2020 Annual Report

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

CONTENTS

2020 HIGHLIGHTS

THIRD SUCCESSIVE YEAR OF RECORD REVENUES

REVENUE	EBIT	NPAT
$415.1m	**$16.4m**	**$10.9M**
UP 8%	DOWN 16%	DOWN 14%

Infrastructure remained as the largest revenue contributor

Strong balance sheet
cash of $55.3m and no debt

Fully franked dividend
3.0 cents per share

Order book of $440m
including over $330m of work secured for FY21

Significant opportunities presenting
in resources and infrastructure stimulus expected

ABOUT SCEE

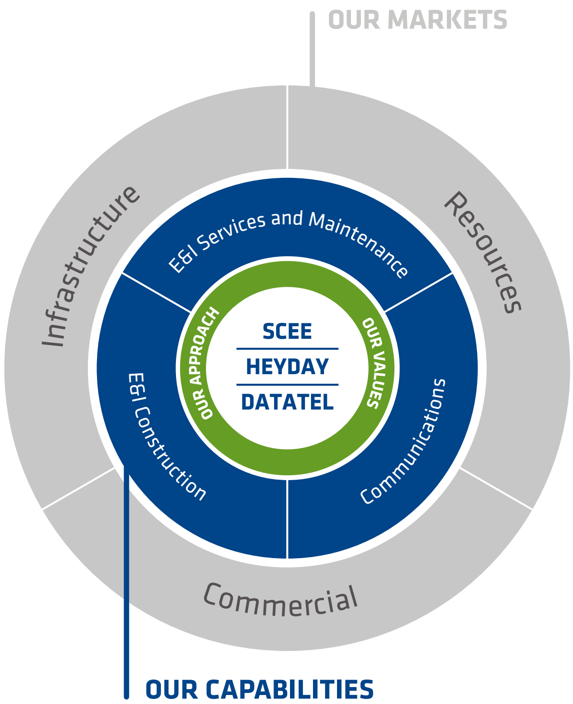
Southern Cross Electrical Engineering (SCEE) is an ASX listed electrical, instrumentation, communication and maintenance services company recognised for our industry leading capabilities.

Established in 1978 in WA, the combination in 2016 with Datatel Communications (established 1998) and in 2017 with East Coast-based Heyday5 (business established 1978) has created a national group.

SCEE now operates across three sectors:

- Infrastructure
- Commercial
- Resources

SCEE is headquartered in Perth with additional offices across Australia and has talented and committed staff delivering projects and services throughout the country.



LEADING NATIONAL DIVERSIFIED **ELECTRICAL CONTRACTOR**

WA

Rio Tinto - Cape Lambert, Dampier EIR, Tom Price, Paraburdoo, Brockman 2, Yandi

BHP – Newman, Port Hedland, Mt Whaleback, South Flank

Sino Iron

Boddington Gold

Talison Greenbushes Lithium

MARBL JV Kemerton Lithium

NorthLink Central Section

Forrestfield Airport Link

Causarina Prison

UWA, City of Belmont, Health Services maintenance

Woodman Point Waste-Water Treatment

Agnew Windfarm

NBN and carrier construction and maintenance

Minor social infrastructure works and services

- COMMERCIAL
- RESOURCES
- INFRASTRUCTURE

NT

Rio Tinto Gove

ERA Ranger Mine MSA

RAAF Tindal

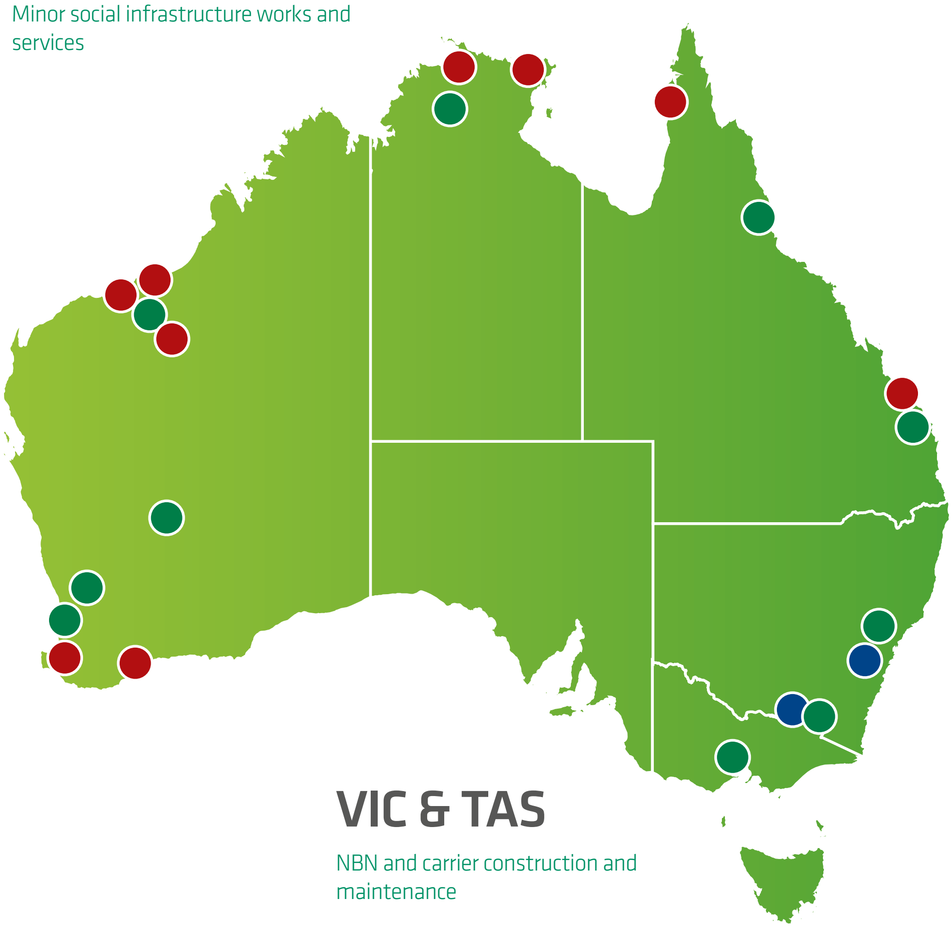
QLD

Rio Tinto Amrun

Arrow MSA

Ergon Energy Agreement

NBN and carrier construction and maintenance



NSW & ACT

Parramatta Square 3 & 4 and fit-outs

Wynyard Place

Australian Technology Park Building 4

231 Elizabeth Street

Sovereign Resort Expansion

Edmondson Park

Ribbon Project

32 Smith Street

Greenland Tower

Republic

Sandstone Precinct

City 7 Development

The Parade

Locomotive Sheds

Westmead Hospital

Westconnex M5

Australian National University

RU Data Centre

Sydney Metro Pitt Street Station

VIC & TAS

NBN and carrier construction and maintenance

INFRASTRUCTURE

SCEE recognises the important role that the Federal, State and Local governments play in developing and providing infrastructure to enhance and protect the lives of all Australians.

We work alongside some of Australia's leading contractors in the construction and maintenance of publicly funded infrastructure and assets in:

- Transport including road, rail, air and port facilities
- Defence facilities and installations
- Social infrastructure including hospitals, medical clinics, aged care and prisons
- Education including universities, colleges and schools
- Government facilities
- Telecommunications and datacentres
- Energy, renewables and utilities

We are also members of various works panels in these sectors.

Our flexibility and adaptive commercial approach enables us to competitively bid and deliver these critical works.

COMMERCIAL

SCEE has the expertise in designing, supplying, installing and maintaining a wide range of commercial building electrical and utility services.

These include a comprehensive range of electrical infrastructure, building controls, energy management, security, communications, networking and structured cabling systems.

We work closely with leading property developers and builders on new builds and with interior design and other specialists on fit-outs, refurbishments and upgrades.

Our focus in the commercial property sector includes:

- Offices
- Shopping centres and retail
- Multi-storey residential developments
- Hotels
- Sporting, recreation and leisure facilities
- Warehouses

We recognise that commercial developments are often bespoke and require significant expertise in optimising design and construction. In addition, clients often require buildings and precincts remain operational during construction. We work closely with our clients and the public to ensure seamless operations continue while the project is delivered safely.

We remain abreast of the latest technologies and industry standards and pride ourselves on developing and installing smart and energy efficient solutions.

RESOURCES

SCEE provides electrical, instrumentation and communication services to the mining and oil and gas sectors

In the mining sector, we have broad exposure to many commodities including iron ore, gold, lithium, zinc, alumina and coal.

We have extensive experience in the delivery of electrical projects at some of Australia's largest mining and mineral processing sites and have operated extensively overseas.

Our capability covers the entire construction life-cycle from establishing first power sources at greenfield sites, through to constructing and commissioning major ore handling, processing and transport infrastructure and decommissioning of operations.

We also specialise in designing and installing electrical and communications services to operational centres, mine and camp utilities and administrative buildings, and telecommunication services that support the control and management of mine and transport operations.

Under various framework arrangements we have teams of electricians at clients' facilities supporting and maintaining their operations.

In the oil and gas sector we offer electrical, instrumentation and communication services for onshore and offshore facilities and for petrochemical refineries.

CHAIRMAN'S **REPORT**

DEAR SHAREHOLDERS,

I am pleased to report that, in a challenging year where the Coronavirus crisis has impacted the economy, SCEE has delivered another year of record revenues.

Our revenues of $415.1m, an increase of 8% on the prior year, were generated predominantly in the infrastructure and commercial sectors which are markets in which SCEE had no presence until embarking on our diversification strategy four years ago. Conversely, revenues in our historic resources sector were the lowest for some years but recent key contract wins at the Albermarle Kemerton Lithium Project and Rio Tinto's Gove operations will see these grow again in FY21.

EBIT for the year of $16.4m was down 16% and NPAT of $10.9m was down 14% on the prior year, being impacted by Coronavirus disruption, lower average margins on now finished transport infrastructure projects and delay of some project scope into FY21. These matters are discussed in more detail in the Managing Director's review on the following pages.

We ended the year with cash of $55.3m and no debt. Continuing our diversification through further acquisitions remains a key strategic objective for the Board and our strong financial position gives us the ability to progress this in the year ahead. We have resumed acquisition activity having temporarily paused during the initial phase of the Coronavirus pandemic.

Our order book at 30 June 2020 was $440m and, with $330m already secured for the year ahead, underpins our FY21 revenue target of $400m. We continue to tender at a high level across our three core sectors and see significant opportunities presenting in resources and are well positioned to capitalise on the fast-tracking of infrastructure projects backed by government stimulus spending.

I am delighted to announce that the Board has resolved to pay a fully franked dividend of 3 cents per share in October 2020.

In closing, I would like to take this opportunity to thank our shareholders, clients and employees for your ongoing support.

Derek Parkin
Chairman

Derek Parkin - **Chairman**

MANAGING DIRECTOR'S **REVIEW**

The second half of FY20 brought the challenge of having to adapt to operating in a global pandemic. Against this backdrop I am pleased to be able to report that SCEE has recorded its third successive year of record revenues, up 8% on the prior year to $415.1m.

However, profitability was negatively impacted by the Coronavirus-related disruption, as well as experiencing lower average margins on now finished transport infrastructure projects and the delay of some project scope into FY21. These items are discussed further below. EBIT for the year of $16.4m was down 16% on the prior year and net profit after tax of $10.9m was down 14%.

IMPACT OF CORONAVIRUS

SCEE's overarching policy since the commencement of the pandemic has been to follow government guidelines and react accordingly as and when they change. Consequently, measures to protect employee, and subcontractor, supplier and customer staff health and to reduce the likelihood of infection were implemented including various changes to working practices and roster and shift changes. Inter-state and intra-state travel restrictions had some initial impact on remote projects but have since been managed.

Construction work was designated early on as an essential service and has remained so throughout. As a result, SCEE's operations and activities have continued largely as planned. However, the second half result has been affected by the following items which, whilst individually not material, have had a significant impact on profitability in combination:

- Substantial acquisition costs were incurred in the year for which activity had to be suspended;
- The changes to working practices outlined above resulted in some loss of productivity, particularly at the early stages of the pandemic;
- Whilst no works were cancelled as a result of Coronavirus, some projects had mobilisation delayed at clients' request resulting in activity being deferred into the following FY21; and
- Levels of short-term "win and do" orders were lower than normal from March onwards..

