GROUP

ANNUAL REPORT 2023

Southern Cross Electrical Engineering Limited
ABN: 92 009 307 046
ASX: SXE

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2023 HIGHLIGHTS

Record Financial Results

Revenue

$464.7m

Record EBITDA

$38.2m

Record NPAT

$20.1m

Fully Franked Dividends

5.0cps

Record Cash

$77.7m

Record Order Book

$610m

Operational Highlights

Lost Time Injury ("LTI") free
across the group in FY23

Workforce over 1,400 employees
and growing again

Electrification and decarbonisation
exposures offer huge opportunities

Recurring revenues
now over 35% of activity

Record profits
for all three acquired Trivantage businesses

Actively exploring acquisition targets
offering further diversification

CHAIRMAN'S REPORT

It gives me great pleasure to report that the SCEE Group has delivered record profitability in 2023 with EBITDA of $38.2m, EBIT of $29.6m and NPAT of $20.1m.

We have also ended the year with a record cash balance of $77.7m and a record order book of $610m. Our healthy balance sheet and significant work in hand puts us in a very strong position as we enter what I anticipate will be a period of great opportunity for our group.

The electrification and decarbonisation of the economy is gathering pace and will continue to do so as deadlines for achieving net zero commitments approach and the demand for renewable electricity increases significantly. As a leading national electrical contractor we expect to play a significant role in delivering a wide range of decarbonisation initiatives across our markets as well as supporting our clients in meeting the demand for the commodities required for decarbonisation.

It has been pleasing to see recurring revenues increasing as a percentage of revenue in recent years to now make up over 35% of our activity. This has been given increased momentum by the 2021 acquisition of the Trivantage businesses which continue to outperform expectations, each delivering record results in the current year.

The success of Trivantage, together with our previous acquisitions of Heyday and Datatel, has not only strengthened and diversified our group, but also demonstrated our ability to deliver value accretive acquisitions. We are actively exploring further acquisition targets offering increased geographic diversification and new capabilities.

The Board has resolved to pay a final fully franked dividend of 4.0 cents per share and paid a fully franked interim dividend of 1.0 cents per share in April. Our fully franked full year dividend yield of 7.5% continues our track record of delivering strong returns to shareholders.

On behalf of the Board I would like to close by acknowledging the hard work and commitment of all the teams within the SCEE Group without whom these record results would not have been possible.

Derek Parkin
Chairman
29 August 2023

ABOUT SCEE GROUP

Southern Cross Electrical Engineering Limited ('SCEE Group') was founded in 1978 and listed in 2007 (ASX:SXE).

Over time we have grown to be a leading national provider of specialised electrical, instrumentation, maintenance and communication services and are diversified across three broad sectors of resources, commercial and infrastructure. Our diversification has been supported by a successful track record of acquiring value accretive businesses: Datatel in 2016, Heyday in 2017 and the Trivantage Group (S.J. Electric, SEME Solutions and Trivantage Manufacturing) in 2020. We are positioned to service the electrification and decarbonisation initiatives shaping our markets.

Recurring revenue and earnings growth

Diversified across markets and operations

Long-standing blue-chip client base

Positioned for Electrification and decarbonisation themes

Track record of successful acquisitions

Financial strength and dividend yield

OUR BUSINESSES

SCEE ELECTRICAL

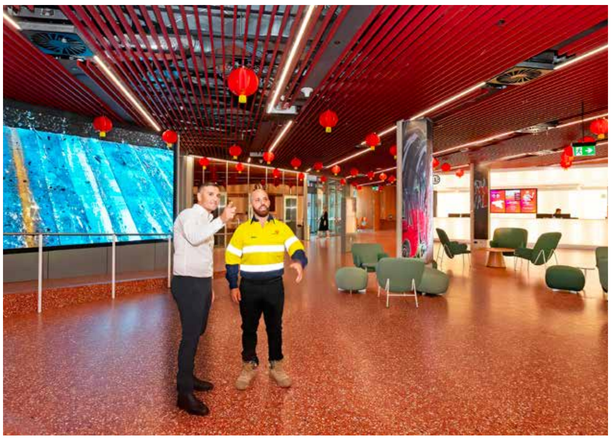
SCEE Electrical is the original operating business of the SCEE Group, historically focussed on resources and industrial projects, but more recently diversified into transport, infrastructure, defence, utilities and renewables.

To find out more visit **www.sceeelectrical.com.au**

DATATEL ELECTRICAL & COMMUNICATIONS

Datatel is a Perth based electrical contractor and communications specialist, delivering high-end commercial fit outs, and providing services to the office, retail, education, health, government and transport sectors.

To find out more visit **www.datatel.com.au**



Heyday Group

Heyday is a NSW and ACT-based electrical contractor undertaking commercial building construction and fit-outs, and servicing the office, retail, hotel, high-rise residential, education, health, transport, industrial and data centre sectors.

To find out more visit **www.heyday5.com.au**

OUR BUSINESSES

SJ ELECTRIC

S.J. Electric is a national provider of electrical and maintenance services to supermarkets, and the retail, commercial and water sectors.

To find out more visit **www.sjelectric.com.au**

SEME SOLUTIONS

SEME Solutions provides electronic and physical security services to the resources, law-enforcement, custodial, industrial, commercial building and health sectors.

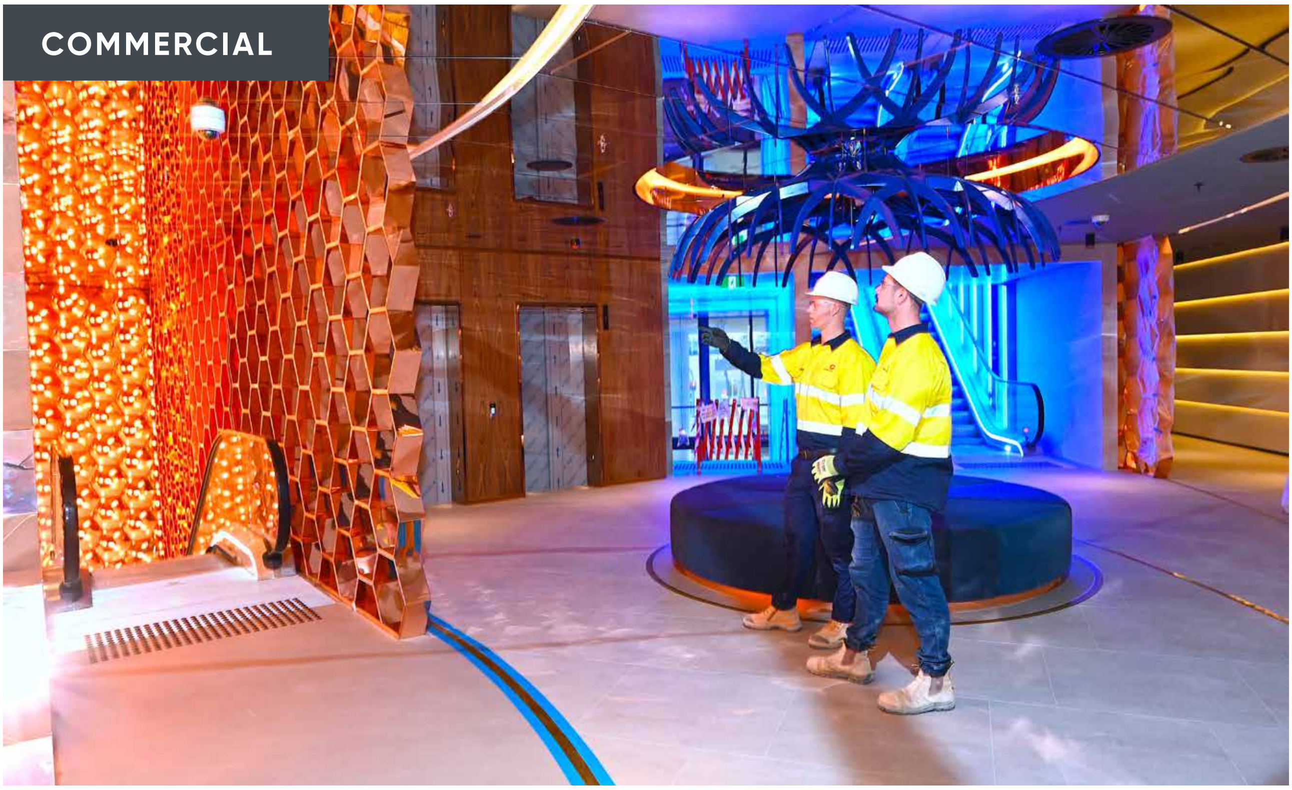
To find out more visit **www.seme.com.au**

TRIVANTAGE MANUFACTURING

Trivantage Manufacturing is a leading manufacturer of packaged electrical solutions including premium quality switchboards, kiosk substations and switchrooms, covering low to high voltage capabilities across the infrastructure, resource and commercial sectors.

To find out more visit **www.trivantage.com.au**

OUR MARKETS



SCEE Group 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, supermarkets and retail
- Multi-storey residential developments
- Hotels I 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.

To find out more visit **www.scee.com.au/markets/commercial**

OUR MARKETS

RESOURCES

SCEE Group 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, copper and nickel.

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

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, communications and security 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.

