financial year and for stretch performance of 7.3 cents per share in the 2017 financial year. The vesting schedule is as follows for EPS performance in the 2017 financial year:

Less than 5.7 cents per share	0% vesting
5.7 cents per share	50% vesting
Between 5.7 and 7.3 cents per share	Pro-rata vesting between 50% and 100%
At or above 7.3 cents per share	100% vesting

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

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

Details of equity incentives affecting current and future remuneration

Executive	Instrument	Number	Grant date	% vested in year	% forfeited in year	Vesting Date	Expiry Date (A)
Chris Douglass	2012 Rights	164,868	2 May 2012	-	100%	30 June 2014	30 June 2015
	2013 Rights	120,724	25 September 2012	-	-	30 June 2015	30 June 2016
	2014 Rights	184,678	8 October 2013	-	-	30 June 2016	30 June 2017
	2015 Rights	341,837	4 November 2014	-	-	30 June 2017	30 June 2018
Andy Ozolins	2015 Rights	260,204	4 November 2014	-	-	30 June 2017	30 June 2018
Simon High	2012 Rights	419,664	29 October 2012	-	100%	30 June 2014	30 June 2015
	2013 Rights	323,396	29 October 2012	-	100%	30 June 2015	30 June 2016
	2014 Rights	487,769	28 October 2013	-	100%	30 June 2016	30 June 2017
	2015 Rights	842,026	4 November 2014	-	100%	30 June 2017	30 June 2018

A. Performance rights are performance tested following completion of the performance period, which ends on the vesting date. Subsequent to 30 June 2015 it has been determined that the vesting conditions in respect of the 2013 performance rights have not been met and all 2013 performance rights have been forfeited. Simon High forfeited all remaining performance rights on cessation of employment.

Remuneration Report – Audited continued

Movements in shares

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

Ordinary shares

	Held at 30 June 2014	Purchases	Net change other (A)	Held at 30 June 2015
Directors				
Derek Parkin	70,000	-	-	70,000
Chris Douglass	-	-	-	-
Gianfranco Tomasi	65,227,131	-	-	65,227,131
Simon Buchhorn	-	-	765,108	765,108
Karl Paganin	-	-	22,668	22,668
John Cooper	116,667	-	(116,667)	-
Simon High	500,000	-	(500,000)	-
Peter Forbes	200,000	-	(200,000)	-
Jack Hamilton	114,670	90,000	(204,670)	-
Executives				
Andy Ozolins	-	-	-	-

A. Net change other represents shares held at the date of appointment or resignation. Refer to Table 1 above for the relevant dates for each director and executive.

Transactions with key management personnel

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

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

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

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

The rental payments made above are all at normal market rates and were reviewed by an independent valuer in July 2014 except for 41 Macedonia Street which is due to be reviewed in October 2016.

Total rent paid by SCEE in the 2015 financial year in respect of the above agreements was $834,000.

Consolidated Statement of Comprehensive Income

For the year ending 30 June 2015

	Note	2015 $'000	2014 $'000
Contract revenue	4	238,329	218,220
Contract expenses		(205,319)	(174,378)
Gross profit		**33,010**	**43,842**
Other (expense)/income	5	(1,025)	103
Employee benefits expenses	6	(15,886)	(18,161)
Occupancy expenses		(1,817)	(1,988)
Administration expenses		(4,651)	(4,794)
Other expenses		(982)	(1,097)
Depreciation expense	9	(6,817)	(7,124)
Amortisation of customer contract intangibles	9	(75)	(151)
Restructuring and impairment expenses	7	(10,984)	-
(Loss)/profit from operations		**(9,227)**	**10,630**
Finance income	8	846	993
Finance expenses	8	(988)	(1,143)
Net finance expense	8	**(142)**	**(150)**
(Loss)/profit before tax		**(9,369)**	**10,480**
Income tax expense	10	(432)	(2,757)
(Loss)/profit from continuing operations		**(9,801)**	**7,723**
Other comprehensive income			
Items that are or may be reclassified to the profit and loss:			
Foreign currency translation gain for foreign operations		297	68
Other comprehensive income net of income tax		297	68
Total comprehensive (loss)/income		**(9,504)**	**7,791**
(Loss)/profit attributable to:			
Owners of the Company		**(9,504)**	**7,791**
Earnings per share:			
Basic (loss)/earnings per share (cents)	11	**(6.12)**	**4.78**
Diluted (loss)/earnings per share (cents)	11	**(6.12)**	**4.78**

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

Consolidated Balance Sheet

For the year ending 30 June 2015

As at 30 June 2015	Note	2015 $'000	2014 $'000
Assets			
Current assets			
Cash and cash equivalents	12	44,550	37,869
Trade and other receivables	13	34,064	28,461
Inventories	14	2,947	2,649
Construction work in progress	15	8,556	28,909
Prepayments		987	686
Assets held for sale		909	-
Total current assets		**92,013**	**98,574**
Non-current assets			
Property, plant and equipment	16	22,863	30,741
Intangible assets	17	8,784	17,249
Total non-current assets		**31,647**	**47,990**
Total assets		**123,660**	**146,564**
Liabilities			
Current liabilities			
Trade and other payables	18	21,961	23,968
Unearned revenue	19	3,163	1,134
Loans and borrowings	20	-	1,875
Provisions	21	6,005	5,459
Tax payable		3,257	2,117
Total current liabilities		**34,386**	**34,553**
Non-current liabilities			
Loans and borrowings	20	-	820
Provisions	21	353	326
Deferred tax liability	10	223	6,612
Total non-current liabilities		**576**	**7,758**
Total liabilities		**34,962**	**42,311**
Net assets		**88,698**	**104,253**
Equity			
Share capital	22	56,036	57,578
Reserves		702	553
Retained earnings		31,960	46,122
Total equity		**88,698**	**104,253**