The financial impact of the above has been partially offset by components of the Group qualifying for Jobkeeper payments of $4.1m. The business development pipeline is currently not showing any material impact from Coronavirus.

As we have seen over recent months, the pandemic remains a highly volatile situation and conditions may change. The Board and management continue to monitor this closely.

Graeme Dunn - **Managing Director**

MANAGING DIRECTOR'S REVIEW (CONTINUED)

FINANCIAL RESULTS

Revenue for the year was $415.1m compared to $386.0m in the prior year, an increase of 8%.

SCEE now operates across the three broad sectors of Infrastructure, Commercial and Resources. Infrastructure now also includes works that in previous years SCEE presented separately as "Telecommunications & Datacentres" and "Industrial, Energy & Utilities". Key revenue contributors in the year for each sector were as follows:

- Infrastructure – revenue for the year was $196.0m compared to $183.3m in the prior year and remained the Group's largest sector. In transport infrastructure, work finished on the WestConnex M5 motorway tunnel project in New South Wales and the Northlink Central Section Project in WA and is ongoing at the Forrestfield Airport Link project in WA. In the health sector, the Westmead Hospital project in New South Wales is nearing completion and work commenced under the recently awarded maintenance panel arrangements with a number of Metropolitan Health Services in WA. In defence, the RAAF Tindal project in the Northern Territory has now finished. In telecommunications, NBN and carrier network construction and maintenance works continued across Australia. In energy and utilities, work continued under the Ergon Energy Queensland service agreement and was completed on the Agnew Wind Farm project in WA.
- Commercial – revenue for the year was $172.8m compared to $114.5m in the prior year. The majority of revenue in the sector continues to be generated in the New South Wales market on a range of large construction and fit-out projects including Parramatta Square 3 and 4 which are nearing completion, Wynyard Place, 231 Elizabeth Street and the Edmondson Square Town Centre Development.
- Resources – revenue for the year was $46.2m compared to $88.2m in the prior year as a result of large scale construction projects demobilising in the prior year and significant new projects at the Albemarle Kemerton Lithium Project in WA and Rio Tinto's Gove Operations in the Northern Territory not commencing until late in the current year. In particular, the Kemerton project saw planned scope deferred into FY21 impacting on the current full year result. The business continued to win and perform minor works projects for Rio Tinto and BHP and secure work under its framework agreements on the Sino Iron and Boddington Gold projects.

Gross margins for the year fell to 10.7% compared to 12.3% in the prior year, primarily due to the Coronavirus impacts discussed above and experiencing lower average margins on finished transport infrastructure projects resulting from delays and disruptions experienced performing this work.

Overheads were $23.4m, down 9% from $25.7m in the prior year due to the impact of efficiency initiatives introduced in the prior year and no Executive STI or LTI awards in the current year.

EBIT for the year was $16.4m, representing a 16% decrease on the EBIT of $19.4m in the prior year. Net profit after tax was $10.9m, down 14% compared to $12.7m in the prior year.

The balance sheet remained strong throughout the period. Net cash at 30 June 2020 increased slightly to $55.3m with no debt. The payment of the final $6.5m tranche of deferred Heyday acquisition consideration was offset by positive operating cashflows whilst the payment of the FY19 dividend was funded by an underwritten Dividend Reinvestment Plan.

During the year SCEE continued to pursue commercial close out of various finished resources and infrastructure projects for which claims and variations have been recognised in contract assets. The Decmil arbitration process, previously disclosed to the ASX, is now at the pleadings stage.

Capital expenditure for the year was $0.6m and is expected to remain at low levels.

The new leasing accounting standard AASB 16 Leases was adopted on 1 July 2019 and resulted in the recognition of $5.6m of right of use assets and $5.6m of lease liabilities in respect of operating leases. The impact that the new standard had on income statement was that EBITDA increased by $2.2m, EBIT increased by $0.1m and there was no change to NPAT.

The Directors have declared a fully franked dividend for the year ended 30 June 2019 of 3.0 cents per share, consistent with the prior year.

OUTLOOK

Order Book

The Group continues to win work across its core markets. Significant awards during the year included the Albemarle Kemerton Lithium project ($65m), the Sydney Metro's Pitt Street Station integrated development ($40m) and the renewal of the Ergon Energy Queensland service agreement for a further five years ($40m).

The order book at 30 June 2020 was $440m, a similar level to the start of the period despite delivering record full year revenues. Over $330m of work is already secured for FY21 representing over 80% of the FY21 target of $400m.

There are currently over $900m of submitted tenders with clients pending decision.

Markets

Infrastructure

This market is primarily driven by government expenditure although some sectors have varying levels of private investment.

With significant investment sanctioned, peak activity is still to come with electrical work generally later in the cycle. Following the Coronavirus outbreak the Federal, NSW and WA governments have all announced the fast tracking of infrastructure projects which are expected to further grow the opportunity pipeline.

Having secured work on the Pitt Street Station during the year we see further opportunities presenting on Sydney Metro. There continues to be a significant pipeline of defence base and hospital work.

Commercial

Commercial remains the largest component of the order book with multiple base-builds and fit-outs in progress in Sydney and Canberra and activity is forecast to remain high in FY21. The current opportunity pipeline is not showing material impact from Coronavirus and significant commercial developments are expected around new infrastructure hubs including the Western Sydney Airport and new Sydney Metro stations. The Group is bidding its first commercial project in Brisbane.

Resources

As forecast, resources activity reached a low point in FY20. However, significant wins at the Kemerton Lithium Plant and Rio Tinto Gove have seen the order book almost double from a year ago. Mining commodity prices have held up well through the Coronavirus outbreak and the resources business development pipeline is increasingly strengthening. A number of tenders for significant iron ore and other opportunities have been submitted and are pending decisions.

Strategy

SCEE primarily sees itself as an electrical contractor. Historically focussed in resources, over the last five years we have implemented a strategy to diversify organically and acquisitively into a national Group operating across the three broad sectors of Infrastructure, Commercial and Resources.

Our growth strategy continues so as to deepen our presence in those sectors and broaden our geographic diversity. This includes particularly targeting maintenance and recurring earnings.

We are actively pursuing acquisition opportunities having suspended such activity at the start of the Coronavirus pandemic.

Conclusion

FY20 saw SCEE deliver a third consecutive year of record revenues with growth of 8% on the prior year. While profit in the year was impacted by Coronavirus and other factors, the business remains in a strong position. The order book includes $330m already secured for FY21 which underpins over 80% of our 2021 revenue target and we continue to see a significant pipeline of opportunities across our sectors.

The Board remains committed to our diversification strategy and with over $55m of cash and no debt at 30 June 2020 we have funding available to progress this in the year ahead.

I would like to take this opportunity to thank SCEE's management and staff for their hard work and commitment during the year, particularly in facing the challenges posed by the Coronavirus pandemic. I would also like to thank our shareholders for their continued support.

Graeme Dunn

Graeme Dunn
Managing Director

DIRECTORS' REPORT

Your Directors submit their report for Southern Cross Electrical Engineering Limited ("SCEE" or "the Company") for the year ended 30 June 2020.

David Hammond, Karl Paganin, Simon Buchhorn, Derek Parkin, Graeme Dunn, Chris Douglass and Colin Harper.

Directors

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

Name and independence status	Experience, qualifications, special responsibilities and other directorships
Derek Parkin OAM **Independent Chairman and Non-Executive Director**	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 over 40 years and four continents, primarily in the public company environment. Derek is a past national Board member of the Institute of Chartered Accountants Australia ("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 a member of the Nomination and Remuneration Committee. 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.
Graeme Dunn **Managing Director and Chief Executive Officer**	Graeme has over 25 years international experience in heavy civil infrastructure, mining, oil & gas and building projects. Graeme's strong technical knowledge, coupled with his extensive executive management experience, has seen him hold senior management positions throughout Australasia and the Middle East. Graeme has a Bachelor of Civil Engineering from the University of Sydney, an MBA from the University of Southern Queensland and has completed the Senior Executive Program from the London School of Business. He is also a graduate of the Australian Institute of Company Directors.

Name and independence status	Experience, qualifications, special responsibilities and other directorships
Simon Buchhorn **Independent Non-Executive Director**	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 focused Joint Venture KSJV. Simon brings to the Board significant experience in contract delivery and operational performance both domestically and internationally. He is also a graduate of the Australian Institute of Company Directors. Simon is a member of the Audit and Risk Management Committee and the Nomination and Remuneration Committee.
Karl Paganin **Independent Non-Executive Director**	Karl has over 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 the Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee. Karl is also the Non-Executive Chairman of ASX listed Veris Limited and was a Non-Executive Director of Poseidon Nickel Limited until 30 June 2020.
David Hammond **Executive Director**	David was a vending shareholder of Heyday5 Pty Ltd and was appointed to SCEE's Board as an Executive Director on completion of the acquisition of Heyday by SCEE in March 2017. David has more than 35 years' electrical contracting experience and has been involved in the Heyday business for over 20 years. During his tenure, David has held various positions up to and including his current role of Executive Director where his responsibilities include driving business development.

Executive Officers

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

Name	Experience and qualifications
Chris Douglass **Chief Financial Officer and 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.
Colin Harper **Company Secretary**	Colin is a Chartered Accountant with over 15 years experience in public company 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.

DIRECTORS’ REPORT (continued)

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	105,492	-	-
Graeme Dunn [1]	1,561,546	1,737,267	-
Simon Buchhorn	800,000	-	-
Karl Paganin	1,467,852	-	-
David Hammond	3,729,544	-	-

[1] Included in the Performance Rights held by Graeme Dunn are 570,175 2018 Performance Rights which have been performance tested on finalising the 2020 results and which did not vest and will be forfeited.

Directors’ meetings

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

Director	Board Meetings		Audit and Risk Management Committee Meetings		Nomination and Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Derek Parkin	16	16	4	4	3	3
Graeme Dunn	16	16	-	-	-	-
Simon Buchhorn	16	16	4	4	3	3
Karl Paganin	16	16	4	4	3	3
David Hammond	16	16	-	-	-	-

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 electrical, instrumentation, communication and maintenance services to a diverse range of sectors across Australia.

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 8.

Operating results for the year were:	2020 $'000	2019 $'000
Contract revenue	415,104	386,031
Profit/(loss) after income tax from continuing operations	10,870	12,713

Dividends	Cents per share	Total amount $'000
Declared and paid during the period (fully franked at 30%)		
Final franked dividend for 2019	3.0	7,042
Declared after balance date and not recognised as a liability (fully franked at 30%)		
Final franked dividend for 2020	3.0	7,428

Significant Events after Balance Sheet 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.

Since 30 June 2020, the Group has not had a significant adverse operational or financial impact as a result of the Coronavirus pandemic. The Group's operations have been classified as essential services and are continuing to run in line with the required safety and health guidelines. The extent of any future impact of the pandemic on the Group's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulations imposed by governments with respect to the outbreak response and impacts on customers, employees and vendors—all of which are uncertain and cannot be predicted at this time.

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 2020 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, 655,034 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 $248,552 (2019: $174,963).

DIRECTORS’ REPORT (continued)

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

There were no non-audit services provided by the external auditors during the year.

Auditor’s Independence Declaration

The lead auditor’s independence declaration is set out on page 79 and forms part of the Directors’ report for the financial year ended 30 June 2020.

Remuneration Report

The Remuneration Report is set out on pages 17 to 24 and forms part of this report.

Rounding off

The Company is of a kind referred to in ASIC Instrument 2016/191 dated 24 March 2016 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.

Derek Parkin
Chairman
29 September 2020

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 some or all of 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.

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.

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 2020, the financial KPIs accounted for 70% of the executive team's STI and set specific profit and order book targets.

The non-financial KPIs accounted for 30% of the executive team's STI and comprised the achievement of strategic objectives. The strategic objectives 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.

Executives can earn up to a maximum of 50% of their fixed remuneration under the STI program. Graeme Dunn and Chris Douglass are the only KMPs that participate in the STI program.

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.