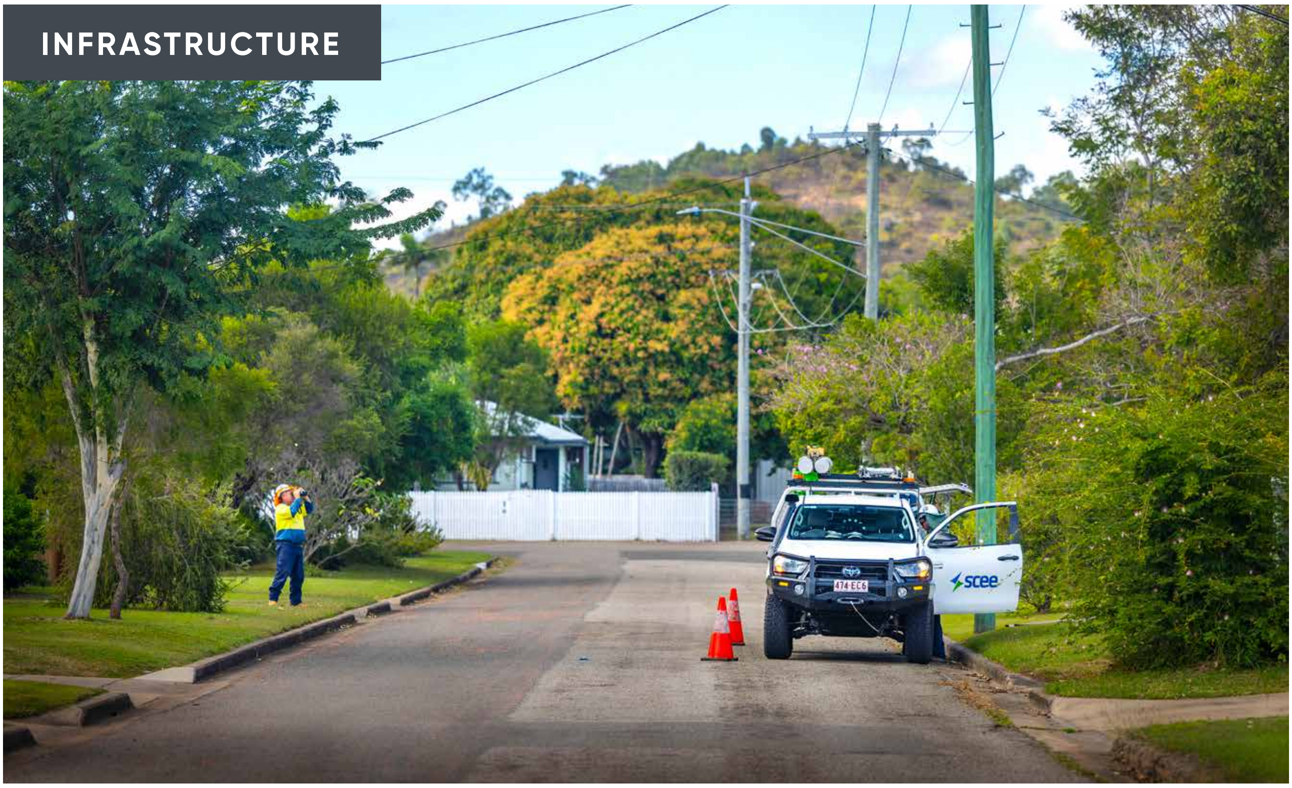
Under various framework arrangements we have teams of electricians at clients' facilities supporting and maintain their operations.

In the oil and gas sector we offer solutions for LNG upstream and downstream facilities, and for petrochemical refineries.

To find out more visit
www.scee.com.au/markets/resources

OUR MARKETS

INFRASTRUCTURE



SCEE Group 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

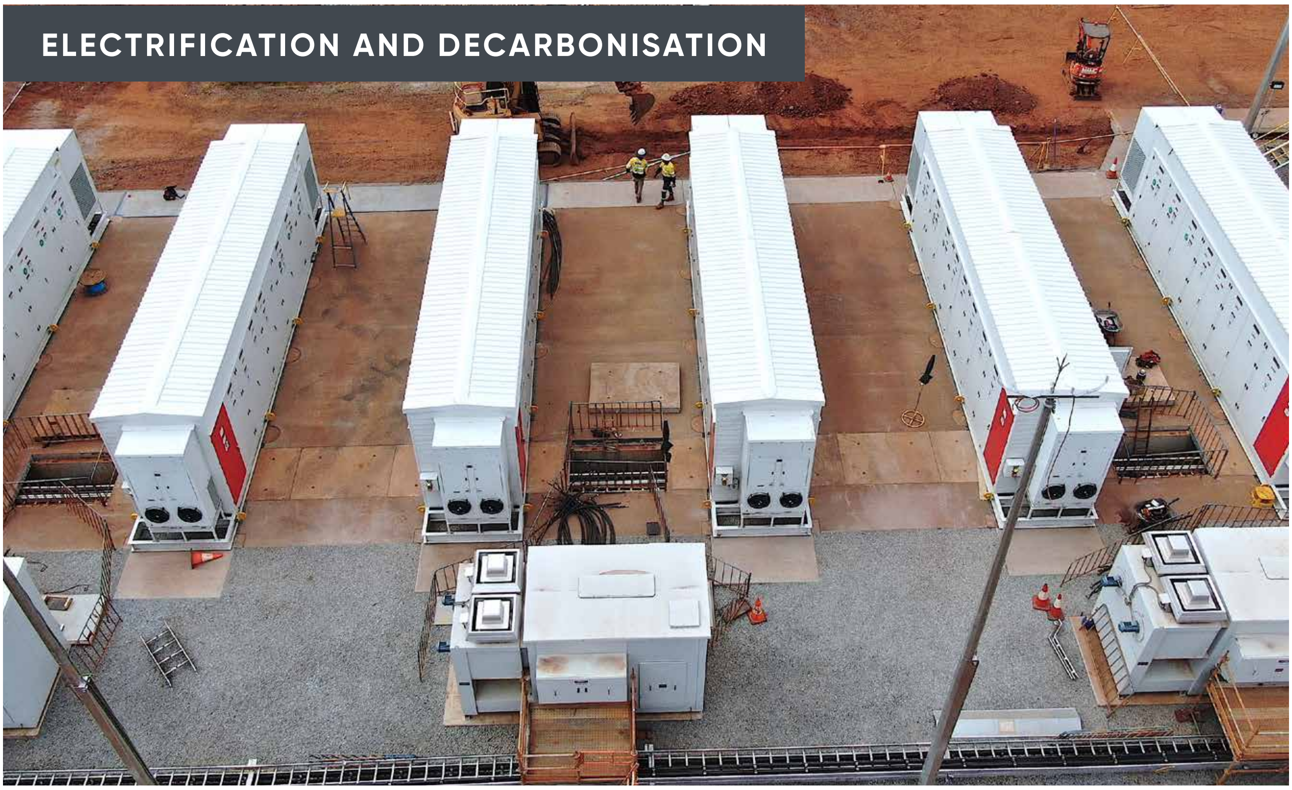
We are also members of various works panels in these sectors.

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

To find out more visit
www.scee.com.au/markets/infrastructure

OUR MARKETS

ELECTRIFICATION AND DECARBONISATION



SCEE Group is well positioned to leverage opportunities across the electrification and decarbonisation chain including:

Supporting the decarbonisation of resources operations such as battery, solar and wind projects for multiple mining companies;

Assisting meeting the demand for commodities required for global decarbonisation including lithium, copper, nickel, hydrogen developments; and

Offering our services across a diverse and growing range of electrification and decarbonisation initiatives including solar farms, recycling plants, refrigeration power efficiencies, green buildings design optimisation and electric vehicle charging systems.

To find out more visit
www.scee.com.au/markets/decarbonisation

ABOUT SCEE GROUP

SUSTAINABILITY

SCEE Group is dedicated to achieving sustainable and profitable growth while upholding our environmental, social, and community responsibilities. Our approach to sustainability encompasses:

ENVIRONMENT

We seek to promote best environmental practices within our areas of operation through our policies and procedures. Highlights include:

- Environmental Management Systems accredited to ISO 14001
- We continue to voluntarily monitor our GHG emissions and maintain a low emissions base. Our FY23 operational emissions (Scope 1 and 2) totalled 3,288tCO_2-e
- Contributing to the decarbonisation of Australia through our delivery of renewables, recycling and energy efficiency projects

HEALTH AND SAFETY

We consider the wellbeing of our people to be of paramount importance and are committed to providing a workplace that achieves zero harm. Highlights include:

- Health and Safety Management Systems are accredited to ISO 45001
- 5 Star Commitment safety approach addressing the highest critical risk areas
- Lost Time Injury (LTI) free across the Group's operations in FY23

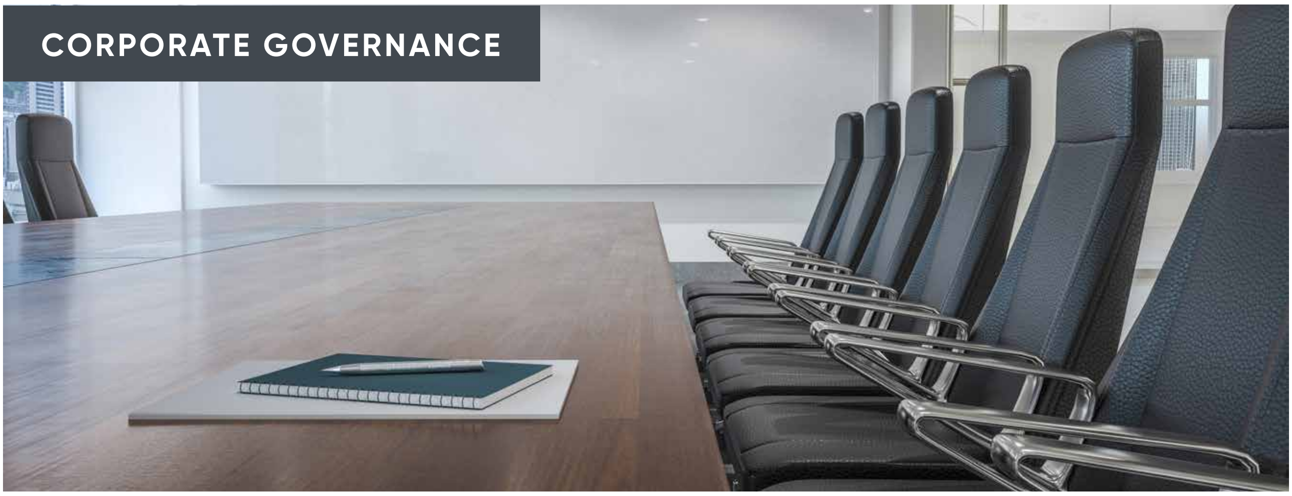
SUSTAINABILITY

PEOPLE AND COMMUNITY

We are committed to providing a safe workplace for our people and investing in their growth. We engage with the communities in which we operate seeking to create a positive legacy through maximising local employment opportunities. Highlights include:

- Dedicated Health and Wellbeing Advisor and access to an Employee Assistance Provider
- Regular training and development opportunities
- Diversity Policy encouraging and supporting diversity in our workforce
- Indigenous Employment Policy facilitating sustainable employment opportunities
- Human Rights Policy and Modern Slavery Statement

CORPORATE GOVERNANCE



The SCEE Group has a Board-endorsed Corporate Governance Framework aimed at ensuring the business is managed effectively and ethically and that risks are appropriately identified, monitored and addressed. Highlights include:

- Experienced and appropriately structured Board and Committees
- Code of Conduct governing our dealings with stakeholders
- Anti-Bribery and Corruption and Whistleblower Policies

MANAGING DIRECTOR'S REVIEW

In 2023 SCEE Group has delivered record profitability and enters the 2024 financial year with a record cash balance and record order book.

Results for the year ended 30 June 2023

Revenue for the year of $464.7m was down 16% on the prior year's record revenue. Major resources projects at Rio Tinto Gudai-Darri and MARBL JV Kemerton Lithium Plant were successfully completed in the first half and anticipated new accommodation village security awards were either reduced or received later than anticipated.

Recurring revenues from services, maintenance and framework agreements accounted for over 35% of current year activity.

Revenue contribution by sector was as follows:

- **Resources –** revenue for the year was $168.8m, compared to $282.5m in the prior year due to the Gudai-Darri and Kemerton projects completing in the first half. The BHP Villages Security project, which utilised capabilities across the group, was also completed during the year. The Juwi Northern Goldfields Solar, Rio Tinto Tom Price Battery Storage and BHP Port Debottlenecking projects are ongoing and progressing well. General works continued for Rio Tinto and BHP and under framework agreements at the Sino Iron and Newmont Boddington mine sites.