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

Consolidated Statement of Changes in Equity

For the year ending 30 June 2015

	Share Capital $'000	Retained Earnings $'000	Share Based Payments Reserve $'000	Translation Reserve $'000	Total Equity $'000
Balance as at 1 July 2013	57,578	42,760	1,822	(843)	101,317
Total comprehensive income for the period					
Profit for the period	-	7,723	-	-	7,723
Foreign currency translation gain	-	-	-	68	68
Total comprehensive income	-	7,723	-	68	7,791
Transactions with owners, recorded directly in equity					
Dividends to equity holders	-	(4,361)	-	-	(4,361)
Cost of share-based payment	-	-	(494)	-	(494)
Total transactions with owners	-	(4,361)	(494)	-	(4,855)
Balance as at 30 June 2014	**57,578**	**46,122**	**1,328**	**(775)**	**104,253**

	Share Capital $'000	Retained Earnings $'000	Share Based Payments Reserve $'000	Translation Reserve $'000	Total Equity $'000
Balance as at 1 July 2014	57,578	46,122	1,328	(775)	104,253
Total comprehensive income for the period					
Profit for the period	-	(9,801)	-	-	(9,801)
Foreign currency translation gain	-	-	-	297	297
Total comprehensive income	-	(9,801)	-	297	(9,504)
Transactions with owners, recorded directly in equity					
Dividends to equity holders	-	(4,361)	-	-	(4,361)
Buyback of share	(1,542)	-	-	-	(1,542)
Cost of share-based payment	-	-	(148)	-	(148)
Total transactions with owners	(1,542)	(4,361)	(148)	-	(6,051)
Balance as at 30 June 2015	**56,036**	**31,960**	**1,180**	**(478)**	**88,698**

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

Consolidated Statement of Cash Flows

For the year ending 30 June 2015

As at 30 June 2015	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Cash receipts from customers		254,855	220,628
Cash paid to suppliers and employees		(232,039)	(212,221)
Interest received		846	993
Interest paid		(988)	(1,143)
Income taxes paid		(5,681)	(895)
Net cash from operating activities		**16,993**	**7,362**
Cash flows from investing activities			
Proceeds from the sale of assets		273	113
Acquisition of property, plant and equipment		(2,284)	(4,329)
Net cash (used in) investing activities		**(2,011)**	**(4,216)**
Cash flows from financing activities			
Repayment of borrowings		(2,695)	(1,878)
Dividends paid		(4,361)	(4,361)
Share buy back		(1,542)	-
Net cash (used in) financing activities		**(8,598)**	**(6,239)**
Net increase/(decrease) in cash and cash equivalents		6,384	(3,093)
Cash and cash equivalents at beginning of period		37,869	40,865
Effect of exchange rate fluctuations on cash held		297	97
Cash and cash equivalents at 30 June		**44,550**	**37,869**

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

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Notes to the Financial Statements

For the year ending 30 June 2015

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 2015 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 34(u).

The consolidated financial statements were authorised for issue by the Board of Directors on 25 August 2015.

(b) Basis of measurement

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

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

The methods used to measure fair values are discussed further in note 35.

(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 sheet date.

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

Notes to the Financial Statements

For the year ending 30 June 2015

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 26 – measurement of share based payments; and
- Note 17 – 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 34(n)(i) and 4) and contract work in progress (note 34(h)(i) and 15).

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

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

Details of the Groups accounting policies are included in notes 34 and 35.

Notes to the Financial Statements

For the year ending 30 June 2015

3. Segment reporting

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

The Group has branded itself into the following three operating divisions: SCEE Construction, SCEE Infrastructure and SCEE Services. For the year ended 30 June 2015, the Construction division contributed revenue of $123.9 million (2014: $133.8 million), the Infrastructure division contributed revenue of $45.7 million (2014: $50.9 million) and the Services division contributed revenue of $68.7 million (2014: $33.5 million). Excluded from these amounts is $5.8 million (2014: $6.3 million) of inter-entity revenue, which is eliminated on consolidation. The divisions are exposed to similar operational risks and rewards and are only divisions for the purposes of addressing target market opportunities and facilitating appropriate project management structures.

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

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

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

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

	2015		2014	
	Revenue	Non-current assets	Revenue	Non-current assets
	$'000	$'000	$'000	$'000
Australia	237,964	31,299	217,762	47,675
South America and Caribbean	365	348	458	315
	238,329	31,647	218,220	47,990

Revenues from the three largest customers of the Group's Australian segment generated respectively $90 million, $48 million and $38 million of the Group's total revenue (2014: $168 million generated from the two largest customers).