Executives can be issued with performance rights under the LTI plan up to a maximum of 50% of their fixed remuneration converted at the 5 day volume weighted average price of the Company's ordinary shares at the start of the three year performance period. Graeme Dunn and Chris Douglass are the only KMPs that participate in the LTI plan.

Non-Executive Director Remuneration

Objective

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

Structure

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

The 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.

The annual fee paid to the Chairman of the Board is $110,000. The fee paid to other Non-Executive Directors is $80,000 per annum. No additional fees are paid to Directors who sit on Board Committees.

Directors also receive superannuation at the statutory rate in addition to their Director 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:

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Profit/(loss) attributable to owners of the company	10,870	12,713	8,406	(369)	5,051
Dividends declared and paid during the year	7,042	7,022	-	2,152	6,408
Change in share price	(19%)	(24%)	23%	4%	87%
Return on capital employed	10%	12%	9%	0%	7%

Table 1 Remuneration of Key Management Personnel

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

	Note	Year	Short-term				Post-employment	Share-based payments	Total $	% of remuneration that is performance related
			Salary & fees $	STI cash bonus (A) $	Non-monetary benefits $	Total $	Superannuation benefits $	Options and rights (B) $		
Non-Executive Directors										
Derek Parkin, Chairman		2020	110,000	-	-	110,000	10,450	-	120,450	-
		2019	110,000	-	-	110,000	10,450	-	120,450	-
Simon Buchhorn		2020	80,000	-	-	80,000	7,600	-	87,600	-
		2019	80,000	-	-	80,000	7,600	-	87,600	-
Karl Paganin		2020	80,000	-	-	80,000	7,600	-	87,600	-
		2019	80,000	-	-	80,000	7,600	-	87,600	-
Gianfranco Tomasi		2020	-	-	-	-	-	-	-	-
	1	2019	29,846			29,846	2,835	-	32,681	-
Executive Directors										
Graeme Dunn		2020	657,091	-	-	657,091	25,000	(46,834)	635,257	(6%)
		2019	625,000	288,971	-	913,971	25,000	249,303	1,188,274	45%
David Hammond		2020	276,736	-	-	276,736	19,950	-	296,686	
		2019	241,836	-	-	241,836	-	-	241,836	-
Executives										
Chris Douglass – Chief Financial Officer		2020	370,800	-	-	370,800	25,000	(15,799)	380,001	(4%)
		2019	367,685	171,160	-	538,845	25,000	147,663	711,508	45%
Total 2020			**1,574,627**	**-**	**-**	**1,574,627**	**95,600**	**(62,633)**	**1,607,594**	**(4%)**
Total 2019			**1,534,367**	**460,131**	**-**	**1,994,498**	**78,485**	**396,966**	**2,469,949**	**35%**

1 Retired 30 October 2018.

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

A. The STI cash bonus is for the achievement of KPIs in respect of the financial year. The amount is finally determined after the results for the year have been audited and performance reviews are completed and approved by the Nomination and Remuneration Committee and Board.

B. The fair value of the 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 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 performance rights recognised in this reporting period. The credit recognised in the current financial year is the result of a reversal of expenses recognised in previous financial years for performance rights which are no longer expected to meet the non-market performance conditions.

Employment Contracts

The following 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
Graeme Dunn	6 months
Chris Douglass	6 months
David Hammond	3 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 30 June 2019	Granted as remuneration	Vested and exercised	Forfeited	Held at 30 June 2020	Vested and exercisable at 30 June 2020
Graeme Dunn	1,636,313	702,806	(300,926)	(300,926)	1,737,267	-
Chris Douglass	969,200	403,878	(178,240)	(178,241)	1,016,597	-
	2,605,513	**1,106,684**	**(479,166)**	**(479,167)**	**2,763,864**	-

Performance rights granted as remuneration in 2020

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	Instrument	Number	Grant date	Fair value per performance right at grant date ($)	Exercise price per performance right ($)	Performance testing date	Expiry Date
Graeme Dunn[1]	2020 Rights	351,403	8/11/19	0.49	0.00	30/6/22	8/11/23
Graeme Dunn[2]	2020 Rights	351,403	8/11/19	0.29	0.00	30/6/22	8/11/23
Chris Douglass[1]	2020 Rights	201,939	8/11/19	0.49	0.00	30/6/22	8/11/23
Chris Douglass[2]	2020 Rights	201,939	8/11/19	0.29	0.00	30/6/22	8/11/23
		1,106,684					

[1] *Performance rights granted with EPS growth as the vesting condition*
[2] *Performance rights granted with Absolute TSR as the vesting condition*

2020 Financial Year Performance Rights

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 2019 to 30 June 2022 ("Performance Period");
- No performance rights will vest until 30 June 2022;
- 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 12% 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 12% per annum compounded	Pro-rata vesting between 50% and 100%
At or above 12% per annum compounded	100% vesting

EPS performance will be measured in the 2022 financial year. For the purposes of performance testing the Performance Rights, EPS in the 2022 financial year will be the Basic EPS for the year, as prescribed by the accounting standards and set out in the Company's Financial Reports, adjusted to remove the following non-cash items from the calculation of profit or loss attributable to ordinary shareholders in the year, in order to reflect the companies underlying profitability:

(a) amortisation of acquired intangibles;

(b) unwinding of interest on deferred acquisition consideration payments;

(c) adjustments to the assessment of deferred consideration payable; and

(d) acquisition costs.

EPS, as described above, will be assessed against targets for threshold performance of 6.8 cents per share in the 2022 financial year and for stretch performance of 7.6 cents per share in the 2022 financial year. The vesting schedule is as follows for EPS performance in the 2022 financial year:

Less than 6.8 cents per share	0% vesting
6.8 cents per share	50% vesting
Between 6.8 and 7.6 cents per share	Pro-rata vesting between 50% and 100%
At or above 7.6 cents per share	100% vesting

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

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

Details of equity incentives affecting current and future remuneration

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

Executive	Instrument	Number	Grant Date	% vested in year	% forfeited in year	Performance testing date (A)	Expiry Date
Graeme Dunn	2017 Rights	601,852	18/11/16	50%	50%	30/6/19	18/11/20
	2018 Rights (A)	570,175	7/11/17	-	-	30/6/20	7/11/21
	2019 Rights (B)	464,286	9/11/18	-	-	30/6/21	9/11/22
	2020 Rights (C)	702,806	8/11/19	-	-	30/6/22	8/11/23
Chris Douglass	2017 Rights	356,481	18/11/16	50%	50%	30/6/19	18/11/20
	2018 Rights (A)	337,719	7/11/17	-	-	30/6/20	7/11/21
	2019 Rights (B)	275,000	9/11/18	-	-	30/6/21	9/11/22
	2020 Rights (C)	403,878	8/11/19	-	-	30/6/22	8/11/23

A. 50% of the 2018 performance rights have TSR as the vesting condition with a threshold target of 8% per annum compounded and a stretch target of 12% per annum compounded. These performance rights have a fair value of $0.53 each. 50% of the 2018 performance rights have EPS growth as the vesting condition with a threshold target of 5.7 cents per share and a stretch target of 6.1 cents per share. These performance rights have a fair value of $0.75 each. Subsequent to 30 June 2020 the vesting conditions in respect of the 2018 performance rights have been performance tested and it has been determined that none of the performance rights held by Mr Dunn and Mr Douglass have vested and as a result all 2018 performance rights will be forfeited.

B. 50% of the 2019 performance rights have TSR as the vesting condition with a threshold target of 8% per annum compounded and a stretch target of 12% per annum compounded. These performance rights have a fair value of $0.29 each. 50% of the 2019 performance rights have EPS growth as the vesting condition with a threshold target of 6.1 cents per share and a stretch target of 6.8 cents per share. These performance rights have a fair value of $0.59 each.

C. The vesting conditions and fair values of the 2020 performance rights are set out above.

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 2019	Purchases	Sales	Exercise of Performance Rights[A]	Dividend Reinvestment Plan	Held at 30 June 2020
Directors						
Derek Parkin	100,000	-	-	-	5,492	105,492
Graeme Dunn	1,260,620	-	-	300,926	-	1,561,546
Simon Buchhorn	800,000	-	-	-	-	800,000
Karl Paganin	822,668	600,000	-	-	45,184	1,467,852
David Hammond	6,870,040	100,000	(3,240,496)	-	-	3,729,544
Executives						
Chris Douglass	1,180,743	-		178,240	74,640	1,433,623

A. Shares were received during the year on the exercise of vested 2017 Performance Rights issued under the company's senior management long term incentive scheme as discussed above.

Transactions with key management personnel

There were no transactions between the company and Key Management Personnel during the year. There are no loans between the company and Key Management Personnel.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Contract revenue	4	415,104	386,031
Contract expenses		(370,579)	(338,485)
Gross profit		**44,525**	**47,546**
Other income	5	492	353
Employee benefits expenses	6	(13,155)	(15,239)
Occupancy expenses		(1,235)	(2,308)
Administration expenses		(7,489)	(6,212)
Reduction in earn out payable	5	-	1,489
Amortisation expense	8	(2,153)	(797)
Depreciation expense	8	(3,001)	(3,496)
Other expenses from ordinary activities		(1,566)	(1,983)
Profit from operations		**16,418**	**19,353**
Finance income	7	310	530
Finance expenses	7	(1,259)	(1,703)
Net finance expense		**(949)**	**(1,173)**
Profit/(loss) before tax		**15,469**	**18,180**
Income tax (expense)/benefit	9	(4,599)	(5,467)
Profit/(loss) from continuing operations		**10,870**	**12,713**
Other comprehensive income			
Items that are or may be reclassified to the profit and loss:			
Foreign currency translation gain for foreign operations		-	-
Other comprehensive income net of income tax		**-**	**-**
Total comprehensive income		**10,870**	**12,713**
Total comprehensive income attributable to:			
Owners of the Company		**10,870**	**12,713**
Earnings per share:			
Basic earnings per share (cents)	10	**4.46**	**5.44**
Diluted earnings per share (cents)	10	**4.46**	**5.40**

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

CONSOLIDATED BALANCE SHEET

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Assets			
Current assets			
Cash and cash equivalents	11	55,272	53,257
Trade and other receivables	12	113,073	103,950
Inventories	13	1,588	2,335
Prepayments		901	1,693
Total current assets		**170,834**	**161,235**
Non-current assets			
Property, plant and equipment	15	11,148	14,827
Right-of-use assets	16	5,967	-
Intangible assets	17	73,792	73,794
Total non-current assets		**90,907**	**88,621**
Total assets		**261,741**	**249,856**
Liabilities			
Current liabilities			
Trade and other payables	18	75,278	77,188
Provisions	20	9,114	9,762
Lease liability	19	1,749	-
Deferred acquisition consideration	21	-	6,500
Tax payable	9	4,031	-
Total current liabilities		**90,172**	**93,450**
Non-current liabilities			
Lease liability	19	4,218	-
Provisions	20	197	416
Deferred tax liability	9	8,781	8,282
Total non-current liabilities		**13,196**	**102,148**
Total liabilities		**103,368**	**102,148**
Net assets		**158,373**	**147,708**
Equity			
Share capital	22	109,767	102,873
Reserves	22	108	551
Retained earnings		48,498	44,284
Total equity		**158,373**	**147,708**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Share Capital $'000	Retained Earnings $'000	Share Based Payments Reserve $'000	Translation Reserve $'000	Total Equity $'000
Balance as at 1 July 2018	102,873	36,488	2,263	(514)	141,110
Total comprehensive loss for the period					
Profit for the year	-	12,713	-	-	12,713
Total comprehensive income	-	12,713	-	-	12,713
Transactions with owners, recorded directly in equity					
Dividends	-	(7,022)	-	-	(7,022)
Performance rights (net of tax)	-	2,105	(1,744)	-	361
Equity-settled share-based payment	-	-	546	-	546
Total transactions with owners	-	(4,917)	(1,198)	-	(6,115)
Balance as at 30 June 2019	**102,873**	**44,284**	**1,065**	**(514)**	**147,708**

	Share Capital $'000	Retained Earnings $'000	Share Based Payments Reserve $'000	Translation Reserve $'000	Total Equity $'000
Balance as at 1 July 2019	102,873	44,284	1,065	(514)	147,708
Total comprehensive income for the period					
Profit for the year	-	10,870	-	-	10,870
Total comprehensive income	-	10,870	-	-	10,870
Transactions with owners, recorded directly in equity					
Dividends	-	(7,042)	-	-	(7,042)
Dividend re-investment and share placements, net	6,894	-	-	-	6,894
Performance rights (net of tax)	-	386	(1,013)	-	(627)
Equity-settled share-based payment	-	-	570	-	570
Total transactions with owners	6,894	(6,656)	(443)	-	(205)
Balance as at 30 June 2020	**109,767**	**48,498**	**622**	**(514)**	**158,373**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Cash receipts from customers		424,081	366,904
Cash paid to suppliers and employees		(415,673)	(356,608)
Government grants (Job Keeper) received		2,655	-
Interest received		310	530
Interest paid		(1,259)	(1,291)
Income taxes received/(paid)		(5)	1,195
Net cash from operating activities	27	**10,109**	**10,730**
Non-current assets			
Payment of deferred acquisition consideration	21	(6,500)	(6,500)
Proceeds from the sale of assets		1,362	49
Acquisition of property, plant and equipment	15	(594)	(2,076)
Net cash used in investing activities		**(5,732)**	**(8,527)**
Cash flows from financing activities			
Proceeds from issue of shares		6,831	-
Dividends paid	22	(7,042)	(7,022)
Payment of lease liabilities principal		(2,151)	-
Net cash used in financing activities		**(2,362)**	**(7,022)**
Increase/(decrease) in cash and cash equivalents		2,015	(4,819)
Cash and cash equivalents at beginning of period		53,257	58,076
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents at 30 June	11	**55,272**	**53,257**

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

INDEX TO NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

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 Securities Exchange.