- **Commercial –** revenue for the year was $154.9m, compared to $166.9m in the prior year. Construction activity in NSW continued to experience some weather impacts in the early part of the year but is now increasing. Key contributions in the year came from Trivantage's national supermarket services business and the Sandstone Education Building project and the Commonwealth Bank Place Sydney North Building fitout in Sydney.

- **Infrastructure –** revenue for the period was $141.0m, up from $103.9m in the prior year. Activity on the Multiplex Western Sydney International Airport project is ramping up with considerable scope growth already received. Other key projects in the sector included the Sydney Metro Pitt Street Station and University of Western Sydney Bankstown City Campus projects in NSW, the Ergon Energy Queensland Service Agreement and the supply of the Westgate Tunnel switchboards in Victoria.

MANAGING DIRECTOR'S REVIEW

Gross profit for the year of $76.3m was up on the prior year gross profit of $72.5m. Gross margins increased from 13.1% in FY22 to 16.4% in the current year due to solid project performances and successful close-outs of major resources projects.

Overheads were $39.8m compared to $38.3m in the prior year.

EBITDA for the year of $38.2m was up 8.1% and EBIT of $29.6m was up 10.7% on the prior year.

Net profit after tax of $20.1m was up 31.6% on the prior year NPAT of $15.3m and included $2.1m amortisation of intangibles relating to the FY21 acquisition of Trivantage (FY22 amortisation: $2.2m).

The Board has declared a fully franked final dividend of 4.0 cents per share to be paid on 11 October 2023. A fully franked 1.0 cent per share interim dividend was paid in April 2023. The fully franked dividend yield for the year was 7.5% based on the share price at 30 June 2023.

The year end cash balance of $77.7m was a record for the group and represented a 46.3% increase on the prior year. The increase was driven by the record profits and return of working capital from completed major resources projects and was achieved despite total dividend payments of $12.7m during the year (net of dividend reinvestment plan participation) and funding the penultimate acquisition payment for Trivantage of $5.7m in the period. The group remains debt free.

The three Trivantage businesses SJ Electric, SEME Solutions and Trivantage Manufacturing each delivered record profits in the current year which resulted in the acquisition earn-out targets being achieved in full. The final deferred consideration payment of $7.3m will be made in September 2023.

Health, Safety and Environment

Delivering our work safely is of paramount importance and we are proud of our strong safety culture. We were Lost Time Injury ("LTI") free across the group's operations in FY23 and our SCEE Electrical business is now over 19 years LTI free.

MANAGING DIRECTOR'S REVIEW

We continue to voluntarily monitor our greenhouse gas emissions and maintain a low emissions base. In FY23, our operational emissions (Scope 1 and 2) totalled 3,288tCO_2-e, significantly below the National Greenhouse and Energy Reporting ("NGER") scheme mandatory reporting threshold of 50,000tCO_2-e.

Outlook

The group enters 2024 with a record order book of $610m, up 8% on the prior year. Notable awards in the year included the Atlassian HQ Building electrical services contract, Shoalhaven Hospital redevelopment project and multiple data centres in NSW. We have recently secured a number of accommodation village security upgrade projects in Queensland which will again utilise capabilities from across the group. We continue to secure regular works under our key framework agreements including various supermarket roll-outs.

The infrastructure sector continues to be the largest component of the order book. The Western Sydney International Airport project will run for several years and has already seen significant scope increases with further growth anticipated. The Sydney Metro Pitt Street Station project is ongoing with further opportunities on the Sydney Metro programme. The Shoalhaven Hospital redevelopment project will ramp up during the year. We continue to see a high volume of data centre developments in NSW and we are positioning in the medium term for the commencement of spending ahead of the Brisbane Olympics. The broader infrastructure pipeline remains strong with record levels of infrastructure spend sanctioned across Australia.

In the commercial sector activity in NSW has picked up after being impacted by coronavirus and weather in the prior year. The Atlassian HQ Building electrical services contract was secured during the year and the Sydney Central Precinct Renewal Program and Technology Hub is expected to generate multiple commercial opportunities for Heyday in the coming years. For Trivantage, activity levels in the sector are expected to remain high with the major supermarkets continuing to invest heavily in efficiencies, store renewals and new store formats.

Activity in the resources sector is expected to remain at lower levels in the first half before increasing again as recent and anticipated awards ramp up. A number of large construction opportunities are emerging past FY24.

MANAGING DIRECTOR'S REVIEW

The Trivantage Manufacturing business opened a second switchboard manufacturing facility in Victoria during the year in order to capitalise on increasing demand for their products.

Tendering across the group's sectors remains at a high level with a strong opportunity pipeline extending well beyond FY24.

The electrification and decarbonisation of the Australian and global economies present the group with opportunities across all the sectors in which it operates. The group is exposed to these opportunities through three avenues, being supporting the decarbonisation of resources operations, assisting in meeting the demand for commodities required for decarbonisation, and offering services across a diverse and growing range of initiatives including green buildings, solar farms, refrigeration power and electric vehicle charging systems.

The group continues to monitor and manage the broader economic environment. There have been no material impacts on our operations from inflationary cost pressures or labour market issues to date.

In FY24 we are targeting revenue of around $500m and similar EBITDA to FY23 with growth anticipated in FY25 and beyond.

Strategy

SCEE Group primarily sees itself as an electrical contractor diversified across the resources, commercial and infrastructure markets.

Our growth strategy continues to be to deepen our presence in those sectors and broaden our geographic diversity through expanding our core competencies and adding adjacent and complementary capabilities, either organically or by acquisition.

We have increasing exposure to service and maintenance style work with recurring revenues now over 35% of activity.

We are actively exploring acquisition targets offering further geographic diversification and new capabilities.

We are positioned to service the decarbonisation and electrification initiatives shaping our markets.

Conclusion

I am delighted to have been able to report a record-breaking year for the SCEE Group where we achieved our highest ever profits, cash balance and order book.

Moving into FY24 we have visibility of a strong pipeline of work across our markets and expect the electrification and decarbonisation of the economy to present significant opportunity for all of our businesses for many years.

I was pleased to see Trivantage continue to exceed our expectations with all three businesses delivering record results in the current year ensuring that the vendors will receive their full earn-out consideration. We continue to pursue further acquisitions aligned with our growth and diversification strategy.

I would like to take this opportunity to thank our employees across the SCEE Group for their contribution to our record results and I thank our clients and shareholders for their continued support.

BOARD OF DIRECTORS

Your Directors submit their report for Southern Cross Electrical Engineering Limited ("SCEE Group" or "the Company") for the year ended 30 June 2023.

Directors

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

Derek Parkin OAM

INDEPENDENT CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Derek is a Fellow and life member of Chartered Accountants Australia and New Zealand ("CAANZ") and a Fellow of the Australian Institute of Company Directors.

Derek's accounting experience has spanned over 50 years and four continents. He was most recently Professor of Accounting at the University of Notre Dame Australia, having previously been an assurance partner with Arthur Andersen and Ernst & Young.

Derek is a past national Board member of CAANZ's predecessor body in Australia, 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 and in 2015 was awarded the Medal of the Order of Australia for services to accountancy.

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

Graeme Dunn

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Graeme has over 30 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.

Simon Buchhorn

INDEPENDENT NON-EXECUTIVE DIRECTOR

Simon has a comprehensive understanding of SCEE Group'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 Group's LNG focused joint venture KSJV.

Simon brings to the Board significant experience in electrical contracting 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 was a member of the Nomination and Remuneration Committee until 30 August 2022.

BOARD OF DIRECTORS

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 à Court family) which was the proprietor of John Holland Group Pty Ltd.

Karl is the Chairman of the Nomination and Remuneration Committee and was a member of the Audit and Risk Management Committee until 30 August 2022.

Karl is also the Non-Executive Chairman of ASX listed Veris Limited.

Paul Chisholm

NON-EXECUTIVE DIRECTOR

Paul has over 40 years of experience in the electrical industry. Paul was a significant shareholder and Chairman of Trivantage Holdings Pty Ltd prior to the acquisition by SCEE Group in December 2020. He was the founder of SCADA Group Pty Ltd which was a global company servicing the energy, mining, utility and defence sectors with automation and control products and services solutions. Paul has also been the Chairman of a number of private companies and is an advisor for private equity funds.

Paul has been a member of the Audit and Risk Management Committee and of the Nomination and Remuneration Committee since 30 August 2022.

EXECUTIVE OFFICERS

Chris Douglass

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Prior to joining SCEE Group 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 has over 20 years of experience in public company finance and governance and is a Chartered Accountant and member of the Governance Institute of Australia.

Prior to joining SCEE Group in 2012 Colin was the Chief Financial Officer and Company Secretary of an ASX listed oil & gas exploration company and previously worked for EY in both Australia and the UK.

DIRECTOR'S REPORT

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	130,666	–	–
Graeme Dunn[1]	2,021,993	2,414,783	–
Simon Buchhorn	800,000	–	–
Karl Paganin	1,726,844	–	–
Paul Chisholm	2,758,460	–	–

1. Included in the Performance Rights held by Graeme Dunn are 804,614 2021 Performance Rights which have been performance tested on finalising the 2023 results and it has been determined that 100% of these 2021 Performance Rights have vested.

Directors' meetings

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

	Board Meetings		Audit and Risk Management Committee Meetings		Nomination and Remuneration Committee Meetings	
Director	Held	Attended	Held	Attended	Held	Attended
Derek Parkin	16	16	4	4	2	2
Graeme Dunn	16	16	–	–	–	–
Simon Buchhorn	16	16	4	4	1	1
Karl Paganin	16	15	1	–	2	2
Paul Chisholm	16	14	3	3	1	1

The number of meetings held represents the time the director held office and 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, communications 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 12.

Operating results for the year were:	2023 $'000	2022 $'000
Contract revenue	464,708	553,280
Profit after income tax from continuing operations	20,091	15,269

Dividends

	Cents per share	Total amount $'000
Declared and paid during the period (fully franked at 30%)		
Final franked dividend for 2022	4.0	10,441
Interim franked dividend for 2023	1.0	2,614
Declared after balance date and not recognised as a liability (fully franked at 30%)		
Final franked dividend for 2023	4.0	10,460

DIRECTOR'S REPORT

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.

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 2023 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 1,010,666 shares were issued from the exercise of options or performance rights previously granted as remuneration.

Further details are contained in note 26 to the financial statements.

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 $349,515 (2022: $328,814).

Proceedings on Behalf of the 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 2023.

Remuneration Report

The Remuneration Report is set out on pages 22 to 28 and forms part of this report.