4. Contract Revenue

	Note	2015	2014
		$'000	$'000
Contract revenue		238,329	218,220

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.

Notes to the Financial Statements

For the year ending 30 June 2015

5. Other (expenses)/income

	Note	2015 $'000	2014 $'000
Net (loss)/gain on sale/write-off of non-current assets		(1,219)	29
Foreign exchange gain/(loss)		16	(167)
Other		178	241
		(1,025)	103

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.

6. Employee benefits expenses

	Note	2015 $'000	2014 $'000
Remuneration, bonuses and on-costs		(15,637)	(18,375)
Amounts provided for employee entitlements		(397)	(280)
Share-based payments expense		148	494
		(15,886)	(18,161)

The above employee benefits expenses do not include employee benefits expenses recorded within contract expenses. Employee benefits included in contract expenses were $143.0m (2014: $111.7m).

7. Restructuring and impairment expenses

	Note	2015 $'000	2014 $'000
Impairment of goodwill and intangible assets (a)	17	(8,390)	-
Onerous Lease Provision (b)		(498)	-
Asset write-downs (c)		(944)	-
Other restructuring expenses (d)		(1,152)	-
		(10,984)	-

a. Goodwill has been impaired to its recoverable amount. Refer to note 17.

b. Onerous lease provision has been recognised at 30 June 2015 against property leases that are not expected to be fully utilised following the restructure.

c. Certain assets have been identified as surplus to business requirements. These have been written down to their expected recoverable value.

d. This represents redundancy costs incurred as part of the restructure

Notes to the Financial Statements

For the year ending 30 June 2015

8. Finance income and expenses

	Note	2015 $'000	2014 $'000
Interest income on bank deposits		846	993
Finance income		846	993
Interest expense on bank borrowings		(29)	(75)
Finance charges payable under finance lease		(142)	(265)
Bank charges		(548)	(559)
Bank guarantee fees		(269)	(244)
Finance expense		(988)	(1,143)
Net finance expense		(142)	(150)

9. Depreciation and amortisation expenses

	Note	2015 $'000	2014 $'000
Buildings		(14)	(17)
Leasehold improvements		(247)	(233)
Plant and equipment		(2,557)	(2,775)
Motor vehicles		(1,523)	(1,913)
Office furniture and equipment		(2,476)	(2,186)
		(6,817)	(7,124)
Amortisation of customer contract intangibles		(75)	(151)

Notes to the Financial Statements

For the year ending 30 June 2015

10. Income tax expense

	Note	2015 $'000	2014 $'000
(a) Income Statement			
Current tax expense			
Current period		(6,774)	(5,643)
Under provision from prior year		(47)	-
		(6,821)	(5,643)
Deferred tax expense			
Origination and reversal of temporary differences		6,389	2,886
Income tax expense reported in the income statement		(432)	(2,757)
(b) Reconciliation between tax expense and pre-tax accounting profit			
Accounting profit/(loss) before income tax		(9,369)	10,480
Income tax (expense)/credit using the Company's domestic tax rate of 30% (2014: 30%)		2,811	(3,144)
Goodwill impairment		(2,517)	-
Tax effect of permanent differences		-	(156)
Tax losses of foreign operations not recognised		(165)	(23)
Research and development		(526)	612
Share based payments		45	-
Amortisation of Intangibles		(23)	-
Other		(57)	(46)
Income tax expense reported in the income statement		(432)	(2,757)
The applicable effective tax rates are:		(4.6%)	26.3%

Notes to the Financial Statements

For the year ending 30 June 2015

10. Income tax expense (continued)

Deferred tax assets and liabilities

	Balance Sheet		Movement recognised in Income Statement		Movement recognised in Equity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deferred tax liabilities						
Retentions	-	(36)	(164)	128	-	-
Work in progress	(2,640)	(12,512)	(6,033)	(3,840)	-	-
Property, plant and equipment	(23)	(23)	-	-	-	-
	(2,663)	(12,571)	(6,197)	(3,712)	-	-
Deferred tax assets						
Provision for onerous lease	149	-	(149)	-	-	-
Provision assets held for sale value	134	-	(134)	-	-	-
Accruals	59	46	(12)	(5)	-	-
Employee benefits	1,934	2,023	89	409	-	-
Property, plant and equipment	19	19	9	12	-	-
Other	144	153	-	29	-	-
Employee share trust LTI equity settlement	-	-	-	382	-	-
Borrowing costs	1	6	5	(1)	-	-
	2,440	2,247	(192)	826	-	-
Net deferred tax liability	(223)	(6,612)	(6,389)	(2,886)	-	-

Notes to the Financial Statements

For the year ending 30 June 2015

11. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2015 was based on the loss attributable to ordinary shareholders of $9,801,000 (2014: Profit; $7,723,000) and a weighted average number of ordinary shares outstanding of 160,080,407 (2014: 161,523,130), calculated as follows:

Profit/(loss) attributable to ordinary shareholders

	Note	2015 $'000	2014 $'000
Profit/(loss) for the period		(9,801)	7,723

Weighted average number of ordinary shares

	Note	2015	2014
Issued ordinary shares at 1 July	22	161,523,130	161,523,130
Effective new balance resulting from buy back of shares in the year		(1,442,723)	-
Weighted average number of ordinary shares at 30 June		160,080,407	161,523,130

Diluted earnings per share

Basic earnings per share and diluted earnings per share are the same at 30 June 2015 and 30 June 2014 as there are no dilutive potential shares at those dates

12. Cash and cash equivalents

	Note	2015 $'000	2014 $'000
Bank balances		2,873	10,080
Short term deposits		41,677	27,789
Cash and cash equivalents in the statement of cash flows		44,550	37,869

The effective interest rate on cash and cash equivalents was 2.5% (2014: 3.1%); these deposits are either at call or on short term deposit.