The consolidated financial statements for the year ended 30 June 2020 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 33(w).

These financial statements have been rounded to the nearest thousand dollars where permitted by ASIC Instrument 2016/191 dated 24 March 2016.

The consolidated financial statements were authorised for issue by the Board of Directors on 29 September 2020.

(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.
- Assets and liabilities acquired in a business combination are initially recognised at fair value.

The methods used to measure fair values are discussed further in note 34.

(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.

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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2019 except for the judgement management used for the initial recognition on 1 July 2019 and subsequent measurement of right-of-use asset and lease liability in accordance with the newly adopted AASB 16 Leases (see note 33).

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 these accounting estimates is included in the following notes:

- Note 4 and 33 (n) –estimation of total contract cost and measurement of variable consideration;
- Note 9 and 33 (p) and (k) – recognition and measurement of deferred tax asset;
- Note 15, 17 and 33 (k) – recoverable amount for testing property, plant and equipment and goodwill;
- Note 16, 19, 33 and (g) – initial and subsequent measurement of Right-of-use (ROU) assets and Lease liability;
- Note 21 and 33 (u) – measurement of deferred consideration;
- Note 23 – expected credit losses ("ECLs") on trade receivables; and
- Note 26 – measurement of share-based payments;

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 33(n) and 4) and contract assets (note 33(i) and 14).

Estimates and judgements are made by management with due consideration for the historical and potential impacts of Coronavirus on the Group's operations and forecast cash flows based on best estimates and reasonably possible scenarios, and taking into account the evolving nature of Coronavirus which makes it inherently difficult to forecast outcomes with more certainty. The impacts of Coronavirus are included in the specific notes such as but not limited to impairment testing and impairment of financial instruments (note 23) and non-financial assets (note 17).

Details of the Group's accounting policies are included in notes 33 and 34.

3. Segment reporting

Revenue is principally derived by the Group from the provision of electrical services through construction and services contracts to customers in the following sectors: Commercial; Resources; and Infrastructure. During the year, the composition of the operating sectors was realigned to better reflect the Group's markets. As a result, the Public Infrastructure and Defence, Industrial, Utilities and Energy, and Telecommunications and Data Centres sectors were consolidated into the Infrastructure sector.

The Group identified its operating segments based on the internal reports that are reviewed and used by the Group Managing Director in assessing performance and in determining the allocation of resources, and on the nature of the services provided. Financial information about each of these operating segments is reported to the Group Managing Director on a recurring basis. The Group provides its services through three key segments of SCEE, Datatel and Heyday.

The directors believe that the aggregation of the operating segments is appropriate as to differing extents 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 segments have therefore been aggregated to form one operating segment.

In presenting information on the basis of geographical location, segment revenue, based on the geographical location of customers and segment assets, based on the geographical location of the assets are all located in Australia.

Revenues from the three largest customers of the Group's Australian segment generated $169 million of the Group's total revenue (2019: $64 million generated from the two largest customers).

4. Contract revenue

Disaggregated revenue information

	Note	2020 $'000	2019 $'000
Operating sectors			
Commercial		172,755	114,469
Resources		46,209	88,207
Infrastructure		196,140	183,355
Total Revenue		415,104	386,031
Revenue type			
Construction revenue		341,856	297,782
Services revenue		73,248	88,249
Total revenue		415,104	386,031
Timing of revenue recognition			
Products and services transferred over time		415,104	386,031
Revenue from contracts with customers		415,104	386,031

Revenue from the Infrastructure sector amounting to $196.1m (2019: $183.4m) represents the revenues from sectors previously disclosed as three separate sectors namely; Public Infrastructure and Defence, Industrial, Utilities and Energy, and Telecommunications and Data Centres, in the annual report as at and for the year ended 30 June 2019.

Contract balances

Trade receivables	12	24,324	36,995
Contract assets	14	86,374	64,273
		110,698	101,268

Trade receivables are non-interest bearing and are generally on 30 to 45 days term. In 2020, an additional $32,000 (2019: $ nil) was recognised as provision for expected credit losses on trade receivables.

Contract assets and revenue includes contract modifications recognised in accordance with the Group's accounting policy (note 33(n)(iii)) for which amounts are not yet finalised with the customer.

The following amounts are included in revenue from contracts for the year ended 30 June 2020:

Revenue recognised as a contract liability in prior period		13,052	15,687

Unsatisfied Performance Obligations

Transaction price expected to be recognised in future years for unsatisfied performance obligations at 30 June 2020:

Construction revenue		296,540	347,550
Services revenue		59,472	21,868
		356,012	369,418

4. Contract revenue (continued)

Disaggregated revenue information (continued)

In line with the Group's accounting policy described in Note 33 (n), the transaction price expected to be recognised in future years excludes variable consideration that is constrained.

The average duration of contracts is given below. However, some contracts will vary from these typical lengths. Revenue is typically earned over these varying timeframes:

Construction revenue	1 to 2 years
Services revenue	1 to 5 years

5. Other income

	Note	2020 $'000	2019 $'000
Other income			
Net gain on disposal of assets		90	23
Rebates received		10	36
Other		392	294
		492	353
Reduction in earn out payable			
Reduction in earn out payable	21	-	1,489

6. Employee benefits expenses

	Note	2020 $'000	2019 $'000
Remuneration, bonuses and on-costs		(12,035)	(12,573)
Superannuation contributions		(903)	(978)
Amounts provided for employee entitlements		(1,016)	(1,142)
Share-based payments expense	26	56	(546)
Government grant (Job Keeper) applied		743	-
		(13,155)	(15,239)

The above employee benefits expenses do not include employee benefits expenses recorded within contract expenses. Employee benefits included in contract expenses were $76.3m (2019: $115.8m), inclusive of Government grant (Job Keeper) applied amounting to $3.3m. The total employee benefits expense is therefore $89.5m (2019: $131.0m).

NOTES TO THE FINANCIAL STATEMENTS

7. Finance income and expenses

	Note	2020 $'000	2019 $'000
Interest income on bank deposits		310	530
Finance income		310	530
Interest expense			
Bank charges		(604)	(573)
Bank guarantee fees		(406)	(573)
Deferred consideration	21	-	(411)
Lease liability interest unwinding		(146)	-
Other		(103)	(146)
Finance expenses		(1,259)	(1,703)
Net finance expense		(949)	(1,173)

8. Depreciation and amortisation expenses

	Note	2020 $'000	2019 $'000
Buildings		(17)	(17)
Leasehold improvements		(196)	(195)
Plant and equipment		(1,115)	(1,358)
Motor vehicles		(768)	(1,015)
Office furniture and equipment		(905)	(911)
Total depreciation expense for the year	15	(3,001)	(3,496)
Amortisation of ROU asset	16	(2,151)	-
Amortisation of customer contract intangibles	17	-	(795)
Other	17	(2)	(2)
Total amortisation expense for the year		(2,153)	(797)

9. Income tax expense

(a) Income Statement	2020 $'000	2019 $'000
Current tax expense		
Current period	(4,037)	-
Under provision from prior year	-	(2)
	(4,037)	(2)
Deferred tax expense		
Origination and reversal of temporary differences	(562)	(5,114)
Under provision from prior year	-	(351)
Income tax expense reported in the income statement	(4,599)	(5,467)
(b) Amounts charged or credited directly to equity		
Expenses in relation to capital raising	(63)	-
Income tax expense reported in the income statement	(63)	-
(c) Reconciliation between tax expense and pre-tax accounting profit		
Accounting profit before income tax	15,469	18,180
Income tax expense using the Company's domestic tax rate of 30%	(4,641)	(5,454)
Change in fair value of deferred consideration	-	447
Share based payments	126	419
Amortisation of intangibles	-	(239)
Non-deductible deferred consideration interest	-	(124)
Other	(84)	(516)
Income tax expense reported in the income statement	(4,599)	(5,467)
The applicable effective tax rates are:	29.7%	30.1%

9. Income tax expense (continued)

Deferred tax assets and liabilities

	Balance Sheet		Income Statement		Equity	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Deferred tax liabilities						
Retentions receivable	(339)	(488)	(149)	172	-	-
Contract assets	(12,847)	(15,887)	(3,040)	5,326	-	-
Right-of-use assets	(1,790)	-	1,790			
Long term contracts adopting estimated profits basis	-	-	-	(824)	-	-
Sundry debtors	(432)	-	432	-	-	-
Property, plant and equipment	(23)	(23)	-	-	-	-
	(15,431)	(16,398)	(967)	4,674	-	-
Deferred tax assets						
Provisions	73	63	(10)	71	-	-
Employee entitlements	3,203	3,470	267	409	-	-
Property, plant and equipment	19	19	-	-	-	-
Unearned revenue	550	125	(425)	215	-	-
Lease liability	1,790	-	(1,790)			
Tax losses	-	3,747	3,747	(214)	-	-
Other	1,015	692	(260)	(41)	(63)	-
	6,650	8,116	1,529	440	(63)	-
Net deferred tax liabilities	8,781	(8,282)	562	5,114	(63)	-

10. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2020 was based on the profit attributable to ordinary shareholders of $10,870,000 (2019: $12,713,000) and a weighted average number of ordinary shares outstanding of 243,919,677 (2019: 233,583,111), calculated as follows:

Profit/(loss) attributable to ordinary shareholders

	Note	2020 $'000	2019 $'000
Profit/(loss) for the period		10,870	12,713

Weighted average number of ordinary shares

	Note	2020	2019
Issued ordinary shares at 1 July	22	234,067,408	231,389,097
Effective new balance resulting from issue of shares in the year		9,852,269	2,194,014
Weighted average number of ordinary shares at 30 June		243,919,677	233,583,111

Diluted earnings per share

Basic earnings per share and diluted earnings per share are the same at 30 June 2020 as there are no dilutive potential shares. In 2019, the calculation of diluted earnings per share was based on the profit attributable to ordinary shareholders of $12,713,000 and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 235,364,018 as at 30 June 2019.

Profit attributable to ordinary shareholders (diluted)

	Note	2020 $'000	2019 $'000
Profit for the period		10,870	12,713

Weighted average number of ordinary shares (diluted)

	Note	2020	2019
Weighted average number of ordinary shares for basic earnings per share		243,919,677	233,583,111
Effect of dilution:			
Share options and performance rights on issue		-	1,780,907
Weighted average number of ordinary shares at 30 June		243,919,677	235,364,018

11. Cash and cash equivalents

	Notes	2020 $'000	2019 $'000
Bank balances		10,544	24,157
Short term deposits		44,728	29,100
Cash and cash equivalents in the statement of cash flows		55,272	53,257

The effective interest rate on cash and cash equivalents was 0.7% (2019: 1.2%); these deposits are either at call or on short term deposit.