DIRECTOR'S 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 August 2023

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. For the 2023 financial year, the Committee approved an increase to KMP remuneration commensurate with the growth in the size and scope of the Group's operations and their consequential responsibilities in recent years. Details of remuneration received in the 2023 financial year can be found in Table 1 of this report.

Variable Remuneration – Short Term Incentive ("STI")

The objective of the Group STI program is to link the achievement of the Group's short term 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.

Graeme Dunn and Chris Douglass are the only KMPs who participate in the Group STI program and in the 2023 financial year STI scheme could earn up to a maximum of 75% of their fixed remuneration. 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 2023, the financial KPIs accounted for 70% of the executive team's STI and were achievable on outperforming specific targets for profit and order book.

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 to the Board for their approval. For the 2023 financial year STI it has been determined that 86% of the available bonus will vest.

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, which was last approved by shareholders at the 2021 Annual General Meeting.

Graeme Dunn and Chris Douglass are the only KMPs who participate in the LTI plan and in the 2023 financial year LTI scheme were issued with performance rights equal to 75% 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.

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. For each component of the LTI against a KPI no award is made where performance falls below the minimum threshold for that KPI.

The Nomination and Remuneration Committee assesses the performance against KPIs and recommends the LTI vesting to the Board for their approval. For the 2021 financial year performance rights, which have been performance tested at 30 June 2023, it has been determined that 100% of the available performance rights will vest. Under the terms of the LTI Plan up to 50% of vested performance rights may be exercised for cash at the participant's discretion with the balance exercised for ordinary shares in the Company.

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. Non-Executive Director fees were increased during the year to reflect the growth in the size and scope of the Group's operations in recent years. Prior to this, the most recent increase in Chairman's fees was in 2016 and in 2012 for other Non-Executive Director fees.

Effective 1 January 2023 the annual fee paid to the Chairman of the Board is $144,796 plus superannuation at the statutory rate (previously $110,000 plus superannuation). The annual fee paid to other Non-Executive Directors is $90,498 per annum plus superannuation at the statutory rate (previously $80,000 plus superannuation). No additional fees are paid to Directors who sit on Board Committees.

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

The remuneration paid to Non-Executive Directors in the year is detailed in Table 1 of this report.

REMUNERATION REPORT – AUDITED

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:

	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Profit attributable to owners of the company	20,091	15,269	13,761	10,870	12,713
Dividends declared and paid during the year	13,055	12,982	7,428	7,042	7,022
Change in share price	14%	9%	23%	(19%)	(24%)
Return on capital employed	15%	13%	11%	10%	12%

Table 1 Remuneration of Key Management Personnel

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

		Short-term				Post-employment	Share-based payments		
		Salary & fees $	STI cash bonus[1] $	Non-monetary benefits $	Total $	Superannuation benefits $	Options and rights[2] $	Total $	% of remuneration that is performance related
Non-Executive Directors									
Derek Parkin, Chairman	2023	126,729	–	–	126,729	13,306	–	140,035	–
	2022	110,000	–	–	110,000	11,000	–	121,000	–
Simon Buchhorn	2023	85,047	–	–	85,047	8,930	–	93,977	–
	2022	80,000	–	–	80,000	8,000	–	88,000	–
Karl Paganin	2023	85,047	–	–	85,047	8,930	–	93,977	–
	2022	80,000	–	–	80,000	8,000	–	88,000	–
Paul Chisholm	2023	85,047	–	–	85,047	8,930	–	93,977	–
	2022	80,000	–	–	80,000	8,000	–	88,000	–
Executive Directors									
Graeme Dunn	2023	742,500	498,031	–	1,240,531	27,500	364,938	1,632,969	53%
	2022	643,750	324,180	–	967,930	27,500	298,953	1,294,383	48%
David Hammond[3]	2023	–	–	–	–	–	–	–	–
	2022	82,853	–	–	82,853	8,285	–	91,138	–
Executives									
Chris Douglass – CFO	2023	432,500	297,457	–	729,957	27,500	215,220	972,677	53%
	2022	370,800	192,351	–	563,151	27,500	173,725	764,376	48%
Total 2023		**1,556,870**	**795,488**	**–**	**2,352,358**	**95,096**	**580,158**	**3,027,612**	**45%**
Total 2022		**1,447,403**	**516,531**	**–**	**1,963,934**	**98,285**	**472,678**	**2,534,897**	**39%**

1. The STI cash bonus payable in respect of a financial year is 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. The value recognised in Table 1 represents the cash payment in respect of the prior year, less the amount accrued in the prior year, plus the accrual for the current year entitlement.
2. 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 Group 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 in Table 1 is the fair value of the performance rights recognised in the financial year.
3. David Hammond retired from the Board on 5 November 2021 and ceased to be a Group level KMP from this date, although he continues in his role as an executive of the Heyday business. Remuneration disclosed in Table 1 is for the period 1 July 2021 to 5 November 2021.

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

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 2022	Granted as remuneration	Vested and exercised[1]	Forfeited	Held at 30 June 2023	Vested and exercisable at 30 June 2023
Graeme Dunn	2,113,241	1,004,348	(688,750)	(14,056)	2,414,783	–
Chris Douglass	1,225,738	600,000	(395,800)	(8,078)	1,421,860	–
	3,338,979	**1,604,348**	**(1,084,550)**	**(22,134)**	**3,836,643**	**-**

1. *Graeme Dunn elected to exercise 50% of his vested 2020 performance rights for cash and 50% for ordinary shares in accordance with the LTI Plan Rules. Chris Douglass elected to exercise 100% of his vested 2020 performance rights for ordinary shares.*

Performance rights granted as remuneration in 2023

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]	2023 Rights	502,174	4/11/22	0.37	0.00	30/6/25	4/11/26
Graeme Dunn[2]	2023 Rights	502,174	4/11/22	0.58	0.00	30/6/25	4/11/26
Chris Douglass[1]	2023 Rights	300,000	4/11/22	0.37	0.00	30/6/25	4/11/26
Chris Douglass[2]	2023 Rights	300,000	4/11/22	0.58	0.00	30/6/25	4/11/26
		1,604,348					

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

2023 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 2022 to 30 June 2025 ("Performance Period");
- No performance rights will vest until 30 June 2025;
- 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 Received))/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 2025 financial year. For the purposes of performance testing the Performance Rights, EPS in the 2025 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 company's 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 9.70 cents per share in the 2025 financial year and for stretch performance of 10.82 cents per share in the 2025 financial year. The vesting schedule is as follows for EPS performance in the 2025 financial year:

Less than 9.70 cents per share	0% vesting
9.70 cents per share	50% vesting
Between 9.70 and 10.82 cents per share	Pro-rata vesting between 50% and 100%
At or above 10.82 cents per share	100% vesting

Under the terms of the LTI Plan up to 50% of vested performance rights may be exercised for cash at the participants discretion with the balance exercised for one ordinary share per vested performance right.

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	Expiry Date
Graeme Dunn	2020 Rights	702,806	8/11/19	98%	2%	30/6/22	8/11/23
	2021 Rights (A)	804,614	4/12/20	–	–	30/6/23	4/12/24
	2022 Rights (B)	605,821	5/11/21	–	–	30/6/24	5/11/25
	2023 Rights (C)	1,004,348	4/11/22	–	–	30/6/25	5/11/26
Chris Douglass	2020 Rights	403,878	8/11/19	98%	2%	30/6/22	8/11/23
	2021 Rights (A)	462,383	4/12/20	–	–	30/6/23	4/12/24
	2022 Rights (B)	359,477	5/11/21	–	–	30/6/24	5/11/25
	2023 Rights (C)	600,000	4/11/22	–	–	30/6/25	5/11/26

A. 50% of the 2021 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 $0.31 each. 50% of the 2021 performance rights have EPS growth as the vesting condition with a threshold target of 5.62 cents per share and a stretch target of 6.27 cents per share. These performance rights have a fair value of $0.48 each. The 2021 financial year performance rights have been performance tested at 30 June 2023 and it has been determined that 100% of the available performance rights will vest.

B. 50% of the 2022 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 $0.41 each. 50% of the 2021 performance rights have EPS growth as the vesting condition with a threshold target of 8.57 cents per share and a stretch target of 9.55 cents per share. These performance rights have a fair value of $0.61 each.

C. The vesting conditions and fair values of the 2023 performance rights are set out on page 27.

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 2022	Additions	Disposals	Other	Held at 30 June 2023
Directors					
Derek Parkin[1]	121,134	9,532	–	–	130,666
Graeme Dunn[2]	1,677,618	344,375	–	–	2,021,993
Simon Buchhorn	800,000	–	–	–	800,000
Karl Paganin[3]	1,595,201	131,643	–	–	1,726,844
Paul Chisholm	2,758,460	–	–	–	2,758,460
Executives					
Chris Douglass[2]	1,649,866	395,800	–	–	2,045,666

1. *Shares acquired through participation in the Company's Dividend Reinvestment Plan.*
2. *Shares acquired on exercise of vested FY20 performance rights.*
3. *Shares acquired through on market purchase and participation in the Company's Dividend Reinvestment Plan.*

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.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	NOTE	2023 $'000	2022 $'000
Contract revenue	4	464,708	553,280
Contract expenses		(388,448)	(480,776)
Gross profit		**76,260**	**72,504**
Other income	5	1,695	1,101
Employee benefits expenses	6	(22,983)	(21,900)
Occupancy expenses		(2,365)	(2,558)
Administration expenses		(10,995)	(10,625)
Depreciation expense	7	(3,622)	(3,513)
Amortisation expense	7	(2,919)	(2,981)
Amortisation of customer contracts and relationships	7	(2,113)	(2,172)
Other expenses from ordinary activities		(3,407)	(3,168)
Profit from operations		**29,551**	**26,688**
Finance income	8	1,241	12
Finance expenses	8	(1,757)	(2,067)
Change in fair value of deferred acquisition consideration	21	–	(2,253)
Net finance expense		**(516)**	**(4,308)**
Profit before tax		**29,035**	**22,380**
Income tax expense	9	(8,944)	(7,111)
Profit from continuing operations		**20,091**	**15,269**
Other comprehensive income			
Items that are or may be reclassified to the profit and loss		–	–
Other comprehensive income net of income tax		**-**	**-**
Total comprehensive income		**20,091**	**15,269**
Total comprehensive income attributable to:			
Owners of the Company		**20,091**	**15,269**
Earnings per share:			
Basic earnings per share (cents)	10	**7.69**	**6.10**
Diluted earnings per share (cents)	10	**7.61**	**6.01**

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

HIGHLIGHTS
CHAIRMAN'S REPORT
ABOUT SCEE GROUP
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CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE 2023