13. Trade and other receivables

	Note	2015 $'000	2014 $'000
Current			
Trade receivables		34,064	28,461
Cash and cash equivalents in the statement of cash flows		34,064	28,461

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.

Notes to the Financial Statements

For the year ending 30 June 2015

14. Inventories

	Note	2015 $'000	2014 $'000
Trade receivables		2,947	2,649
Cash and cash equivalents in the statement of cash flows		2,947	2,649

15. Construction work in progress

	Note	2015 $'000	2014 $'000
Costs incurred to date		114,840	133,935
Recognised profit		19,649	37,961
Progress billings		(125,933)	(125,933)
Construction work in progress		8,556	28,909

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 completion method and is determined using the costs incurred to date and the total forecast contract costs.

Notes to the Financial Statements

For the year ending 30 June 2015

16. 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 2013	916	2,940	22,710	15,418	8,069	50,053
Additions	-	412	586	-	3,331	4,329
Disposals	-	(11)	(114)	(594)	(5)	(724)
Exchange differences	-	-	(29)	-	1	(28)
Balance at 30 June 2014	916	3,341	23,153	14,824	11,396	53,630
Balance at 1 July 2014	916	3,341	23,153	14,824	11,396	53,630
Additions	-	17	993	26	1,248	2,284
Disposals/write-downs	-	(898)	(292)	(1,130)	(2,395)	(4,715)
Reclassification to assets held for sale	(671)	-	(1,516)	(479)	-	(2,666)
Exchange differences	-	-	72	-	4	76
Balance at 30 June 2015	245	2,460	22,410	13,241	10,253	48,609
Depreciation and impairment losses						
Balance at 1 July 2013	(85)	(826)	(8,003)	(5,317)	(2,173)	(16,404)
Depreciation for the year	(17)	(233)	(2,775)	(1,913)	(2,186)	(7,124)
Disposals	-	11	133	493	3	640
Exchange differences	-	-	(1)	-	-	(1)
Balance at 30 June 2014	(102)	(1,048)	(10,646)	(6,737)	(4,356)	(22,889)
Balance at 1 July 2014	(102)	(1,048)	(10,646)	(6,737)	(4,356)	(22,889)
Depreciation for the year	(14)	(247)	(2,557)	(1,523)	(2,476)	(6,817)
Disposals/write-downs	-	403	257	1,004	1,061	2,725
Reclassification to assets held for sale	115	-	801	393	-	1,309
Exchange differences	-	-	(74)	-	-	(74)
Balance at 30 June 2015	(1)	(892)	(2,219)	(6,863)	(5,771)	(25,746)
Carrying amounts						
At 1 July 2013	831	2,114	14,707	10,101	5,896	33,649
At 30 June 2014	814	2,293	12,507	8,087	7,040	30,741
At 1 July 2014	814	2,293	12,507	8,087	7,040	30,741
At 30 June 2015	244	1,568	10,191	6,378	4,482	22,863

Notes to the Financial Statements

For the year ending 30 June 2015

17. Intangible assets – goodwill and customer contracts

Reconciliation of carrying amount

	Note	Goodwill $'000	Customer Contracts $'000	Total $'000
Cost				
Balance as at 1 July 2013		17,174	1,811	18,985
Acquisitions through business combinations		-	-	-
Balance as at 30 June 2014		17,174	1,811	18,985
Balance as at 1 July 2014		17,174	1,811	18,985
Acquisitions through business combinations		-	-	-
Balance as at 30 June 2015		17,174	1,811	18,985
Amortisation and impairment losses				
Balance as at 1 July 2013		-	(1,585)	(1,585)
Amortisation		-	(151)	(151)
Balance as at 30 June 2014		-	(1,736)	(1,736)
Balance as at 1 July 2014		-	(1,736)	(1,736)
Impairment loss	7	(8,390)	-	(8,390)
Amortisation		-	(75)	(75)
Balance as at 30 June 2015		(8,390)	(1,811)	(10,201)
Carrying amounts				
At 1 July 2013		17,174	226	17,400
At 30 June 2014		17,174	75	17,249
At 1 July 2014		17,174	75	17,249
At 30 June 2015		8,784	-	8,784

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:

	2015 $'000	2014 $'000
Construction	-	7,066
Infrastructure	3,306	3,616
Services	5,478	6,492
	8,784	17,174

The recoverable amount of the above cash generating units ("CGUs") was based on their value in use. The group performed its annual impairment test in June 2015. In June 2015 the carrying amount of all CGUs was determined to be higher than their recoverable amounts and therefore an impairment charge has been recognised.