12. Trade and other receivables

	Notes	2020	2019
Trade receivables		24,324	36,995
Sundry debtors		1,358	237
Provision for impairment of trade receivables		(112)	(80)
Contract assets	14	86,374	64,273
Retentions		1,129	1,628
Loans to vendors		-	897
		113,073	103,950

Trade receivables are non-interest bearing and are generally on 30 to 45 day terms. The provision for impairment of trade receivables relates to expected credit losses and is used to record impairment losses. When the Group is reasonably certain that no recovery of the amount owing is possible, the amount is considered irrecoverable and is written off against the financial asset directly. The Group will continue to strongly pursue all debts provided for. The movement in the allowance for impairment in respect of Trade receivables during the year was as follows:

	Notes	2020 $'000	2019 $'000
Balance at start of year		80	317
Impairment losses recognised		502	-
Write-offs		(470)	-
Amounts recovered		-	(237)
Balance at 30 June		112	80

The ageing of trade receivables and the related provision for expected credit losses are detailed in note 23. All write-offs of bad debts are made when there is no reasonable expectation of recovering the contractual cash flows.

13. Inventories

	Notes	2020 $'000	2019 $'000
Raw materials and consumables – cost		1,588	2,328

14. Contract assets

	Notes	2020 $'000	2019 $'000
Costs incurred to date		237,968	220,421
Recognised profit		70,701	50,178
Progress billings		(222,295)	(206,326)
		86,374	64,273

Contract assets represents the 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.

The timing of cash inflows for contract assets is dependent on the status of processes underway to gain acceptance from customers as to the enforceability of recognised modifications resulting from contractual claims and variations. The Group pursues various options with customers to accelerate the inflow of cash including, but not limited to, negotiations, security of payment adjudications and arbitration involving the support of legal counsel and external consultants. Accordingly, there remains a risk that settlement of contract assets takes longer than 12 months.

The period in which revenue has been earned and for which cash is yet to be received included in contract assets at 30 June 2020 is as follows:

2020	62,131
2019	20,253
2018	3,990
Total	86,374

On 11 June 2020, the Group announced that it was pursuing Decmil Australia Pty Ltd in relation to amounts it considers entitled pursuant to a contract for electrical services in which the Group had demobilised from site by the end of November 2018. In accordance with its accounting policies, the Group has previously recognised revenue in relation to this contract, applying constraint. The amount is included within contract assets.

15. Property, plant and equipment

	Land and Buildings	Leasehold Improvements	Plant and equipment	Motor Vehicles	Office Furniture and Equipment	Total
Cost						
Balance at 1 July 2018	916	2,784	20,427	13,604	10,382	48,113
Additions	-	29	627	666	767	2,089
Disposals	-	-	(130)	(70)	-	(200)
Balance at 30 June 2019	916	2,813	20,924	14,200	11,149	50,002
Balance at 1 July 2019	916	2,813	20,924	14,200	11,149	50,002
Additions	-	12	66	149	367	594
Disposals	-	-	(2,704)	(2,480)	(166)	(5,350)
Balance at 30 June 2020	**916**	**2,825**	**18,286**	**11,869**	**11,350**	**45,246**
Depreciation and impairment losses						
Balance at 1 July 2018	(167)	(841)	(14,736)	(9,188)	(6,907)	(31,839)
Depreciation for the year	(17)	(195)	(1,358)	(1,015)	(911)	(3,496)
Disposals	-	-	130	30	-	160
Balance at 30 June 2019	(184)	(1,036)	(15,964)	(10,173)	(7,818)	(35,175)
Balance at 1 July 2019	(184)	(1,036)	(15,964)	(10,173)	(7,818)	(35,175)
Depreciation for the year	(17)	(196)	(1,115)	(768)	(905)	(3,001)
Disposals	-	-	2,028	1,884	166	4,078
Balance at 30 June 2020	**(201)**	**(1,232)**	**(15,051)**	**(9,057)**	**(8,557)**	**(34,098)**
Carrying amounts						
At 1 July 2018	749	1,943	5,691	4,416	3,475	16,274
At 30 June 2019	732	1,777	4,960	4,027	3,331	14,827
At 1 July 2019	732	1,777	4,960	4,027	3,331	14,827
At 30 June 2020	**715**	**1,593**	**3,235**	**2,812**	**2,793**	**11,148**

16. Right-of-use assets

The Group leases assets including property, motor vehicles and office furniture and equipment. Information about leased assets for which the Group is a lessee is presented below:

	Note	Land and Buildings $'000	Motor Vehicles $'000	Office Furniture and Equipment $'000	Total $'000
Recognised on application of AASB 16	33	4,213	1,181	215	5,609
Additions		262	332	0	594
Remeasurement		1,671	244	0	1,915
Amortisation charged for the year	8	(1,238)	(836)	(77)	(2,151)
Derecognition during the year (net)		-	-	-	-
Closing carrying amount at 30 June 2020		**4,908**	**921**	**138**	**5,967**

17. Intangible assets – goodwill and customer contracts

Reconciliation of carrying amount

	Note	Goodwill $'000	Customer Contracts $'000	Other $'000	Total $'000
Cost					
Balance as at 1 July 2018		82,169	7,491	19	89,679
Acquisitions		-	-	-	-
Balance as at 30 June 2019		82,169	7,491	19	89,679
Balance as at 1 July 2019		82,169	7,491	19	89,679
Acquisitions		-	-	-	-
Balance as at 30 June 2020		**82,169**	**7,491**	**19**	**89,679**
Amortisation and impairment losses					
Balance as at 1 July 2018		(8,390)	(6,696)	(2)	(15,088)
Amortisation		-	(795)	(2)	(797)
Balance as at 30 June 2019		(8,390)	(7,491)	(4)	(15,885)
Balance as at 1 July 2019		(8,390)	(7,491)	(4)	(15,885)
Amortisation	8	-	-	(2)	(2)
Balance as at 30 June 2020		**(8,390)**	**(7,491)**	**(6)**	**(15,887)**
Carrying amounts					
At 30 June 2019		73,779	-	15	73,794
At 30 June 2020		**73,779**	**-**	**13**	**73,792**

Impairment testing for cash-generating units containing goodwill

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

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

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

	2020 $'000	2019 $'000
SCEE	8,784	8,784
Datatel	12,298	12,298
Heyday	52,697	52,697
	73,779	73,779

The recoverable amounts of the above segments were based on their value in use with the group performing its annual impairment test in June 2020. The carrying amount of the operating segments were determined to be lower than their recoverable amounts and therefore no impairment charge has been recognised.

The Group has paid particular attention to those indicators impacted by the Coronavirus pandemic. We have considered the effect of the pandemic on our clients' activities which may include resources commodity prices, commercial construction activity, awards of new contracts, deferrals of existing contracts, disruptions to supply chain and disruptions to existing operations. The Group's operations were classified as essential services and whilst experiencing some initial disruption have subsequently continued to operate materially unaffected. The management team continues to monitor and manage the impacts and risks arising from the global pandemic.

Value in use was determined by preparing five year discounted cash flow forecasts, and extrapolating the cash flows beyond the terminal year using a terminal growth-rate. 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 segments operate.
- The five year cash flow estimates used in assessments for all CGU's were based on Board approved budgets for the year ending 30 June 2021. Growth assumptions thereafter are SCEE 0.0% (2019: 0.0%), Datatel 3.0% (2019: 4.7%) and Heyday -0.1% (2019: 3.6%) per annum for each future year. The terminal value assumes perpetual growth of 2.5% (2019: 2.5%).
- The margins included in the projected cash flow are the same rate that has been achieved by projects commencing in 2020.
- A pre-tax discount rate between 12.0% and 13.4% (2019: between 9.4% and 13.2%) was applied. This discount rate was estimated based on past experience and industry average weighted cost of capital.

Sensitivity to changes in assumptions

The value in use assessment for SCEE estimates a recoverable amount $3.2 million in excess of its carrying amount. This estimate is sensitive to the realisation of the budgeted and forecast overall net cash flows to 2025. These forecasts reflect Board and management's expectations for future growth. In the event that the overall net cash flows are 10% less, year on year, than those which have been assumed in calculating the value in use, then the value in use would be less than the carrying value.

The value in use assessment for Datatel estimates a recoverable amount $1.9 million in excess of its carrying amount. This estimate is sensitive to the realisation of the budgeted and forecast overall net cash flows to 2025. These forecasts reflect the Board and management's expectations for future growth. Testing of sensitivities performed in isolation from one another showed that:

- In the event that the overall net cash flows are 12% less, year on year, than those which have been assumed in calculating the value in use, then the value in use would be less than the carrying value.
- An increase in the discount rate of 1.2 percentage points would result in the value in use being less than the carrying value.
- A reduction in the long term growth rate for the terminal year of 1.5 percentage points would result in the value in use being less than the carrying value.

Management believes that any reasonable change in the key assumptions for the Heyday segment would not cause the carrying value to exceed its recoverable amount.

18. Trade and other payables

	2020 $'000	2019 $'000
Current		
Trade payables	27,990	45,186
Contract liabilities	34,158	13,367
Accrued expenses	11,417	17,436
Retentions payable	1,048	270
Goods and services tax payable	665	929
	75,278	77,188

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.

Contract liabilities

	2020 $'000	2019 $'000
Current		
Unearned revenue	34,158	13,367

Unearned revenue arises when the Group has invoiced the client in advance of performing the contracted services. Contract liabilities fluctuate based on progress of completion of contracts.

19. Lease liability

	2020 $'000	2019 $'000
Current		
Current portion	1,749	-
Non-current portion	4,218	-
	5,967	-

Expense relating to short-term and low value leases was $0.1 million. The weighted average discount rate used for the leases is 4.5%. The average remaining lease term for the leased assets per underlying asset class as at 30 June 2020 are as follows:

	2020 (in years)
Land and building	2.43
Motor vehicles	1.37
Office equipment	2.04

The Group made its initial application of the new AASB 16 'Leases' on 1 July 2019 (note 33).

20. Provisions

	2020 $'000	2019 $'000
Current		
Annual leave	6,635	7,021
Long service leave	1,434	1,054
Other employee leave	1,045	1,187
Bonus	-	500
	9,114	9,762
Non-current		
Long service leave	197	416
	197	416

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 33(l) to this report.

21. Deferred acquisition consideration

	2020 $'000	2019 $'000
Deferred acquisition consideration movements		
Balance at 1 July	6,500	14,078
Finance costs	-	411
Change in fair value of deferred consideration	-	(1,489)
Payments	(6,500)	(6,500)
Balance at 30 June	-	6,500

22. Capital and reserves

Share capital

	Note	2020		2019	
		Number	$'000	Number	$'000
Ordinary shares					
Issued and fully paid		247,614,481	109,767	234,067,408	102,873
Movements in shares on issue					
Balance at the beginning of the financial year		234,067,408	102,873	231,389,097	102,873
Exercise of Employee performance rights		655,034	-	2,678,311	-
Issue of ordinary shares under dividend reinvestment plan, net of transaction costs		12,892,039	6,894	-	-
Balance at the end of the financial year		247,614,481	109,767	234,067,408	102,873

The Company does not have authorised capital or par value in respect of its issued shares. All shares have voting rights and rights to dividends.

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
2020				
Final 2019 ordinary	3.00	7,042	Franked	10 October 2019
Total amount		7,042		
2019				
Final 2018 ordinary	3.00	7,022	Franked	11 October 2018
Total amount		7,022		

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

22. Capital and reserves (continued)

Declared after end of year

Subsequent to 30 June 2020, a dividend of 3.00 cents per share in the amount of $7.4 million, including dividends paid to shares anticipated to be issued in respect of vested and exercisable performance rights, was proposed by the directors. The dividend has not been provided in the financial statements.

	Company	
	2020 $'000	2019 $'000
Franking account balance	14,184	17,202

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.

23. Financial instruments (continued)

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 including contract assets.

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	
	2020 $'000	2019 $'000
Cash and cash equivalents	55,272	53,257
Trade receivables (net of provision for impairment)	26,699	38,780
Contract assets	86,374	64,273
Loans to vendors	-	897
	168,345	157,207

Cash

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

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and contract with 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. Geographically, the concentration of credit risk is within Australia and, by industry, the concentration is within the commercial, infrastructure and resources industries.