	NOTE	2023 $'000	2022 $'000
Assets			
Current assets			
Cash and cash equivalents	11	77,652	53,083
Trade and other receivables	12	103,906	155,586
Inventories	13	1,256	1,386
Prepayments		4,850	1,176
Total current assets		**187,664**	**211,231**
Non-current assets			
Property, plant and equipment	15	9,950	10,700
Right-of-use assets	16	10,096	10,614
Intangible assets	17	110,724	112,961
Total non-current assets		**130,770**	**134,275**
Total assets		**318,434**	**345,506**
Liabilities			
Current liabilities			
Trade and other payables	18	85,969	115,727
Lease liability	19	2,626	2,145
Provisions	20	18,239	20,198
Deferred acquisition consideration	21	7,305	5,641
Tax payable	9	10,349	153
Total current liabilities		**124,488**	**143,864**
Non-current liabilities			
Lease liability	19	7,792	8,816
Provisions	20	879	752
Deferred acquisition consideration	21	-	7,105
Deferred tax liability	9	3,176	10,681
Total non-current liabilities		**11,847**	**27,354**
Total liabilities		**136,335**	**171,218**
Net assets		**182,099**	**174,288**
Equity			
Share capital	22	116,651	115,953
Reserves		811	743
Retained earnings		64,637	57,592
Total equity		**182,099**	**174,288**

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 2023

	Share Capital $'000	Retained Earnings $'000	Share Based Payments Reserve $'000	Deferred acquisition payment Reserve $'000	Translation Reserve $'000	Total Equity $'000
Balance as at 1 July 2021	109,967	55,160	1,060	5,500	(514)	171,173
Total comprehensive income for the year						
Profit for the year	–	15,269	–	–	–	15,269
Total comprehensive income	–	15,269	–	–	–	15,269
Transactions with owners, recorded directly in equity						
Dividends	–	(12,982)	–	–	–	(12,982)
Dividend re-investment, net	270	–	–	–	–	270
Deferred acquisition payment	5,495	–	–	(5,500)	–	(5)
Performance rights (net of tax)	221	145	(447)	–	–	(81)
Equity-settled share-based payment	–	–	644	–	–	644
Total transactions with owners	5,986	(12,837)	197	(5,500)	–	(12,154)
Balance as at 30 June 2022	**115,953**	**57,592**	**1,257**	**-**	**(514)**	**174,288**
Balance as at 1 July 2022	115,953	57,592	1,257	–	(514)	174,288
Total comprehensive income for the year						
Profit for the year	–	20,091	–	–	–	20,091
Total comprehensive income	–	20,091	–	–	–	20,091
Transactions with owners, recorded directly in equity						
Dividends	–	(13,055)	–	–	–	(13,055)
Dividend re-investment, net	306	–	–	–	–	306
Performance rights (net of tax)	392	9	(586)	–	–	(185)
Equity-settled share-based payment	–	–	654	–	–	654
Total transactions with owners	698	(13,046)	68	–	–	(12,280)
Balance as at 30 June 2023	**116,651**	**64,637**	**1,325**	**-**	**(514)**	**182,099**

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 2023

	NOTE	2023 $'000	2022 $'000
Cash flows from operating activities			
Cash receipts from customers		556,758	606,733
Cash paid to suppliers and employees		(502,024)	(561,804)
Interest received		1,241	12
Interest paid		(1,551)	(1,734)
Income taxes paid		(6,253)	(13,533)
Net cash from operating activities	27	**48,171**	**29,674**
Cash flows from investing activities			
Payment of deferred acquisition consideration	21	(5,647)	(10,000)
Proceeds from the sale of assets		894	1,449
Acquisition of property, plant and equipment	15	(3,280)	(3,225)
Acquisition of intangible asset	17	–	(256)
Net cash used in investing activities		**(8,033)**	**(12,032)**
Cash flows from financing activities			
Dividends paid	22	(12,749)	(12,694)
Payment of lease liabilities principal		(2,820)	(2,871)
Net cash used in financing activities		**(15,569)**	**(15,565)**
Increase in cash and cash equivalents		24,569	2,077
Cash and cash equivalents at beginning of period		53,083	51,006
Cash and cash equivalents at 30 June	11	**77,652**	**53,083**

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

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 2023 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 August 2023.

(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 Soles. Overseas functional currencies are translated to the presentation currency (see below).

(ii) Transactions and balances

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

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

(iii) Translation of Group Entities functional currency to presentation currency

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

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

(d) Use of estimates and judgements

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

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

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 2022.

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, 14 and 33 (n) – estimation of total contract cost and measurement of variable consideration;
- Note 15, 17 and 33 (k) – recoverable amount for testing property, plant and equipment and goodwill;
- Note 16, 19, and 33 (g) – initial and subsequent measurement of Right-of-use ("ROU") assets and Lease liability;
- Note 21 and 33 (u) – measurement of deferred consideration; 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).

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, instrumentation and communications services through construction and services contracts to customers in the following sectors: Commercial, Resources, and Infrastructure.

The Group identified its operating segments based on the internal reports that are reviewed and used by the Managing Director in assessing performance and in determining the allocation of resources. Financial information about each of these operating segments is reported to the Managing Director on a recurring basis.

The Group provides its services through the three key segments of SCEE Electrical, Heyday, and Trivantage.

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.

No customers generated more than 10% of the Group's Australian segment revenue during the year (2022: $181.2 million generated from two customers, each contributing more than 10% of the Group's revenue).

4. Contract revenue

Disaggregated revenue information	NOTE	2023 $'000	2022 $'000
Operating sectors			
Commercial		154,869	166,922
Resources		168,838	282,484
Infrastructure		141,001	103,874
Total Revenue		**464,708**	**553,280**
Revenue type			
Construction revenue		318,265	403,625
Services revenue		146,443	149,655
Total revenue		**464,708**	**553,280**
Timing of revenue recognition			
Products and services transferred over time		464,708	553,280
Revenue from contracts with customers		**464,708**	**553,280**
Contract balances			
Trade receivables	*12*	39,004	67,189
Contract assets	*14*	68,240	87,233
		107,244	**154,422**

Trade receivables are non-interest bearing and are generally on 30 to 45 days term. In 2023, $0.2m (2022: $0.4m) was recognised as provisions 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 2023:

	2023	2022
Revenue recognised as a contract liability in prior period	38,620	33,504

Unsatisfied Performance Obligations

Transaction price expected to be recognised in future years for unsatisfied performance obligations at 30 June 2023:

	2023	2022
Construction revenue	385,770	360,691
Services revenue	127,408	136,281
	513,178	**496,972**

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 4 years
Services revenue	up to 5 years

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5. Other income

	NOTE	2023 $'000	2022 $'000
Other income			
Apprenticeship incentive		558	581
Net gain/(loss) on disposals		486	(227)
Other		651	747
		1,695	**1,101**

6. Employee benefits expenses

	NOTE	2023 $'000	2022 $'000
Remuneration, bonuses and on-costs		(18,235)	(17,138)
Superannuation contributions		(2,402)	(2,112)
Amounts provided for employee entitlements		(1,692)	(2,006)
Share-based payments expense	*26*	(654)	(644)
		(22,983)	**(21,900)**

The above employee benefits expenses do not include employee benefits expenses recorded within contract expenses. Employee benefits included in contract expenses were $124.2m (2022: $189.8m). The total employee benefits expense is therefore $147.2m (2022: $211.7m).

7. Depreciation and amortisation expenses

	NOTE	2023 $'000	2022 $'000
Buildings		(17)	(17)
Leasehold improvements		(225)	(241)
Plant and equipment		(1,234)	(1,068)
Motor vehicles		(1,133)	(1,116)
Office furniture and equipment		(1,013)	(1,071)
Total depreciation expense for the year	*15*	**(3,622)**	**(3,513)**
Amortisation of ROU asset	*16*	(2,795)	(2,872)
Amortisation of customer contract intangibles	*17*	(2,113)	(2,172)
Amortisation of intellectual property	*17*	(124)	(109)
Total amortisation expense for the year		**(5,032)**	**(5,153)**

8. Finance income and expenses

	NOTE	2023 $'000	2022 $'000
Interest income on bank deposits		1,241	12
Finance income		1,241	12
Bank charges		(485)	(631)
Bank guarantee fees		(462)	(558)
Deferred consideration	*21*	(206)	(333)
Lease liability interest		(535)	(486)
Other		(69)	(59)
Finance expenses		(1,757)	(2,067)
Change in fair value of deferred acquisition consideration	*21*	–	(2,253)
Net finance expense		**(516)**	**(4,308)**

9. Income tax expense

	2023 $'000	2022 $'000
(a) Income Statement		
Current tax expense		
Current period	(16,677)	(8,357)
Over provision from prior year	228	377
	(16,449)	**(7,980)**
Deferred tax expense		
Origination and reversal of temporary differences	7,759	619
(Under)/Over provision from prior year	(254)	250
Income tax expense reported in the income statement	**(8,944)**	**(7,111)**
(b) Reconciliation between tax expense and pre-tax accounting profit		
Accounting profit before income tax	**29,035**	**22,380**
Income tax expense using the Company's domestic tax rate of 30%	(8,711)	(6,714)
(Under)/Over provision from prior year	(26)	627
Share based payments	(196)	(193)
Non-deductible deferred consideration interest	(61)	(100)
Non-deductible change in fair value of deferred consideration	–	(676)
Other	50	(55)
Income tax expense reported in the income statement	**(8,944)**	**(7,111)**
The applicable effective tax rates are:	**30.8%**	**31.8%**

Deferred tax assets and liabilities	Balance Sheet		Income Statement		Equity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Deferred tax liabilities						
Retentions receivable	(12)	–	12	(60)	–	–
Contract assets	(13,008)	(20,448)	(7,440)	3,088	–	–
Right-of-use assets	(3,029)	(3,183)	(154)	785	–	–
Intangible assets	(2,305)	(2,976)	(671)	(627)	–	–
Property, plant and equipment	(729)	(397)	332	154	–	–
	(19,083)	**(27,004)**	**(7,921)**	**3,340**	**-**	**-**
Deferred tax assets						
Provisions	387	1,534	1,147	(1,461)	–	–
Employee entitlements	7,541	6,073	(1,468)	256	–	–
Property, plant and equipment	–	–	–	19	–	–
Unearned revenue	4,648	4,485	(163)	(2,185)	–	–
Lease liability	3,232	3,320	88	(807)	–	–
Tax losses	–	235	235	(235)	–	–
Other	99	676	577	204	–	–
	15,907	**16,323**	**416**	**(4,209)**	**-**	**-**
Net deferred tax liabilities	**(3,176)**	**(10,681)**	**(7,505)**	**(869)**	**-**	**-**

10. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2023 was based on the profit attributable to ordinary shareholders of $20,091,000 (2022: $15,269,000) and a weighted average number of ordinary shares outstanding of 261,117,991 (2022: 250,458,122), calculated as follows:

Profit attributable to ordinary shareholders

	NOTE	2023 $'000	2022 $'000
Profit for the period		**20,091**	**15,269**

Weighted average number of ordinary shares

		2023	2022
Issued ordinary shares at 1 July	*22*	260,006,961	248,050,102
Effective new balance resulting from issue of shares in the year		1,111,030	2,408,020
Weighted average number of ordinary shares at 30 June		**261,117,991**	**250,458,122**

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2023 was based on the profit attributable to ordinary shareholders of $20,091,000 (2022: $15,269,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 263,972,062 (2022: 253,950,769) as follows:

Profit attributable to ordinary shareholders (diluted)

	2023 $'000	2022 $'000
Profit for the period	**20,091**	**15,269**

Weighted average number of ordinary shares (diluted)

	2023	2022
Weighted average number of ordinary shares for basic earnings per share	261,117,991	250,458,122
Effect of dilution:		
Share options and performance rights on issue	2,854,071	3,492,647
Weighted average number of ordinary shares at 30 June	**263,972,062**	**253,950,769**

11. Cash and cash equivalents

	2023 $'000	2022 $'000
Bank balances	77,652	33,113
Short term deposits	–	19,970
Cash and cash equivalents in the statement of cash flows	**77,652**	**53,083**

The effective interest rate on cash and cash equivalents was 2.16% (2022: 0.03%); these deposits are either at call or on short term deposit.