Notes to the Financial Statements

For the year ending 30 June 2015

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

Value in use was determined by discounting the future cash flows generated from the continuing operations of the CGU. Five years of cash flows were included in the discounted cash flow models together with a terminal value reflecting a long term growth rate of 2.5% (2014: 2%). 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 in which the CGUs operate.
- EBITDA for 2016 is based on the board approved budget with EBITDA for 2017 – 2020 based on management forecasts. The anticipated annual revenue growth included in the cash flow projections has been based on growth rates that have been estimated by management. The margins included in the projected cash flow are the same rate that has been achieved by projects commencing in 2015.
- A post-tax discount rate of 12.15% (2014: 12.4%) was applied. This discount rate was estimated based on past experience and industry average weighted cost of capital
- As a result a total goodwill impairment charge of $8,390,000 (2014: Nil) was recognised for the period ended 30 June 2015 made up of Construction CGU: $7,066,000, Infrastructure CGU: $310,000 and Services CGU: $1,014,000. The impairment charge is included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year 30 June 2015.
- Any adverse movement in the assumptions above would result in further impairment charge.

18. Trade and other payables

	2015 $'000	2014 $'000
Current		
Trade payables	6,541	8,100
Accrued expenses	12,965	14,680
Goods and services tax payable	2,455	1,188
	21,961	23,968

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 23.

19. Unearned revenue

	2015 $'000	2014 $'000
Current		
Unearned revenue	3,163	1,134
	3,163	1,134

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

Notes to the Financial Statements

For the year ending 30 June 2015

20. 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 23.

	2015 $'000	2014 $'000
Current liabilities		
Finance lease liabilities	-	1,875
	-	1,875
Non-current liabilities		
Finance lease liabilities	-	820
	-	820

During the year all finance lease liabilities were paid out in full.

21. Provisions

	2015 $'000	2014 $'000
Current		
Annual leave	4,760	4,622
Long service leave	747	837
Onerous Lease	498	-
	6,005	5,459
Non-current		
Long service leave	353	326

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 34(k) to this report.

22. Capital and reserves

	2015		2014	
	Number	$'000	Number	$'000
Ordinary shares				
Issued and fully paid	158,210,370	56,036	161,523,130	57,578
Movements in shares on issue				
Balance at the beginning of the financial year	161,523,130	57,578	161,523,130	57,578
Share buy backs	(3,312,760)	(1,542)	-	-
Balance at the end of the financial year	158,210,370	56,036	161,523,130	57,578

Notes to the Financial Statements

For the year ending 30 June 2015

22. Capital and reserves (continued)

Translation reserve

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

Share based payments reserve

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

Dividends

Dividends recognised in the current year by the Group are:

	Cents per share	Total amount $'000	Franked	Date of payment
2015				
Final 2014 ordinary	2.70	4,361	Franked	14th October 2014
Total amount		4,361		
2014				
Final 2013 ordinary	2.70	4,361	Franked	17th October 2013
Total amount		4,361		

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

Declared after end of year

After the balance sheet date a dividend of 2.70 cents per share in the amount of $4.272 million was proposed by the directors. The dividend has not been provided in the financial statements.

	Company	
	2015	2014
	$'000	$'000
Franking account balance	12,013	8,201

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.

23. 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.

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	
	2015	2014
	$'000	$'000
Cash and cash equivalents	44,550	37,869
Trade and other receivables	34,064	28,461
	78,614	66,330

Cash

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

Notes to the Financial Statements

For the year ending 30 June 2015

23. Financial instruments (continued)

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 50 percent (2014: 79 percent) of the Group's trade receivables are attributable to transactions with three 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	
	2015 $'000	2014 $'000
Australia	34,009	28,349
South America and Caribbean	55	112
	34,064	28,461

Impairment losses

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

	Gross 2015 $'000	Impairment 2015 $'000	Gross 2014 $'000	Impairment 2014 $'000
Not past due	26,458	-	19,586	-
Past due 0-30 days	6,909	-	7,018	-
Past due 30-60 days	120	-	1,684	-
Past due 60 days and less than 1 year	577	-	173	-
More than 1 year	-	-	-	-
	34,064	-	28,461	-

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.

Notes to the Financial Statements

For the year ending 30 June 2015

23. 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 2015							
Non-derivative financial liabilities							
Finance lease liabilities	-	-	-	-	-	-	-
Trade and other payables	21,961	21,961	21,961	-	-	-	-
	21,961	21,961	21,961	-	-	-	-
30 June 2014							
Non-derivative financial liabilities							
Finance lease liabilities	2,695	2,849	1,032	974	796	47	-
Trade and other payables	23,968	23,968	23,968	-	-	-	-
	26,663	26,817	25,000	974	796	47	-

Market Risk

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

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency in which they are measured. The Group has no material currency risk exposures at 30 June 2015 or 30 June 2014.

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 Statements

For the year ending 30 June 2015

23. 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	
	2015 $'000	2014 $'000
Fixed rate instruments		
Financial liabilities	-	2,695
Variable rate instruments		
Financial assets	44,550	37,869

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 2015.