When entering into new customer contracts for service, the Group only enters into contracts with credit-worthy companies. Management monitors the Group's exposure on a monthly basis. 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 receivables and contract assets.

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

	Carrying amount	
	2020 $'000	2019 $'000
Australia	113,073	103,053
	113,073	103,053

23. Financial instruments (continued)

Impairment losses

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

	Note	Gross 2020 $'000	Impairment 2020 $'000	Gross 2019 $'000	Impairment 2019 $'000
Contract assets – not past due	14	86,374	-	64,273	-
Trade Receivables:					
Not past due		19,138	(2)	27,081	-
Past due 0-30 days		3,394	(3)	5,775	-
Past due 30-60 days		602	(0)	2,187	-
Past due 60 days and less than 1 year		1,531	(1)	3,600	-
More than 1 year		2,146	(106)	217	(80)
		26,811	(112)	38,860	(80)
		113,185	(112)	103,133	(80)

The provision of $112,000 relates to expected credit losses. Impairment provision related to specific debts that are more than one year overdue pertains to a small number of customers with the 2020 amount owing mostly paid subsequent to 30 June. The Group continues to strongly pursue all debts provided for.

The Group has established an allowance for impairment that represents their expected credit losses in respect of trade receivables and contract assets.

The Group recognises a provision for impairment related to expected credit losses ("ECLs") for trade receivables, contract assets and other debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group uses a provision matrix to calculate the ECLs. The provision matrix is established based on Group's historically observed default rates. The Group calibrates the matrix to adjust historical credit loss experience with forward looking factors specific to debtors and the economic environment where appropriate. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed. To date, the Group has not observed or expects to see material decline in its customers' abilities to pay as a result of the Coronavirus pandemic due in part to the nature of those customers, which mainly includes large private sector corporations and government organisations, meaning the risk of default of receivables is low. Accordingly, no additional expected credit loss allowance pertaining to the Coronavirus pandemic have been included.

23. Financial instruments (continued)

Impairment losses (continued)

The assessment of the correlation between historical observed default rates, forecast of economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasts in economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group considers a financial asset's potential for default when contractual payments are more than 120 days past due, factoring in other qualitative indicators where appropriate. Exception shall apply to financial assets that relate to entities under common controls or covered by letter of credit or credit insurance. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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. Cash flow is monitored by management using rolling forecasts and annual budgets that are reviewed monthly at the Board level.

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	More than 6 mths up to 1 year	More than 1 year up to 2 years $'000	More than 2 years up to 5 years $'000	More than 5 years $'000
30 June 2020							
Non-derivative financial liabilities							
Trade and other payables	41,120	41,120	40,905	145	70	-	-
Lease liability	5,967	6,765	1,039	856	1,407	2,436	1,027
	47,087	47,885	41,944	1,001	1,477	2,436	1,027
30 June 2019							
Non-derivative financial liabilities							
Trade and other payables	63,821	63,821	63,753	59	9	-	-
Deferred consideration	6,500	6,500	6,500	-	-	-	-
	70,321	70,321	70,253	59	9	-	-

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 2020 or 30 June 2019.

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.

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	
	2020 $'000	2019 $'000
Variable rate instruments		
Financial assets	55,272	54,154

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 2020.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2020	$'000	$'000	$'000	$'000
Variable rate instruments	1,093	(1,093)	-	-
Cash flow sensitivity (net)	1,093	(1,093)	-	-
30 June 2019				
Variable rate instruments	1,001	(1,001)	-	-
Cash flow sensitivity (net)	1,001	(1,001)	-	-

Fair values

Fair values versus carrying amounts

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

Other Price Risk

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

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The 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 (%) 2020	Equity Interest (%) 2019
Cruz Del Sur Ingeniería Electra (Peru) S.A	Peru	100	100
Southern Cross Electrical Engineering (WA) Pty Ltd (i)	Australia	100	100
Southern Cross Electrical Engineering Tanzania Pty Ltd	Tanzania	100	100
Southern Cross Electrical Engineering Ghana Pty Ltd	Ghana	100	100
S&DH Enterprises Pty Ltd (i)	Australia	100	100
FMC Corporation Pty Ltd (i)	Australia	100	100
Southern Cross Electrical Engineering (Australia) Pty Ltd (i)	Australia	100	100
Hazquip Industries Pty Ltd (i)	Australia	100	100
Datatel Communications Pty Ltd (i)	Australia	100	100
Heyday5 Pty Ltd (i)	Australia	100	100
Electrical Data Projects Pty Ltd (i)	Australia	100	100

(i) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Southern Cross Electrical Engineering Limited pursuant to ASIC Corporations (wholly-owned companies) Instrument 2016/785 (Instrument) and are relieved of the requirement to prepare and lodge an audited financial and Directors' report.

(a) Deed of cross guarantee

The parties to a deed of cross guarantee for the Group as listed in note 24 represent a 'majority group' for the purposes of the Instrument, as the parties not subject to the Instrument are non-trading entities. A separate consolidated statement of comprehensive income and consolidated balance sheet of the parties to the deed of cross guarantee have not been disclosed separately as it in not materially different to those of the Group.

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 Australian 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 2020 and 2019 and revenues and expenses of the joint operations for the year 30 June 2020 and 2019, which are proportionally consolidated in the consolidated financial statements, is as follows:

	2020 $'000	2019 $'000
Share of the joint operations' statement of financial position:		
Current assets	592	705
Current liabilities	(5)	(9)
Equity	587	696
Share of the joint operations' revenue and profit:		
Revenue	-	12,606
Contract expenses	-	(11,750)
Other expenses	(9)	(297)
Profit/(loss) before tax	(9)	559
Income tax expense	-	-
Profit/(loss) for the year from continuing operations	(9)	559

The joint operations have no contingent liabilities or capital commitments as at 30 June 2020 and 30 June 2019.

26. Share-based payments

(a) Expense recognised in profit or loss

Share based payments expenses for the year comprises:

		2020 $'000	2019 $'000
2020 Performance Rights	(i)	195	-
2019 Performance Rights	(ii)	(50)	153
2018 Performance Rights	(iii)	(201)	265
2017 Performance Rights		-	128
		(56)	546

26. Share-based payments (continued)

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

(i) 2020 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 8 November 2019	395,645	Employed on 30 June 2022 and exceed performance hurdle	31 months
Performance rights issued to key management on 8 November 2019	1,106,684	Employed on 30 June 2022 and exceed performance hurdle	31 months
Total /performance rights	1,502,329		

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

- Performance testing over a three-year period from 1 July 2019 to 30 June 2022 ("Performance Period");
- No performance rights will vest until 30 June 2022;
- 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 12% 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 12% per annum compounded	Pro-rata vesting between 50% and 100%
At or above 12% per annum compounded	100% vesting

EPS performance will be measured in the 2022 financial year. For the purposes of performance testing the Performance Rights, EPS in the 2022 financial year will be the Basic EPS for the year, as prescribed by the accounting standards and set out in the Company's Financial Reports, adjusted to remove the following non-cash items from the calculation of profit or loss attributable to ordinary shareholders in the year, in order to reflect the companies underlying profitability:

(a) amortisation of acquired intangibles;

(b) unwinding of interest on deferred acquisition consideration payments;

(c) adjustments to the assessment of deferred consideration payable; and

(d) acquisition costs.

26. Share-based payments (continued)

EPS, as described above, will be assessed against targets for threshold performance of 6.8 cents per share in the 2022 financial year and for stretch performance of 7.6 cents per share in the 2022 financial year. The vesting schedule is as follows for EPS performance in the 2022 financial year:

Less than 6.8 cents per share	0% vesting
6.8 cents per share	50% vesting
Between 6.8 and 7.6 cents per share	Pro-rata vesting between 50% and 100%
At or above 7.6 cents per share	100% vesting

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

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

(ii) 2019 Performance Rights

There were 1,010,625 financial year 2019 Performance Rights on issue at 1 July 2019. No 2019 Performance Rights were granted, none vested and none were forfeited during the year.

The 2019 Performance Rights will be performance tested over a three-year period from 1 July 2018 to 30 June 2021. The hurdles used to determine performance are Absolute Total Shareholder Return (TSR) and Earnings per Share (EPS) performance.

(iii) 2018 Performance Rights

There were 1,241,118 financial year 2018 Performance Rights on issue at 1 July 2018. No 2018 Performance Rights were granted, none vested and none were forfeited during the year.

The 2018 Performance Rights will be performance tested over a three-year period from 1 July 2017 to 30 June 2020. The hurdles used to determine performance are Absolute Total Shareholder Return (TSR) and Earnings per Share (EPS) performance.

(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:

The performance rights issued were granted in one tranche as follows:

	2020	2019
Grant date	8 November 2019	9 November 2018
Vesting date	30 June 2022	30 June 2021
Share price at grant date	$0.56	$0.67
Expected life	2.6 years	2.6 years
Volatility	37%	40%
Risk free interest rate	0.88%	2.12%
Dividend yield	4.9%	4.4%
Fair value of TSR component	$0.29	$0.29
Fair value of EPS component	$0.49	$0.59

26. Share-based payments (continued)

(c) Reconciliation of outstanding performance rights

The number of performance rights under the programmes were as follows:

	2020 Number of rights	2019 Number of rights
Outstanding at 1 July	3,561,812	5,229,498
Granted during the year	1,502,329	1,010,625
Exercised during the year	(655,034)	(2,678,311)
Forfeited or withdrawn during the year	(655,035)	-
Outstanding at 30 June	3,754,072	3,561,812
Vested and exercisable at 30 June	-	-

Subsequent to 30 June 2020 the vesting conditions in respect of the 2018 performance rights have been performance tested and it has been determined that no performance rights have vested and that 1,241,118 have been forfeited.

27. Reconciliation of cash flows from operating activities

	2020 $'000	2019 $'000
Profit for the year	**10,870**	**12,713**
Adjustments for:		
Depreciation and amortisation	5,154	4,293
Profit on sale of property, plant and equipment	(90)	(23)
Expense recognised in respect of capital raising	63	-
Equity-settled share-based payment transactions	(56)	907
(Increase)/decrease in assets:		
Trade and other receivables	(9,123)	(26,948)
Income tax receivable	-	1,188
Inventories	746	(165)
Prepayments	792	(1,105)
Increase/(decrease) in liabilities:		
Trade and other payables	(1,910)	17,277
Provisions and employee benefits	(867)	(1,443)
Deferred acquisition consideration	-	(1,078)
Income tax payable	4,463	-
Deferred income tax	67	5,114
Net cash (used in)/from operating activities	**10,109**	**10,730**

28. 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.

	2020 $'000	2019 $'000
Bank Guarantees	20,559	37,536
Surety Bonds	37,355	28,475

Bank Guarantees and Surety Bonds are provided to customers for satisfactory contract performance. Total bank guarantee facilities at 30 June 2020 were $51.0 million (2019: $48.1 million) and the unused portion was $30.4 million (2019: $10.6 million). These facilities are subject to annual review. Total surety bonds facilities at 30 June 2020 were $85.0 million (2019: $69.5 million) and the unused portion was $47.6 million (2019: $41 million). These facilities are subject to annual review. All facilities are set to mature during the 2020/21 year. It is management's intention to review these facilities at maturity to a level appropriate to support the ongoing business of the Group.

Other contingent liabilities

The Group is currently managing a number of claims, security of payment adjudication and arbitration processes in relation to construction contracts. The Directors are of the opinion that disclosure of any further information relating to these claims, adjudication and arbitration processes would be prejudicial to the interests of the Group.

29. 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.

Since 30 June 2020, the Group has not had a significant adverse operational or financial impact as a result of the Coronavirus pandemic. The Group's operations have been classified as essential services and are continuing to run in line with the required safety and health guidelines. The extent of any future impact of the pandemic on the Group's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulations imposed by governments with respect to the outbreak response and impacts on customers, employees and vendors—all of which are uncertain and cannot be predicted at this time.