12. Trade and other receivables

		2023 $'000	2022 $'000
Trade receivables		39,004	67,189
Sundry debtors		265	1,339
Provision for impairment of trade receivables		(414)	(197)
Contract assets	*14*	65,010	87,233
Retentions		41	22
		103,906	**155,586**

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:

Balance at start of year	197	112
Impairment losses recognised	217	396
Write-offs	–	(46)
Amounts recovered	–	(265)
Balance at 30 June	**414**	**197**

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

Raw materials and consumables – cost	**1,256**	**1,386**

14. Contract assets

Costs incurred to date	280,970	386,412
Recognised profit	82,271	75,116
Progress billings	(298,231)	(374,295)
	65,010	**87,233**

Contract assets represents the unbilled amount expected to be collected from customers for contract work performed to date. Cost includes all expenditure directly related 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 which can include, but are 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. Contract assets, for which revenue was earned longer than 12 months ago and for which cash is yet to be received, is $32.8m (2022: $43.3m).

15. Property, plant and equipment

	NOTE	Land and Buildings $'000	Leasehold Improvements $'000	Plant and equipment $'000	Motor Vehicles $'000	Office Furniture and Equipment $'000	Total $'000
Cost							
Balance at 1 July 2021		916	3,283	19,505	12,080	12,033	47,817
Additions		–	467	843	1,266	649	3,225
Disposals		–	(1,546)	(3,524)	(2,377)	(118)	(7,565)
Balance at 30 June 2022		**916**	**2,204**	**16,824**	**10,969**	**12,564**	**43,477**
Balance at 1 July 2022		916	2,204	16,824	10,969	12,564	43,477
Additions		–	180	829	1,767	504	3,280
Disposals		–	–	(1,550)	(1,286)	–	(2,836)
Balance at 30 June 2023		**916**	**2,384**	**16,103**	**11,450**	**13,068**	**43,921**
Depreciation							
Balance at 1 July 2021		(218)	(1,474)	(15,732)	(8,196)	(9,533)	(35,153)
Depreciation for the year	7	(17)	(241)	(1,068)	(1,116)	(1,071)	(3,513)
Disposals		–	869	2,789	2,129	102	5,889
Balance at 30 June 2022		**(235)**	**(846)**	**(14,011)**	**(7,183)**	**(10,502)**	**(32,777)**
Balance at 1 July 2022		(235)	(846)	(14,011)	(7,183)	(10,502)	(32,777)
Depreciation for the year	7	(17)	(225)	(1,234)	(1,133)	(1,013)	(3,622)
Disposals		–	–	1,252	1,176	–	2,428
Balance at 30 June 2023		**(252)**	**(1,071)**	**(13,993)**	**(7,140)**	**(11,515)**	**(33,971)**
Carrying amounts							
At 30 June 2022		681	1,358	2,813	3,786	2,062	10,700
At 30 June 2023		**664**	**1,313**	**2,110**	**4,310**	**1,553**	**9,950**

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
Opening carrying amount at 1 July 2021		7,633	298	61	7,992
Additions		5,064	–	–	5,064
Remeasurement		1,261	29	110	1,400
Amortisation charged for the year	7	(2,545)	(255)	(72)	(2,872)
Derecognition during the year (net)		(970)	–	–	(970)
Closing carrying amount at 30 June 2022		**10,443**	**72**	**99**	**10,614**
Opening carrying amount at 1 July 2022		10,443	72	99	10,614
Additions		1,958	–	103	2,061
Remeasurement		216	–	–	216
Amortisation charged for the year	7	(2,659)	(65)	(71)	(2,795)
Closing carrying amount at 30 June 2023		**9,958**	**7**	**131**	**10,096**

17. Intangible assets – goodwill, customer contracts and relationships, and other

	NOTE	Goodwill $'000	Customer Contracts and Relationships $'000	Other $'000	Total $'000
Cost					
Balance as at 1 July 2021		111,432	19,749	1,383	132,564
Additions		–	–	256	256
Balance as at 30 June 2022		**111,432**	**19,749**	**1,639**	**132,820**
Balance as at 1 July 2022		111,432	19,749	1,639	132,820
Additions		–	–	–	–
Balance as at 30 June 2023		**111,432**	**19,749**	**1,639**	**132,820**
Amortisation					
Balance as at 1 July 2021		(8,390)	(9,127)	(61)	(17,578)
Amortisation	7	–	(2,172)	(109)	(2,281)
Balance as at 30 June 2022		**(8,390)**	**(11,299)**	**(170)**	**(19,859)**
Balance as at 1 July 2022		(8,390)	(11,299)	(170)	(19,859)
Amortisation	7	–	(2,113)	(124)	(2,237)
Balance as at 30 June 2023		**(8,390)**	**(13,412)**	**(294)**	**(22,096)**
Carrying amounts					
At 30 June 2022		**103,042**	**8,450**	**1,469**	**112,961**
At 30 June 2023		**103,042**	**6,337**	**1,345**	**110,724**

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

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units ("CGUs") 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 CGU are as follows:

	2023 $'000	2022 $'000
SCEE Electrical	21,082	21,082
Heyday	52,697	52,697
Trivantage	29,263	29,263
	103,042	**103,042**

The recoverable amounts of the above CGUs were based on their value in use with the Group performing its annual impairment test in June 2023. The carrying amount of the operating CGUs were determined to be lower than their recoverable amounts and therefore no impairment charge has been recognised.

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, known and expected contract wins, and independent research on the markets in which the CGUs 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 2024. Compound average annual growth assumptions thereafter are SCEE Electrical 1.0% (2022: -1.4%), Heyday 2.6% (2022: 2.1%), and Trivantage 1.7% (2022: -0.9%) per annum for each future year. The terminal value assumes perpetual growth of 2.5% (2022: 2.5%).
- The margins included in the projected cash flow are similar to those achieved historically over the past 5 years.
- A pre-tax discount rate between 12.6% and 14.6% (2022: between 12.9% 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

Management believes that any reasonable change in the key assumptions for the Heyday and Trivantage segments would not cause the carrying value to exceed its recoverable amount. SCEE Electrical is able to withstand a reduction in revenue forecasts or a reduction in gross margin forecast of up to 2.5% before carrying value exceeds its recoverable amount.

All three CGUs can withstand the high end of the discount rate range without causing the carrying value to exceed its recoverable amount.

18. Trade and other payables

	2023	2022
Trade payables	25,063	31,448
Contract liabilities	36,867	41,068
Accrued expenses	20,726	40,218
Goods and services tax payable	2,416	2,339
Retentions payable	897	654
	85,969	**115,727**

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

	2023	2022
Current		
Unearned revenue	**36,867**	**41,068**

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

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19. Lease liability

	2023 $'000	2022 $'000
Current portion	2,626	2,145
Non-current portion	7,792	8,816
	10,418	**10,961**

The average remaining lease term for the leased assets per underlying asset class as at 30 June 2023 are as follows:

	2023 (in years)	2022 (in years)
Land and building	3.43	2.63
Motor vehicles	0.50	0.61
Office equipment	1.90	2.44

20. Provisions

	2023 $'000	2022 $'000
Current		
Annual leave	12,630	14,013
Long service leave	3,455	3,474
Other employee leave	2,062	2,656
Other	92	55
	18,239	**20,198**
Non-current		
Long service leave	879	752
	879	**752**

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

	2023 $'000	2022 $'000
Current portion	7,305	5,641
Non-current portion	–	7,105
Balance at 30 June	**7,305**	**12,746**
Deferred acquisition consideration movements		
Balance at 1 July	12,746	20,160
Finance costs	206	333
Change in fair value of deferred acquisition consideration (i)	–	2,253
Payments	(5,647)	(10,000)
Balance at 30 June	**7,305**	**12,746**

(i) In 2022, the directors reassessed the expected achievement of earn out targets for the 2023 financial year associated with the acquisition of Trivantage Group, resulting in an increase in recognised deferred acquisition consideration to the maximum amount payable under the Share Purchase Agreement. The corresponding expense was recognised as a finance cost in the Consolidated Statement of Comprehensive Income.

22. Capital and reserves

Share capital	2023 Number	2023 $'000	2022 Number	2022 $'000
Ordinary shares				
Issued and fully paid	261,498,933	116,651	260,006,961	115,953
Movements in shares on issue				
Balance at the beginning of the financial year	260,006,961	115,953	248,050,102	109,967
Exercise of employee performance rights, net of transaction costs	1,010,666	392	389,242	221
Issue of ordinary shares under the dividend reinvestment plan, net of transaction costs	481,306	306	446,698	270
Shares issued for the acquisition of Trivantage Group, net of transaction costs	–	–	11,120,919	5,495
Balance at the end of the financial year	**261,498,933**	**116,651**	**260,006,961**	**115,953**

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.

Deferred consideration payment reserve

In 2022, the Group issued $5.5 million of ordinary shares to the selling shareholders of the Trivantage Group following Trivantage Group successfully achieving a predetermined earnings before interest and tax target.

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
2023				
Final 2022 ordinary	4.0	10,441	Franked	12 October 2022
Interim dividend	1.0	2,614	Franked	5 April 2023
Total amount		**13,055**		
2022				
Final 2021 ordinary	4.00	10,382	Franked	22 October 2021
Interim dividend	1.00	2,600	Franked	13 April 2022
Total amount		**12,982**		

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 2023, a dividend of 4.00 cents per share in the amount of $10.5 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	
	2023 $'000	2022 $'000
Franking account balance	32,347	31,688

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

(a) franking credits that will arise from the payment of the current tax liabilities; and

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end.

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

23. Financial instruments

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers 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	
	2023 $'000	2022 $'000
Cash and cash equivalents	77,652	53,083
Trade and sundry receivables (net of provision for impairment)	38,896	68,353
Contract assets	68,240	87,233
	184,788	**208,669**

23. Financial instruments (continued)

Credit risk (continued)

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. Geographically, the concentration of credit risk is within Australia and, by industry, the concentration is within the commercial, infrastructure and resources sectors.