	Profit or loss		Equity	
	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
30 June 2015				
Variable rate instruments	671	(671)	-	-
Cash flow sensitivity (net)	671	(671)	-	-
30 June 2014				
Variable rate instruments	630	(630)	-	-
Cash flow sensitivity (net)	630	(630)	-	-

Fair values

Fair values versus carrying amounts

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

Other Price Risk

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

Notes to the Financial Statements

For the year ending 30 June 2015

23. 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 make an annual distribution to shareholders in the form of fully franked dividends, subject to the Group's financial results in a given year, 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.

24. 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 (%)	
		2015	2014
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 Statements

For the year ending 30 June 2015

25. Interest in joint operations

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

The Group's share of the underlying assets and liabilities as at 30 June 2015 and 2014 and revenues and expenses of the joint operations for the year 30 June 2015 and 2014, which are proportionally consolidated in the consolidated financial statements, is as follows:

	2015 $'000	2014 $'000
Share of the joint operations statement of financial position:		
Current assets	4,400	1,395
Current liabilities	(1,540)	(1,197)
Non-current liabilities	(1,158)	(88)
Equity	1,702	(110)
Share of the joint operations revenue and profit:		
Revenue	37,558	5,237
Contract expenses	(32,852)	(4,654)
Other expenses	(714)	(323)
Profit before tax	3,992	260
Income tax expense	(1,198)	(78)
Profit for the year from continuing operations	2,794	182

The joint operations have no contingent liabilities or capital commitments as at 30 June 2015 and 30 June 2014.

26. Share-based payments

(a) Expense recognised in profit or loss

Share based payments expenses for the year comprises:

		2015 $'000	2014 $'000
2015 Performance Rights	(i)	110	297
2014 Performance Rights	(ii)	(203)	(136)
2013 Performance Rights	(iii)	(55)	(655)
		(148)	(494)

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

Notes to the Financial Statements

For the year ending 30 June 2015

26. Share-based payments (continued)

(i) 2015 Performance Rights

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

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life
Performance rights issued to senior management on 04 November 2014	676,874	Employed on 30 June 2017 and exceed performance hurdles	32 months
Performance rights issued to key management on 04 November 2014	1,444,067	Employed on 30 June 2017 and exceed performance hurdles	32 months
Total /performance rights	2,120,941		

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 2014 to 30 June 2017 ("Performance Period");
- No performance rights will vest until 30 June 2017;
- 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 8% 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 8% per annum compounded	0% vesting
8% per annum compounded	50% vesting
Between 8% and 15% per annum compounded	Pro-rata vesting between 50% and 100%
At or above 15% per annum compounded	100% vesting

Notes to the Financial Statements

For the year ending 30 June 2015

26. Share-based payments (continued)

EPS will be assessed against targets for threshold performance of 5.7 cents per share at the end of the Performance Period and for stretch performance of 7.3 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 5.7 cents per share	0% vesting
5.7 cents per share	50% vesting
Between 5.7 and 7.3 cents per share	Pro-rata vesting between 50% and 100%
At or above 7.3 cents per share	100% vesting

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

During the year 1,135,240 of the 2015 performance rights were forfeited.

(ii) 2014 Performance Rights

There were 1,005,211 2014 Performance Rights on issue at 1 July 2014. No 2014 Performance Rights were granted, none vested and 617,399 were forfeited during the year.

The 2014 Performance Rights were performance tested over a three-year period from 1 July 2013 to 30 June 2016. The hurdles used to determine performance are Relative Total Shareholder Return (TSR) and Earnings per Share (EPS) performance.

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

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

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

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

26. Share-based payments (continued)

(iii) 2013 Performance Rights

There were 579,435 2013 Performance Rights on issue at 1 July 2014. No 2013 Performance Rights were granted, none vested and 323,396 were forfeited during the year.

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

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

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

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

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

(b) Measurement of fair values

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

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

2015

The performance rights issued in respect of the 2015 financial year were granted in one tranche as follows:

Grant Date	4 November 2014
Vesting date	30 June 2017
Share price at grant date	$0.49
Expected life	2.7 years
Volatility	45%
Risk free interest rate	2.54%
Dividend yield	5.40%
Fair value of TSR component	$0.25
Fair value of EPS component	$0.42

Notes to the Financial Statements

For the year ending 30 June 2015

26. Share-based payments (continued)

2014

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

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

(c) Reconciliation of outstanding performance rights

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

	2015 Number of rights	2014 Number of rights
Outstanding at 1 July	2,914,382	2,782,667
Granted during the year	2,120,941	1,214,583
Forfeited during the year	(3,405,771)	(1,082,868)
Outstanding at 30 June	1,629,552	2,914,382
Vested and exercisable at 30 June	-	-

Subsequent to 30 June 2015 it has been determined that the vesting conditions in respect of the 2013 Performance rights have not been met and 256,039 performance rights included as outstanding above will be forfeited.