30. Auditor's remuneration

	2020 $'000	2019 $'000
Remuneration of KPMG Australia as the auditor of the parent entity for:		
- Auditing or reviewing the financial report	358	342
	358	342

31. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2020 the parent company of the Consolidated entity was Southern Cross Electrical Engineering Limited.

	2020 $'000	2019 $'000
Result of the parent entity		
Loss for the period	(9,764)	(2,839)
Total comprehensive loss for the period	(9,764)	(2,839)
Financial position of parent entity at year end		
Current assets	76,690	78,200
Total assets	177,492	184,782
Current liabilities	(61,256)	(55,628)
Total liabilities	(73,534)	(70,856)
Total equity of the parent entity comprising:		
Share capital	109,767	102,873
Reserves	288	731
Retained earnings	(6,097)	10,322
Total Equity	103,958	113,926

Parent entity contingencies:

The parent entity has contingent liabilities which are included in note 28. At 30 June 2020, there were in existence guarantees of performance of a subsidiary.

32. Related parties

Transactions with key management personnel

(i) Key management personnel compensation

Key management personnel compensation comprised the following:

	2020 $'000	2019 $'000
Short-term employee benefits	1,575	1,995
Post-employment benefits	96	78
Share-based payments	(63)	397
	1,608	2,470

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 (a)(i)).

(ii) Key management personnel transactions

Directors of the Company control 3% of the voting shares of the Company.

The Group has entered into rental agreements over properties in which Gianfranco Tomasi has an ownership interest. During the prior year, Mr Tomasi ceased to be a key management personnel for the Group.

33. 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 2019.

The Group has adopted the following new standard and amendments to standards, including any consequential amendments to other standards, with a date of initial application 1 July 2019:

AASB 16 Leases

Impact of transition to AASB 16 Leases

AASB 16 Leases introduces a single, on-balance sheet lease accounting model for lessees. At commencement date of a lease, lessees will recognise a liability to make lease payments arising from lease contract and a right-of-use (ROU) asset representing the right to use the underlying asset during the lease term. Lessees are required to separately recognise the interest expense on the lease liability and depreciation expense on the ROU asset.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under the related interpretations of AASB 117. The Group now assess whether a contract is or contains a lease based on the definition of a lease in AASB 16 Leases (see note 33(g)).

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The AASB 16 Leases definition of a lease is applied only to contracts that were previously identified as leases at the date of initial application. Contracts that were not identified as leases under AASB 117 were not reassessed for whether there is a lease under AASB 16. From the date of initial application, lease accounting under AASB 16 is applied to all leases, including those identified in accordance with the requirements of AASB 117.

The Group leases assets including property, motor vehicles and office equipment. The Group previously classifies leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises ROU assets and lease liabilities on most of these leases. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate as at 1 July 2019. ROU assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, if any.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of the initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented in the previous financial year 2019 is not restated – i.e. it is presented as previously reported, under AASB 117 and related interpretations. Additionally, the disclosure requirements of AASB 16 have not generally been applied to comparative information.

The Group has applied a number of practical expedients upon the initial application of AASB 16 to leases previously classified as operating leases under AASB 117. In particular, the Group applied:

- Recognition exemptions for short-term leases, i.e. twelve (12) months or less, and/or low-value items, i.e. less than $7,000, on a lease-by-lease basis, in general, hence, the related lease payments are outright recognised in the statement of income as occupancy expenses. This recognition exemption was not applied on the Group's lease contracts and arrangements wherein motor vehicles are the underlying assets;
- Used a single discount rate of 4.5% to a portfolio of leases with reasonably similar characteristics
- Exclusion of initial direct costs from the measurement of the ROU asset at the date of initial application; and
- The use of hindsight when determining the lease term.

33. Significant accounting policies (Continued)

AASB 16 Leases (continued)

Impact of transition to AASB 16 Leases (continued)

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

	$'000
Total operating lease commitments disclosed as at 30 June 2019	**6,692**
Recognition exemptions:	
Leases of low value assets	(16)
Leases with lease term of 12 months or less	(599)
Low-value and short-term leases with motor vehicles as underlying asset	365
	(250)
Variable lease payments not recognised	-
Other minor adjustments relating to commitment disclosures	(190)
	(440)
Operating lease liabilities before discounting	6,252
Discount using incremental borrowing rate	(692)
Operating lease liabilities	5,560
Reasonably certain extension options	49
Total lease liabilities recognised under AASB 16 at 1 July 2019	**5,609**

As at 30 June 2020, the Group has minimal low-value and short-term lease commitments related to leases of office furniture and equipment.

The following tables summarise the impact of adopting AASB 16 on affected line items, as lessee, in the Group's consolidated financial statements as at and for the year ended 30 June 2020:

Consolidated Statement of Comprehensive Income for the year ended 30 June 2020

	Before application of AASB 16 $'000	Impact of AASB 16 (as lessee) $'000	Reported $'000
Contract expenses	(371,760)	1,181	(370,579)
Occupancy expenses	(2,351)	1,116	(1,235)
Amortisation	(2)	(2,151)	(2,153)
Finance expenses	(1,113)	(146)	(1,259)
Consolidated Balance Sheet as at 30 June 2020			
Right-of-use asset	-	5,967	5,967
Lease liability – current portion	-	1,749	1,749
Lease liability – non-current portion	-	4,218	4,218

33. Significant accounting policies (Continued)

AASB 16 Leases (continued)

Impact of transition to AASB 16 Leases (continued)

	Before application of AASB 16 $'000	Impact of AASB 16 (as lessee) $'000	Reported $'000
Cash flows from operating activities			
Interest paid	(1,113)	(146)	(1,259)
Net cash from/(used in) operating activities	10,255	(146)	10,109
Cash flows from financing activities			
Payment of lease liabilities principal	-	(2,151)	(2,151)
Net cash used in financing activities	(211)	(2,151)	(2,362)

(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 arrangement

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

(iii) Transactions eliminated on consolidation

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

33. Significant accounting policies (Continued)

(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.m receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the fores eeable 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.

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.

33. Significant accounting policies (Continued)

(d) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises non-derivative financial assets 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:

- Financial assets at amortised cost
- Cash and cash equivalents

Financial assets at amortised cost

- Financial assets at amortised cost are receivables 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, these financial assets are measured at amortised cost using the effective interest method, less any impairment losses.
- Financial assets at amortised cost comprise trade and other receivables (see note 12).

(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 Lease liability, Deferred acquisition consideration 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.

33. 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.

Leasehold 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	1 – 6 years
Plant and equipment	2 – 20 years
Motor vehicles	2 – 10 years
Office furniture and fittings	2 – 10 years

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

(f) Intangible assets

(i) Goodwill

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

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

33. Significant accounting policies (Continued)

(f) Intangible assets (continued)

(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:

	2020	2019
Customer contracts 1-5 years	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) Leases

Until 30 June 2019, leases in terms of which the Group assumes substantially all the risks and rewards of ownership were 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. Effective from 1 July 2019 the Group adopted AASB 16 recognising lease assets and lease liabilities for those leases previously classified as operating leases.

Leased assets

The right-of-use asset recognised by the Group comprise the initial measurement of the related lease liability, any lease payments made at or before the commencement of the contract, less any lease incentives received and any direct costs. Costs incurred by the Group to dismantle the asset, restore the site or restore the asset are included in the cost of the right-of-use asset.

Subsequently, right-of-use asset is measured at cost less any accumulated amortisation and impairment losses and adjusted for certain remeasurements of the lease liability. The Group amortises the right-of-use assets on a straight-line basis from the lease commencement date to the end of the useful life of the underlying asset or the end of the lease term, whichever is earlier.

If the recoverable amount of a right-of-use asset is less than its carrying value, an impairment charge is recognised in the profit or loss and the carrying value of the asset is written down to its recoverable amount.

Short-term or low-value operating leases subject to recognition exemption under AASB 16 are not recognised in the Balance Sheet. The costs incurred during the period related to these leases are recognised in the profit or loss.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is separately disclosed on the statement of financial position. The liabilities which will be repaid within twelve months are recognised as current and the liabilities which will be repaid in excess of twelve months are recognised as non-current. The lease liability is subsequently measured by reducing the balance to reflect the principal lease repayments made and increasing the carrying amount by the interest on the lease liability.

33. Significant accounting policies (continued)

(g) Leases (continued)

The Group is remeasures the lease liability and make an adjustment to the right-of-use asset in the following instances:

- The term of the lease has been modified or there has been a change in the Group's assessment of the purchase option being exercised, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; and
- The lease payments are adjusted due to changes in the index or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

However, if a change in lease payments is due to a change in a floating interest rate, a revised discount rate is used.

Lease and non-lease components of a contract are accounted for separately. Non-lease components of the lease payments are expensed as incurred and are not included in determining the present value.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extended the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional periods. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew and considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

(h) Inventories

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

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

(i) Contract assets

Contract assets represents construction work equal to 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 (note 33(n)) less progress billings and recognised losses. Cost includes all expenditure related directly to 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 contract liabilities under Trade and other payables in the balance sheet.

Payments from customers are received based on a billing schedule or milestone basis, as established in our contracts.

(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.

33. Significant accounting policies (continued)

(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 (see note 23). 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 forward-looking economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical trends (see note 23).

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

(ii) Non-financial assets

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

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

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

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

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

33. Significant accounting policies (continued)

(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. The discount rate is the yield at the reporting date on high quality corporate bonds or government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the Projected Unit Credit method.

(ii) Termination benefits

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

(iii) Short-term benefits

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

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 recognition accounting policy

The Group applies two approaches to recognising revenue to contracts with customers: either at a point in time or over time, depending on the manner the customer obtains control of the goods or services. Revenue is recognised over time if one of the following is met:

- The customer simultaneously receives and consumes the benefits as the Group performs;
- The customer controls the asset as the Group creates or enhances it; or
- The Group's performance does not create an asset for which the Group has an alternative use and there is a right to payment for the performance to date.

33. Significant accounting policies (continued)

(n) Revenue (continued)

Revenue recognition accounting policy (continued)

Revenue from contracts is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the group expects to be entitled in exchange for the goods or services. The following are the steps in determining revenue from contracts as prescribed by Five (5) Step Revenue Recognition Model introduced by AASB 15:

i. Identify the contract(s) with a customer

ii. Identify the performance obligations in the contract

iii. Determine the transaction price

iv. Allocate the transaction price to the performance obligations in the contract

v. Recognise revenue when (or as) the entity satisfies a performance obligation

Judgement is required in determining the timing of the transfer of control, at a point in time or over time, as well as in each of the five enumerated steps in the revenue recognition model above.

(i) Construction revenue

The benefits being provided by the Group's construction work transfer to the customer as the work is performed and as such revenue is recognised over the duration of the project based on percentage complete. Percentage complete is generally measured according to the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs (input method). If this would not be representative of the stage of completion then it is measured by reference to surveys of work performed (output method).

When it is probable that total contract costs will exceed total contract revenue, the unavoidable loss is recognised as an expense immediately.

(ii) Services revenue

The Group performs maintenance and other services for a variety of different sectors. Typically, under the performance obligations of a service contract, the customer consumes and receive the benefit of the service as it is provided. As such, service revenue is recognised over time as the services are provided.

(iii) Contract modifications

Revenue in relation to modifications, such as a change in the scope or price (or both) of the contract, are to be included in the contract price when it is approved by the parties to the contract and the modification is enforceable. Approval of a contract modification can be in writing, by oral agreement or implied by customary business practices.

Revenue estimated and recognised in relation to claims and variations is only included in the contract price to the extent that it is highly probable that a significant reversal in the amount recognised will not occur.

In making this assessment the Group considers a number of factors, including the nature of the claim, formal or informal acceptance by the customer of the validity of the claim, the stage of negotiations, assessments by independent experts and the historical outcome of similar claims to determine whether the enforceable and "highly probable" thresholds have been met.

(iv) Performance obligations

Revenue is allocated to each performance obligation and recognised as the performance obligation is satisfied which may be at a point in time or over time.

AASB 15 requires a detailed and technical approach to identify the different revenue streams (i.e. performance obligations) in a contract. This is done by identifying the different activities that are being undertaken and then aggregating only those where the different activities are significantly integrated or highly interdependent. Revenue is to be continuously recognised, on certain contracts over time, as a single performance obligation when the services are part of a series of distinct goods and services that are substantially integrated with the same pattern of transfer.