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 utilises trade credit insurance against certain customers to reduce the Group's exposure to credit risk.

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

	Carrying amount	
	2023 $'000	2022 $'000
Australia	107,136	155,586
	107,136	**155,586**

Impairment losses

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

	NOTE	Gross 2023 $'000	Allowance for Impairment 2023 $'000	Gross 2022 $'000	Allowance for Impairment 2022 $'000
Contract assets – not past due	14	65,010	–	87,233	–
Trade Receivables:					
Not past due		31,120	–	54,565	–
Past due 0-30 days		5,433	–	10,057	–
Past due 30-60 days		846	–	2,298	–
Past due 60 days and less than 1 year		1,325	–	1,421	–
More than 1 year		586	(414)	209	(197)
		39,310	(414)	68,550	(197)
		104,320	(414)	155,783	(197)

The provision of $414,000 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. 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.

23. Financial instruments (continued)

Credit risk (continued)

Impairment losses (continued)

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 the 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.

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 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 months or less $'000	More than 6 months up to 1 year $'000	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 2023							
Non-derivative financial liabilities							
Trade and other payables	49,102	49,102	48,222	880	–	–	–
Deferred consideration	7,305	7,305	7,305	–	–	–	–
Lease liability	10,418	12,232	1,517	1,525	2,378	4,584	2,228
	66,825	**68,639**	**57,044**	**2,405**	**2,378**	**4,584**	**2,228**
30 June 2022							
Non-derivative financial liabilities							
Trade and other payables	74,659	74,659	73,871	788	–	–	–
Deferred consideration	12,746	13,001	5,667	–	7,334	–	–
Lease liability	10,961	12,483	1,237	1,129	2,123	5,285	2,709
	98,366	**100,143**	**80,775**	**1,917**	**9,457**	**5,285**	**2,709**

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23. Financial instruments (continued)

Market Risk

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

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency in which they are measured. The Group has no material currency risk exposures at 30 June 2023 or 30 June 2022.

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

Interest rate risk

Profile

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

	Carrying amount	
	2023 $'000	2022 $'000
Variable rate instruments		
Financial assets	77,652	53,083

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 as 2023.

	Profit or loss		Equity	
	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
30 June 2023				
Variable rate instruments	1,172	(1,172)	–	–
Cash flow sensitivity (net)	1,172	(1,172)	–	–
30 June 2022				
Variable rate instruments	1,082	(1,082)	–	–
Cash flow sensitivity (net)	1,082	(1,082)	–	–

23. Financial instruments (continued)

Interest rate risk (continued)

Fair values

Fair values versus carrying amounts

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

Other Price Risk

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

Capital Management

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

The 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 (%) 2023	Equity Interest (%) 2022
Southern Cross Electrical Engineering (WA) Pty Ltd (i)	Australia	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 Australia 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
Trivantage Holdings Pty Ltd (i)	Australia	100	100
Trivantage Group Pty Ltd (i)	Australia	100	100
Trivantage Pty Ltd (i)	Australia	100	100
S.J. Electric Group Pty Ltd (i)	Australia	100	100
S.J. Electric Group (NSW) Pty Ltd (i)	Australia	100	100
S.J. Electric Group (QLD) Pty Ltd (i)	Australia	100	100
S.J. Electric (SA) Pty Ltd (i)	Australia	100	100
S.J. Electric (VIC) Pty Ltd (i)	Australia	100	100
S.J. Electric (WA) Pty Ltd (i)	Australia	100	100
Seme Solutions Pty Ltd (i)	Australia	100	100
Group CCTV Pty Ltd (i)	Australia	100	100
Central Control Sheetmetal Pty Ltd (i)	Australia	100	100
Positive Systems Pty Ltd (i)	Australia	100	100
Ladd Electric Pty Ltd (i)	Australia	100	100
SCEE Electrical Pty Ltd (i)(ii)	Australia	100	–
Southern Cross Electrical Engineering Ghana Pty Ltd	Ghana	100	100
Cruz Del Sur Ingeniería Electra (Peru) S.A	Peru	100	100
Southern Cross Electrical Engineering Tanzania Pty Ltd	Tanzania	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.

(ii) SCEE Electrical Pty Ltd was incorporated on 29 September 2022.

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 is not materially different to those of the Group.

25. Interest in joint operations

At 1 July 2022, the Group had a 50% interest in KSJV Unincorporated and KSJV Australia Pty Ltd. These joint arrangements were accounted for as joint operations. During the year the Joint Venture Agreement and Shareholder Agreement in respect of these entities have been terminated by mutual consent and the entities deregistered.

The Group's share of the underlying assets and liabilities as at 30 June 2023 and 2022 and revenues and expenses of the joint operations for the year ended 30 June 2023 and 2022, which are proportionally consolidated in the consolidated financial statements, are not material.

26. Share-based payments

(a) Expense recognised in profit or loss

Share based payments expenses for the year comprises:

		2023 $'000	2022 $'000
2023 Performance Rights	(i)	(279)	–
2022 Performance Rights	(ii)	(151)	(225)
2021 Performance Rights	(iii)	(224)	(224)
2020 Performance Rights		–	(195)
		(654)	**(644)**

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) 2023 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.

Grant date / employees entitled	Number of instruments	Vesting conditions	Performance period
Performance rights issued to senior management on 4 November 2022	421,756	Employed on 30 June 2025 and exceed performance hurdle	36 months
Performance rights issued to key management on 4 November 2022	1,604,348	Employed on 30 June 2025 and exceed performance hurdle	36 months
Total /performance rights granted	**2,026,104**		

During the year 223,930 of the granted 2023 Performance Rights were forfeited.

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 2022 to 30 June 2025 ("Performance Period");
- No performance rights will vest until 30 June 2025, other than in circumstances as set out below;
- 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.

26. Share-based payments (continued)

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

The TSR formula is:

((Share Price at Test Date – Share Price at Start Date) + (Dividends Received))/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 2025 financial year. For the purposes of performance testing the Performance Rights, EPS in the 2025 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 company's 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 9.70 cents per share in the 2025 financial year and for stretch performance of 10.82 cents per share in the 2025 financial year. The vesting schedule is as follows for EPS performance in the 2025 financial year:

Less than 9.70 cents per share	0% vesting
10.82 cents per share	50% vesting
Between 9.70 and 10.82 cents per share	Pro-rata vesting between 50% and 100%
At or above 10.82 cents per share	100% vesting

Under the terms of the LTI Plan up to 50% of vested performance rights may be exercised for cash at the participants discretion with the balance exercised for one ordinary share per vested performance right.

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.

26. Share-based payments (continued)

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

(ii) 2022 Performance Rights

There were 1,317,170 financial year 2022 Performance Rights on issue at 1 July 2022. No 2022 Performance Rights were granted, none vested and 224,052 were forfeited during the year.

The 2022 Performance Rights will be performance tested over a three-year period from 1 July 2021 to 30 June 2024. The hurdles used to determine performance are Absolute Total Shareholder Return (TSR) and Earnings per Share (EPS) performance.

(iii) 2021 Performance Rights

There were 1,719,954 financial year 2021 Performance Rights on issue at 1 July 2021. No 2021 Performance Rights were granted, none vested and none were forfeited during the year.

The 2021 Performance Rights will be performance tested over a three-year period from 1 July 2020 to 30 June 2023. The hurdles used to determine performance are Absolute Total Shareholder Return (TSR) and Earnings per Share (EPS) performance. Subsequent to the year end it has been determined that 100% of the 2021 Performance Rights have vested.

(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 have 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:

	2023	2022
Grant date	4 November 2022	5 November 2021
Vesting date	30 June 2025	30 June 2024
Share price at grant date	$0.67	$0.55
Expected life	2.7 years	2.7 years
Volatility	32%	36%
Risk free interest rate	3.29%	0.82%
Dividend yield	5.9%	5.7%
Fair value of TSR component	$0.37	$0.41
Fair value of EPS component	$0.58	$0.61

26. Share-based payments (continued)

(c) Reconciliation of outstanding performance rights

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

	2023 Number of rights	2022 Number of rights
Outstanding at 1 July	4,539,453	4,232,908
Granted during the year	2,026,104	1,317,170
Exercised during the year (i)	(1,472,282)	(505,313)
Forfeited or withdrawn during the year(ii)	(478,029)	(505,312)
Outstanding at 30 June	4,615,246	4,539,453
Vested and exercisable at 30 June	–	–

(i) The performance rights exercised during the year were the financial year 2020 Performance Rights which were performance tested on finalisation of the 2022 financial year results with 98% of these performance rights vesting. Included in the total are 461,616 performance rights which were exercised for cash.

(ii) The performance rights forfeited during the year were the financial year 2020 Performance Rights which did not achieve the vesting conditions and performance rights in respect of the 2022 and 2023 financial years which were forfeited as the vesting conditions are incapable of being achieved due to cessation of employment.

Subsequent to 30 June 2023, the vesting conditions in respect of the 2021 Performance Rights have been performance tested and it has been determined that all 1,719,954 of the 2021 Performance Rights have vested.

27. Reconciliation of cash flows from operating activities

	2023 $'000	2022 $'000
Profit for the year	**20,091**	**15,269**
Adjustments for:		
Depreciation and amortisation	8,654	8,666
Loss/(profit) on sale of property, plant and equipment and other	(486)	227
Equity-settled share-based payment transactions	654	644
Other	(185)	(40)
(Increase)/decrease in assets:		
Trade and other receivables	51,680	(2,929)
Inventories	130	410
Prepayments	(3,674)	(87)
Increase/(decrease) in liabilities:		
Trade and other payables	(29,758)	8,679
Provisions and employee benefits	(1,832)	2,667
Deferred acquisition consideration	206	2,586
Income tax payable	10,196	(5,551)
Deferred income tax	(7,505)	(869)
Net cash from operating activities	**48,171**	**29,674**

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.

	2023 $'000	2022 $'000
Bank Guarantees and Surety Bonds	56,583	63,018

Bank Guarantees and Surety Bonds are provided to customers for safeguarding contract performance. Total bank guarantee facilities at 30 June 2023 were $49.7 million (2022: $50.4 million) and the unused portion was $19.0 million (2022: $17.2 million). These facilities are subject to annual review. Total surety bonds facilities at 30 June 2023 were $65.5 million (2022: $66.2 million) and the unused portion was $39.6 million (2022: $36.3 million). These facilities are subject to annual review. The Group is restricted to drawing down at any one time to a maximum capacity of $100.0m combined across its bank guarantee and bond facilities meaning there was a headroom of bank guarantee and surety bond capacity of $43.4m at 30 June 2023 (2022: $36.9m). All facilities are set to mature prior to 30 June 2024. It is management's intention to review these facilities at maturity so as to maintain a level appropriate to support the ongoing business of the Group.