Notes to the Financial Statements

For the year ending 30 June 2015

27. Reconciliation of cash flows from operating activities

	2015 $'000	2014 $'000
Cash flows from operating activities		
(Loss)/profit for the year	**(9,801)**	**7,723**
Adjustments for:		
Depreciation and amortisation	6,892	7,274
(Profit)/Loss on sale of property, plant and equipment	1,715	(29)
Impairment expense	8,390	-
Equity-settled share-based payment transactions	(148)	(494)
(Increase)/decrease in assets:		
Trade and other receivables	(5,603)	(9,894)
Income tax receivable	-	2,632
Work in progress	20,354	12,800
Inventories	(298)	(333)
Prepayments	(301)	(122)
Increase/(decrease) in liabilities:		
Trade and other payables	(2,008)	(10,250)
Unearned revenue	2,030	(571)
Provisions and employee benefits	1,020	(604)
Income tax payable	1,140	2,117
Deferred income tax	(6,389)	(2,887)
Net cash from operating activities	**16,993**	**7,362**

28. Commitments

Leasing commitments

Operating lease commitments – as lessee

The Group has entered into commercial property leases. These leases have an average life of 3 years remaining with options to renew at the end of the initial term. Future minimum rentals payable under non-cancellable operating leases as at 30 June 2015 are:

	2015 $'000	2014 $'000
Within one year	1,038	1,051
After one but no more than five years	2,199	2,787
After more than five years	458	987
Total minimum lease payments	3,695	4,825

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

Notes to the Financial Statements

For the year ending 30 June 2015

29. 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.

	2015 $'000	2014 $'000
Bank Guarantees	20,143	19,677
Surety Bonds	8,493	14,641

Total bank guarantee facilities at 30 June 2015 were $60 million and the unused portion was $39.9 million. This facility is subject to annual review. Total surety bonds facilities at 30 June 2015 were $30 million and the unused portion was $21.5 million. This facility is subject to annual review. Both facilities are set to mature on 31 August 2015. It is management's intention to renew these facilities at level appropriate to support ongoing business.

30. 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.

31. Auditor's remuneration

	2015 $'000	2014 $'000
Remuneration of KPMG Australia as the auditor of the parent entity for:		
- Auditing or reviewing the financial report	200,000	255,577
- All other services	105,984	-
	305,984	255,577

Notes to the Financial Statements

For the year ending 30 June 2015

32. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2015 the parent company of the Consolidated entity was Southern Cross Electrical Engineering Limited.

	Company	
	2015 $'000	2014 $'000
Result of the parent entity		
(Loss)/profit for the period	(12,390)	7,564
Total comprehensive (loss)/income for the period	(12,390)	7,564
Financial position of parent entity at year end		
Current assets	81,512	93,153
Total assets	123,605	151,790
Current liabilities	34,125	50,746
Total liabilities	41,305	58,693
Total equity of the parent entity comprising:		
Share capital	56,036	57,578
Reserves	757	905
Retained earnings	25,507	34,613
Total Equity	82,300	93,097

Parent entity contingencies:

The parent entity has commitments and contingent liabilities which are included in note 28 and 29. At 30 June 2015 there were in existence guarantees of performance of a subsidiary.

33. Related parties

Transactions with key management personnel

(i) Key management personnel compensation

Key management personnel compensation comprised the following:

	2015 $'000	2014 $'000
Short-term employee benefits	1,878	1,787
Post-employment benefits	135	107
Termination benefits	729	-
Share-based payments	(134)	9
	2,608	1,903

Compensation of the Group's key management personnel includes salaries and non-cash benefits made up of a short term incentive and long term incentive scheme (see note 26 (i)).

Notes to the Financial Statements

For the year ending 30 June 2015

33. Related parties (continued)

(ii) Key management personnel transactions

Directors of the Company control 42% of the voting shares of the Company.

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

		Transactions value year ended 30 June	
		2015 $'000	2014 $'000
Other related parties			
Gianfranco Tomasi	Rental income	834	772

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

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

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

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

The rental payments made above are all at normal market rates and were reviewed by an independent valuer in July 2014 except for 41 Macedonia Street which is due to be reviewed in October 2016.

Notes to the Financial Statements

For the year ending 30 June 2015

34. Significant accounting policies

Except as described below the accounting policies applied by the Group in this financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2014.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application 1 July 2014.

AASB 8 Operating Segments

AASB 119 Employee Benefits

AASB 124 Related Party Disclosures

AASB 2012-3 Amendments to AASB 132 Financial Instruments: Presentation

AASB 2013-3 Amendments to AASB 136 Impairment of Assets

AASB 2013-4 Amendments to AASB 139 Financial Instruments: Recognition and Measurement

AASB 1031 Materiality

Interpretation 21 Levies

AASB 2014 – 1 Part A Annual Improvements 2010-2012 Cycle & 2011-2013 Cycle.

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

(i) Operating Segment Disclosure

Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.

(ii) Related Party Disclosure

Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements. This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

(a) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

ii. Interest in a joint venture

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

34. Significant accounting policies (continued)

iii. Transactions eliminated on consolidation

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

(b) Foreign currency

i. Foreign currency transactions

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

ii. Foreign operations

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

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

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

(c) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in fair value.

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

Notes to the Financial Statements

For the year ending 30 June 2015

34. Significant accounting policies (continued)

(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 balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

The Group has the following non-derivative financial assets:

- Loans and receivables.
- Cash and cash equivalents.