33. Significant accounting policies (continued)

(n) Revenue (continued)

(iv) Performance obligations (continued)

The term over which revenue may be recognised is limited to the period for which the parties have enforceable rights and obligations. When the customer can terminate a contract for convenience (without a substantive penalty), the contract term and related revenue is limited to the termination period.

The Group has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

(v) Variable consideration

Variable consideration includes performance or other incentive fees or penalties associated with contracts. If the consideration in the contract includes a variable amount, the Group estimates the amount of the consideration to which it is entitled in exchange for transferring the goods and services to the customer. The variable consideration is estimated at contract inception and constrained to the extent that it is highly probable that a significant reversal in the amount recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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

(o) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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

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

(p) Income tax

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

33. Significant accounting policies (continued)

(q) Goods and services tax

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

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

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

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise performance rights and share options granted to employees.

(s) Segment reporting

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

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(t) Financial guarantees

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

- the loss allowance determined in accordance with AASB 9 Financial Instruments; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with AASB 15 Revenue from Contracts with Customer.

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.

33. Significant accounting policies (continued)

(u) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

(v) Government grants

Government grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

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

The new standards and amendments to standards and interpretations effective for annual reporting periods beginning after 30 June 2020, such as those disclosed below, have not been applied in preparing these consolidated financial statements. The Group intends to adopt these new standards and amendment to standards and interpretations, if applicable, when they become effective:

AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*

AASB 2018-7 *Amendment to Australian Accounting Standards – Definition of Material*

AASB 2019-3 *Amendment to Australian Accounting Standards – Interest Rate Benchmark Reform*

AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards not yet issued in Australia*

AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*

AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and other Amendments*

AASB 2019-1 *Amendments to References to the Conceptual Framework in AASB Standard – Conceptual Framework for Financial Reporting*

The Group has yet to determine the likely impact of these new standards.

34. 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 are determined using market comparison technique and cost technique – the valuation model considers quoted market prices for similar items when available and depreciated replacement cost when appropriate.

(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, including contract asset as well as 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

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 2020 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 2020.

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

Signed in accordance with a resolution of the directors:

Derek Parkin

Derek Parkin
Chairman
29 September 2020

KPMG

Independent Auditor's Report

To the shareholders of Southern Cross Electrical Engineering Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Southern Cross Electrical Engineering Limited (the Company).

In our opinion, the accompanying ***Financial Report*** of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated balance sheet as at 30 June 2020;
- Consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and,
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Recognition of Contract revenue
- Value of Goodwill

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Recognition of Contract revenue ($415 million)

Refer to Note 4 to the Financial Report – Contract revenue

The key audit matter	How the matter was addressed in our audit
Recognition of Contract revenue is a key audit matter due to the: • Significance of revenue and the associated contract asset to the financial statements; and • Large number of customer contracts with numerous estimation events that may occur over the course of the contract's life. This results in complex and judgemental revenue recognition from rendering of services and construction contracts. Therefore, significant audit effort is required to gather sufficient appropriate audit evidence for revenue recognition. We focused on the Group's assessment of the following elements of revenue recognition for rendering of services and construction contracts, as applicable: • The Group's determination of contractual entitlement and assessment of the probability of customer approval of changes in scope and/or price. The Group's consideration of the enforceability or approval of the modification of the terms of a contract may include evidence that is written, oral, or implied by customary business practice and may include involvement from the Group's legal, time and cost experts. The Group's determination of modifications requires a degree of judgement and can drive different accounting treatments, increasing the risk of inappropriately recognising revenue. We particularly focused on larger, more contentious contracts for modifications recognised; • Estimating total expected costs at initiation of the customer contract, which have a high level of estimation uncertainty; and • Revisions to total expected costs for certain events or conditions that occur during the performance of the contract, or are expected to occur to complete the customer contract, which is difficult to estimate.	Our procedures included: • Understanding the Group's contract revenue accounting process. We tested a sample of the key controls in this process including customer approval of progress claim submissions; and • For a sample of customer contracts: – we read the contracts and other underlying documentation such as customer correspondence to evaluate the inputs to the Group's calculation of revenue; – we assessed the total expected cost estimates by (1) obtaining an understanding of the activities required to complete the customer contract from the Group's contract teams, (2) analysing the costs of those activities compared to recent project cost trends and prices, (3) testing a sample of committed expenditure to underlying documentation such as purchase orders, and (4) using our knowledge of the contract characteristics to challenge the completeness of costs and activities; – we evaluated the Group's assessment of when a modification to the contract scope and/or price for variations and claims is approved and enforceable. This included assessing underlying records, legal documents, external legal advice and customer correspondence; – we assessed the Group's estimation of variations and claims by comparing underlying evidence such as customer correspondence and reports from the Group's time and cost experts (where applicable) for consistency with contract terms. We recalculated the amount of revenue including the modifications to the contract. We compared the recalculated amounts against the amounts recorded by the Group; – we evaluated the Group's legal, time and cost experts' reports received on contentious matters to assess the recognition of variations and claims under the revenue accounting standard. We checked the consistency of this to the inclusion or not of an amount in the Group's estimates used for revenue recognition; – we assessed the scope, competency, and objectivity of the legal, time and cost experts engaged by the Group; and – we evaluated the Group's ability to recover outstanding variation and claim amounts not yet settled with customers by assessing the status of contract negotiations, historical recoveries and expert reports obtained by the Group. • Assessing the appropriateness of the disclosures in Notes 4, 14 and 33(n)(i).

KPMG

Value of Goodwill ($73.8 million)	
Refer to Note 17 to the financial report – Intangible assets - goodwill and customer contracts	
The key audit matter	**How the matter was addressed in our audit**
We focused on the Group's annual testing of Goodwill for impairment as a key audit matter due to the size of the balance, being 28% of total assets. We focused on the significant forward-looking assumptions the Group applied in their value in use models for the Heyday, SCEE and Datatel segments, including: • SCEE - forecast cash flows for SCEE which has experienced lower than forecast profitability which increases the possibility of goodwill being impaired; • SCEE and Datatel - in addition to the above, the Group's SCEE and Datatel models are sensitive to changes in forecast growth rates (including within the terminal values), reducing or removing available headroom, and increasing the possibility of goodwill being impaired. This drives additional audit effort specific to their feasibility within the Group's strategy; and • discount rates - these are complicated in nature and vary according to the conditions and environment the specific segments are subject to from time to time. The Group's modelling is sensitive to changes in the discount rate. We involve our valuation specialists with the assessment.	Our procedures included: • considering the Group's determination of the level at which goodwill is tested based on our understanding of the operations of the Group's business and how independent cash inflows were generated, against the requirements of the accounting standards; • considering the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards. We, along with our modelling specialists, assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas; • challenging the feasibility of the Group's growth assumptions within the forecast cash flows in light of varying competitive conditions in the markets in which the Group operates. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations for the Group's SCEE and Datatel segments. We further assessed the SCEE FY21 and FY22 forecast cash flows against the secured value of work for those respective years and the level of secured work at similar times in previous years. We used our knowledge of the Group, their past performance, business and customers, and our industry experience; • comparing the forecast cash flows contained in the value in use models to Board approved forecasts; • assessing the accuracy of previous Group forecasting to inform our evaluation of forecasts included in the value in use models. We applied increased scepticism to current period forecasts in areas where previous forecasts were not achieved and/or where future uncertainty is greater or volatility is expected; • considering the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those segments with a higher risk of impairment and to focus our further procedures; • working with our valuation specialists, we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in; and • we assessed the Group's disclosures of the quantitative and qualitative considerations in relation to the valuation of goodwill, by comparing these disclosures to our understanding obtained from our testing and the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Southern Cross Electrical Engineering Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Southern Cross Electrical Engineering Limited for the year ended 30 June 2020 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 17 to 24 of the Directors' Report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Trevor Hart
Partner

Perth

29 September 2020

LEAD AUDITOR'S INDEPENDENCE DECLARATION

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 of Southern Cross Electrical Engineering Limited for the financial year ended 30 June 2020 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

Trevor Hart
Partner

Perth

29 September 2020

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 at 21 September 2020.

Distribution of equity security holders

	Number of equity security holders	
Category	**Ordinary shares**	**Options/Performance rights**
1 - 1,000	205	-
1,001 - 5,000	534	-
5,001 - 10,000	349	-
10,001 - 100,000	951	-
100,001 and over	137	4
	2,176	4

The number of shareholders holding less than a marketable parcel of ordinary shares is 205.

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Frank Tomasi Nominees Pty Ltd <Frank Tomasi Family a/c>	46,835,451	18.91
UBS Nominees Pty Ltd	38,779,568	15.66
Citicorp Nominees Pty Limited	36,075,656	14.57
J P Morgan Nominees Australia Pty Limited	20,007,979	8.08
National Nominees Limited	19,292,810	7.79
HSBC Custody Nominees (Australia) Limited	4,878,276	1.97
DHHD5 Pty Ltd	3,629,544	1.47
Chemco Superannuation Fund Pty Ltd <Chemco Super Fund No 2 a/c>	2,030,000	0.82
Carman Super Pty Ltd <M & B Carman Super Fund a/c>	2,000,000	0.81
Asgard Capital Management Ltd <1109440 Kaleidoscope a/c>	1,561,546	0.63
Westor Asset Management Pty Ltd <Value Partnership a/c>	1,307,755	0.53
Alfiedoug Pty Ltd <CCALO a/c>	1,216,581	0.49
Neweconomy Com Au Nominees Pty Limited <900 account>	1,130,801	0.46
Mr Raymond John Wise	1,076,846	0.43
BNP Paribas Noms Pty Ltd <DRP>	1,038,864	0.42
DPHD5 Pty Ltd	1,000,008	0.40
Mr Andrew McKenzie + Mrs Catherine McKenzie <A W McKenzie Super Fund a/c>	1,000,000	0.40
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP a/c>	875,955	0.35
Icon Holdings Pty Ltd	843,939	0.34
Buchhorn Pty Ltd <S&K Buchhorn Family S/F a/c>	800,000	0.32
	185,381,579	74.87

Substantial shareholders

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

Shareholder	Number
Gianfranco Tomasi	46,835,451
TIGA Trading Pty Ltd	45,880,371
Mitsubishi UFJ Financial Group Inc	19,770,442
Perennial Value Management Limited	15,145,527

Corporate Governance Statement

The Corporate Governance Statement can be found at https://www.scee.com.au/investors/corporate-governance

CORPORATE DIRECTORY

Directors

Derek Parkin
Chairman
Independent Non-Executive Director

Graeme Dunn
CEO and Managing Director

Simon Buchhorn
Independent Non-Executive Director

Karl Paganin
Independent Non-Executive Director

David Hammond
Executive Director

Company Secretaries

Chris Douglass

Colin Harper

Auditors

KPMG
235 St Georges Terrace
Perth WA 6000

Solicitors

K & L Gates
Level 32, 44 St Georges Terrace
Perth WA 6000

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000
T: 1300 787 272
F: +618 9323 2033

Registered Office

Southern Cross Electrical Engineering Limited
41 Macedonia Street
Naval Base WA 6165
T: +618 9236 8300
F: +618 9410 2504

ASX code: SXE

scee.com.au

DESIGN AND PRODUCED BY BONSER DESIGN

SCEE Perth Office (Head Office)

41 Macedonia Street, Naval Base

Western Australia, 6165

E scee@scee.com.au

T +61 (0)8 9236 8300

F +61 (0)8 9410 2504

PERTH | BRISBANE | DARWIN | ADELAIDE

KARRATHA | NEWMAN | TOWNSVILLE

CANBERRA | SYDNEY | MELBOURNE

scee.com.au

ISO 9001
ISO 14001
AS 4801
BUREAU VERITAS Certification

BUREAU VERITAS 1828

SCEE

WA EC 001681
QLD 12707
NSW 17066C
NT C 0977
SA PGE 262507
TAS 930255

ABN: 92 009 307 046
Established 1978

Heyday

NSW 249908C
ACT 2012817

ABN: 85 158 865 091
Established 1978

Datatel

WA EC6606
QLD 86545
VIC 30407

ABN: 24 082 372 834
Established 1998