Other contingent liabilities

The Group is currently managing a number of claims and a voluntary mediation process in relation to construction contracts. The directors are of the opinion that disclosure of any further information relating to these claims and mediation process would be prejudicial to the interests of the Group.

29. Subsequent events

Dividend declared

On 29 August 2023 the Directors of Southern Cross Electrical Engineering Limited declared a final dividend on ordinary shares in respect of the 2023 financial year. The total amount of the dividend is $10.5 million, which represents a fully franked final dividend of 4 cents per share. This dividend has not been provided for in the 30 June 2023 financial statements. The Southern Cross Electrical Engineering Limited Dividend Reinvestment Plan will apply to the dividend.

Otherwise, 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.

30. Auditor's remuneration

Remuneration of KPMG Australia as the auditor of the parent entity for:		
- Auditing or reviewing the financial report	500	475
	500	475

For the financial year ending 30 June 2023, the auditor for the Group is engaged by the parent company.

31. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2023 the parent company of the consolidated entity was Southern Cross Electrical Engineering Limited.

	2023 $'000	2022 $'000
Result of the parent entity		
Profit for the period	**49,979**	**1,240**
Total comprehensive loss for the period	**49,979**	**1,240**
Financial position of parent entity at year end		
Current assets	22,675	96,391
Total assets	159,076	243,226
Current liabilities	(8,580)	(134,340)
Total liabilities	(37,426)	(159,276)
Total equity of the parent entity comprising:		
Share capital	116,651	115,953
Reserves	990	922
Accumulated profits/(losses)	4,009	(32,925)
Total Equity	**121,650**	**83,950**

Parent entity contingencies:

The parent entity has contingent liabilities which are included in note 28. At 30 June 2023, 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:

Short-term employee benefits	2,352	1,964
Post-employment benefits	95	98
Share-based payments	580	473
	3,027	**2,535**

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

33. Significant accounting policies

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 2022.

The Group did not early adopt any standard, interpretation or amendment that has been issued but is not yet effective.

The Group did not adopt any new standard and amendments or interpretation to standards from 1 July 2022 which had a material effect on the financial position or performance of the Group.

(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.

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

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

33. Significant accounting policies (continued)

(c) Cash and cash equivalents

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

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

(d) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises 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	3 – 40 years
Plant and equipment	2 – 20 years
Motor vehicles	2 – 10 years
Office furniture and fittings	2 – 20 years

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

33. Significant accounting policies (continued)

(f) Intangible assets

(i) Goodwill

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

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

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

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

	2023	2022
• Customer contracts	1 – 5 years	1 – 5 years

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

(g) Leases

The Group recognises lease assets and lease liabilities in accordance with AASB 16 - Leases for accounting its leases previously classified as operating leases other than those leases with short-term, i.e. twelve months or less, and/or of low-value, i.e. less than $7,000.

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.

33. Significant accounting policies (continued)

(g) Leases (continued)

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.

The Group remeasures the lease liability and makes 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; or
- 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; or
- 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 extend 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.

33. Significant accounting policies (continued)

(i) Contract assets

Contract assets represents construction work equal to the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (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 in Trade and other payables on 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.

(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 and 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.

33. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Non-financial assets

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

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

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 based on 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 units on a pro rata basis.

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

(l) Employee benefits

(i) Long-term benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. These benefits are then discounted to determine their 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.

33. Significant accounting policies (continued)

(l) Employee benefits (continued)

(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.

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 the Five (5) Step Revenue Recognition Model introduced by AASB 15:

1) Identify the contract(s) with a customer
2) Identify the performance obligations in the contract
3) Determine the transaction price
4) Allocate the transaction price to the performance obligations in the contract
5) 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.

33. Significant accounting policies (continued)

(n) Revenue (continued)

(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.

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).

33. Significant accounting policies (continued)

(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.

(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.

33. Significant accounting policies (continued)

(s) Segment reporting

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

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

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

(t) Financial guarantees

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

- the 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 Customers.

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

(u) 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 at the acquisition-date of the 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.

33. Significant accounting policies (continued)

(u) Business combinations (continued)

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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 9 Financial Instruments, or AASB 137 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(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.

33. Significant accounting policies (continued)

(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 2023, 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:

Amendments to Australian Accounting Standards:

AASB 2014-10	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
AASB 2020-1	*Classification of Liabilities as Current or Non-current*
AASB 2021-2	*Disclosure of Accounting Policies and Definition of Accounting Estimates*
AASB 2021-5	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
AASB 2021-6	*Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*
AASB 2021-7	*Editorial Corrections to Accounting standards and Repeal of Superseded and Redundant Statements*
AASB 2022-5	*Lease Liability in a Sale and Leaseback*
AASB 2022-6	*Non-current Liabilities with Covenants*
AASB 2023-1	*Supplier Finance Arrangements*

The Group has yet to determine the likely impact of these new standards and amendments to 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 disposal including a reasonable profit margin for the selling effort.

(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, if required 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.

34. Determination of fair values (continued)

(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.

(vi) Customer contracts and relationships

The fair value of customer contracts and relationships acquired in a business combination is estimated as the present value of future cash flows, discounted at the market rate of interest at the acquisition date.

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 2023 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; and

    b. the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and

    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 2023.

3. At the date of this declaration, there are reasonable grounds to believe that the Company and the group entities identified in Note 24 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

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

Chairman

29 August 2023

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 2023 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*** comprised:

- Consolidated balance sheet as at 30 June 2023;
- 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; and
- Value of Goodwill.

Key Audit Matters are those matters that, in our professional judgement, 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.

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Recognition of Contract Revenue ($464.7 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 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; • 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 read key contracts and other underlying documentation such as customer correspondence to evaluate the inputs to the Group's calculation of revenue; • We tested a sample of revenue transactions by agreeing it to documentation to support the satisfaction of the performance obligations; • We tested a sample of unbilled contract assets by agreeing to documentation to support the satisfaction of the performance obligations; • For key contracts where revenue is recognised on a percentage of completion basis, 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, 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, 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;

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	• 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; • 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; • We tested significant credit notes recognised post year end to check the Group’s recognition of revenue in the correct period; and • We assessed the appropriateness of the disclosures in Notes 4, 14, 18 and 33(n).

Value of Goodwill ($103.0 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 32% of total assets. We focused on the significant forward-looking assumptions the Group applied in their value in use models for the SCEE Electrical, Heyday and Trivantage cash generating units (CGUs), including: • The valuation models are sensitive to changes in forecast revenues and margins which could reduce or remove available headroom, and increases the possibility of goodwill being impaired. This drives additional audit effort specific to their feasibility within the Group’s strategy; and	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 assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. We, along with our modelling specialists, assessed the methodology applied in the value in use models used;

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• Discount rates - these are complicated in nature and vary according to the conditions and environment the specific CGUs 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.	• Challenging the feasibility of the Group's revenue and margin assumptions within the forecast cash flows in light of varying competitive conditions in the markets in which the Group operates. We compared growth rates and terminal growth rates to published studies of industry trends and historical trends. We further assessed 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 revenue, margins, terminal growth rates and discount rates, within a reasonable possible range. We did this to identify those CGUs 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; • Working with our valuation specialists, we considered the deficiency of market capitalisation to the net assets of the Group, having regard to valuation cross checks; 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.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SOUTHERN CROSS ELECTRICAL ENGINEERING LIMITED

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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 Renumeration 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 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 the 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.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SOUTHERN CROSS ELECTRICAL ENGINEERING LIMITED

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 2023, 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 the pages 22 to 28 of the Directors' report for the year ended 30 June 2023.

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

KPMG.

KPMG

R Gambitta
Partner
Perth
29 August 2023

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 2023 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

R Gambitta
Partner
Perth
29 August 2023

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 22 August 2023.

Distribution of equity security holders

Category	Number of equity security holders	
	Ordinary shares	Performance rights
1 - 1,000	479	-
1,001 - 5,000	1,089	-
5,001 - 10,000	635	-
10,001 - 100,000	1,576	-
100,001 and over	211	4
	3,990	**4**

The number of shareholders holding less than a marketable parcel of ordinary shares is 219.

Twenty largest shareholders

Category	Number of ordinary shares held	Percentage of capital held
Frank Tomasi Nominees Pty Ltd <Frank Tomasi Family A/C>	46,862,764	17.92
UBS Nominees Pty Ltd	40,515,440	15.49
Citicorp Nominees Pty Limited	31,744,510	12.14
HSBC Custody Nominees (Australia) Limited	10,948,659	4.19
National Nominees Limited	4,478,646	1.71
Mr Paul Chisholm <The Chisholm Family A/C>	2,658,757	1.02
Chemco Superannuation Fund Pty Ltd <Chemco Super Fund No 2 A/C>	2,030,000	0.78
Asgard Capital Management Ltd <1109440 Kaleidoscope A/C>	2,021,993	0.77
Alfiedoug Pty Ltd <CCALO A/C>	1,828,624	0.70
Westor Asset Management Pty Ltd <Value Partnership A/C>	1,643,073	0.63
J P Morgan Nominees Australia Pty Limited	1,469,906	0.56
Neweconomy Com Au Nominees Pty Limited <900 Account>	1,409,512	0.54
Mr Roger Edward Koch	1,150,000	0.44
BNP Paribas Nominees Pty Ltd <IB Au Noms Retailclient DRP>	1,108,022	0.42
Poco Asino Investments Pty Ltd	1,100,000	0.42
Stanco Pty Ltd <The Stanco A/C>	1,091,093	0.42
Mr Raymond John Wise	1,076,846	0.41
DPHD5 Pty Ltd	1,000,008	0.38
Dr Andrew Richard Conway + Dr Vanessa Joy Teague	1,000,000	0.38
Dr Steven Cai	888,578	0.34
	156,026,431	**59.67**

ASX ADDITIONAL INFORMATION

Substantial shareholders

The number of shares held by substantial shareholders and their associates as disclosed in substantial holding notices are:

Shareholder	Number
Frank Tomasi Nominees Pty Ltd	46,862,764
TIGA Trading Pty Ltd	43,757,761
Colonial First State Investments Limited	23,679,944

The number of shareholders holding less than a marketable parcel of ordinary shares is 219.

Corporate Governance Statement

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

CORPORATE DIRECTORY

Directors

Derek Parkin
Independent Chairman Non-Executive Director

Graeme Dunn
Managing Director and Chief Executive Officer

Simon Buchhorn
Independent Non-Executive Director

Karl Paganin
Independent Non-Executive Director

Paul Chisholm
Non-Executive Director

Company Secretaries

Chris Douglass
Colin Harper

ASX Code: SXE

Registered Office

Level 15, 225 St Georges Terrace
Perth WA 6000
T: +618 9236 8300

Share Registry

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

Solicitors

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

Auditors

KPMG
235 St Georges Terrace
Perth WA 6000

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