Loans and receivables

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

Loans and receivables comprise trade and other receivables (see note 13).

ii. Non-derivative financial liabilities

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

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

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

iii. Share capital

Ordinary shares

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

34. Significant accounting policies (continued)

(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 diminishing value basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

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

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

Notes to the Financial Statements

For the year ending 30 June 2015

34. Significant accounting policies (continued)

(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:

	2015	2014
• Customer contracts	1 – 5 years	1 – 5 years

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

(g) Leased assets

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

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

(h) Inventories

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

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

Notes to the Financial Statements

For the year ending 30 June 2015

34. Significant accounting policies (continued)

(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 34(n)(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) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(k) 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.

34. Significant accounting policies (continued)

(k) Impairment (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.

(l) 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.

34. Significant accounting policies (continued)

iii. Short-term benefits

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

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

iv. Share-based payment transactions

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

(m) 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.

(n) 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).

Notes to the Financial Statements

For the year ending 30 June 2015

34. Significant accounting policies (continued)

(o) 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.

(p) 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.

(q) 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.

Notes to the Financial Statements

For the year ending 30 June 2015

34. Significant accounting policies (continued)

(r) 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.

(s) 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.

(t) 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.

(u) 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.

34. Significant accounting policies (continued)

(v) New standards and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 July 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except AASB 9 Financial Instruments, which will become mandatory for the Group's 2018 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

35. Determination of fair values

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

i. Property, plant and equipment

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

ii. Inventories

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

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.

Directors' Declaration

For the year ending 30 June 2015

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 2015 and of its performance for the financial year ended on that date; and

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

   B. the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a),

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

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the managing director and chief financial officer for the financial year ended 30 June 2015.

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

Signed in accordance with a resolution of the directors:

D. Parkin

Derek Parkin
Chairman
25 August 2015

Independent Auditor's Report

For the year ending 30 June 2015

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 2015, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 35 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 their performance.

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

Independent Auditor's Report

For the year ending 30 June 2015

KPMG

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 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 2015 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 pages 20 to 27 of the directors' report for the year ended 30 June 2015. 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 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Matthew Beevers
Partner

Perth

25 August 2015

Lead Auditor's Independence Declaration

Under Section 307C of the Corporations Act 2001

KPMG

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 2015 there have been:

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

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

KPMG

KPMG

Matthew Beevers
Partner

Perth

25 August 2015

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ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is current as at 18 August 2015.

Distribution of equity security holders

Category	Number of equity security holders Ordinary shares	Performance rights
1 - 1,000	171	-
1,001 - 5,000	330	-
5,001 - 10,000	178	-
10,001 - 100,000	356	-
100,001 and over	53	4
	1,088	4

The number of shareholders holding less than a marketable parcel of ordinary shares is 194.

Twenty largest shareholders

Name	Number of ordinary shares	% of issued capital
Frank Tomasi Nominees Pty Ltd <Frank Tomasi Family A/C>	62,213,231	39.32
J P Morgan Nominees Australia Limited	13,825,530	8.74
Citicorp Nominees Pty Limited	12,483,128	7.89
Zero Nominees Pty Ltd	8,873,000	5.61
UBS Nominees Pty Ltd	7,272,664	4.60
National Nominees Limited	7,087,346	4.48
HSBC Custody Nominees (Australia) Limited	6,458,540	4.08
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	6,171,443	3.90
HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	2,078,396	1.31
Carman Super Pty Ltd <M & B Carman Super Fund A/C>	2,000,000	1.26
Ghisa Pty Ltd	1,513,900	0.96
Offshore Electrical Services Pty Ltd	1,500,000	0.95
Mr Raymond John Wise	1,280,846	0.81
Mr Andrew William McKenzie + Mrs Catherine Patricia McKenzie <A W McKenzie Super Fund A/C>	1,025,052	0.65
Chemco Superannuation Fund Pty Ltd <Chemco Super Fund No 2 A/C>	900,000	0.57
Chemco Superannuation Fund Pty Ltd <Chemco Super Fund No 2 A/C>	830,000	0.52
Map Capital Pty Ltd <Richmond Tce Cap Arf A/C>	800,000	0.51
Buchhorn Pty Ltd <S&K Buchhorn Family S/F A/C>	765,108	0.48
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	537,171	0.34
Ziziphus Pty Ltd	398,667	0.25
	138,014,022	**87.23**

Substantial shareholders

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

Shareholder	Number	% of issued capital
Gianfranco Tomasi	65,227,131	41.2%
Commonwealth Bank of Australia	16,624,675	10.5%
Celeste Funds Management	12,299,349	7.8%
Acorn Capital	12,018,795	7.6%

Corporate Directory

Directors

Derek Parkin
Chairman
Independent Non-Executive Director

Chris Douglass
Interim CEO and Executive Director

Gianfranco Tomasi
Non-Executive Director

Simon Buchhorn
Non-Executive Director

Karl Paganin
Independent Non-Executive Director

Company Secretaries

Chris Douglass
Colin Harper

Auditors

KPMG
235 St Georges Terrace
Perth WA 6000

Solicitors

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