Results for announcement to the market

Appendix 4D

Half year ended 31 December 2013

The current reporting period is the half year ended 31 December 2013. The previous corresponding period is the half year ended 31 December 2012.

Revenue and Net Profit	Half Year Ended 31 Dec 2013 $'000	Half Year Ended 31 Dec 2012 $'000	Change $'000	Change %
Revenue from ordinary activities	110,724	120,594	(9,870)	(8%)
Profit/(Loss) from ordinary activities after tax attributable to members	6,186	4,274	1,912	45%
Net profit/(loss) attributable to members	6,186	4,274	1,912	45%

Dividends	Amount per security	Franked amount per security
Interim dividend	0.0 cps	0.0 cps
Record date for determining entitlements to the dividend		NA
Date the interim dividend is payable		NA
The Company does not operate a dividend re-investment plan		

NTA Backing	Half Year Ended 31 Dec 2013	Half Year Ended 31 Dec 2012
Net tangible asset backing per security (cents per share)	52.8 cps	43.6 cps

Details of entities over which control has been gained or lost during the period

During the period there was no change to controlled entities of Southern Cross Electrical Engineering Ltd ("the Group" or "SCEE").

Details of associates and joint venture entities

The Company has a 50% interest in the following joint venture entities:

- KSJV
- KSJV Australia Pty Ltd

The transactions of these entities in the period did not have a material impact on the reported results.

Commentary on the Results for the Period

Commentary on the results for the period is contained in the attached Interim Financial Report.

Interim Financial Report

for the half year ended 31 December 2013

Contents

Directors' report

The directors present their report together with the Condensed Consolidated Interim Financial Report for the six months ended 31 December 2013 and the Independent Review Report thereon.

Directors

The directors of Southern Cross Electrical Engineering Limited ("SCEE" or "the Company") at any time during or since the end of the interim period are:

Name	Period of directorship
Non-executive	
Mr John Cooper (Chairman)	Director since 2007
Mr Gianfranco Tomasi	Director since 1978
Professor Derek Parkin	Director since 2011
Mr Peter Forbes	Director since 2011
Dr Jack Hamilton	Director since 2011
Executive	
Mr Simon High (Managing Director)	Director since 2010

Review of operations

For the six months ended 31 December 2013 SCEE has reported a net profit after income tax of $6.2m, up from $4.3m for the six months ended 31 December 2012.

SCEE entered the 2014 financial year operating at high activity levels as work continued on the Rio Tinto Cape Lambert Port B Phase A and Anglogold Ashanti Tropicana Gold projects. Both projects were successfully completed during the period.

Revenue for the period was $110.7m compared to $120.6m in the previous corresponding period with activity slowing towards the end of the current period as a result of a timing gap between the completion of these key projects and the commencement of new awards.

SCEE Construction earned revenues of $72.4m. Key contributors were:

- Rio Tinto Cape Lambert Port B Phase A – The largest contract in the Company's history to date with an award value in excess of $100m, SCEE provided all electrical and instrumentation works for Phase A of Rio Tinto's Cape Lambert Port B expansion. The contract was successfully completed and commercially closed out during the period. SCEE's project team played a significant part in ensuring that the client achieved their target for first ore shipment.
- Anglogold Ashanti Tropicana Gold Project – The project which had an award value in excess of $40m was for the electrical, instrumentation, communications and process control plant infrastructure at the Tropicana gold mine. The project was successfully completed and closed out during the period.

SCEE Infrastructure earned revenues of $24.1m. Key contributors were:

- BHP Sustaining Capital – work continued under the framework agreement in which SCEE are one of a panel of contractors providing electrical and instrumentation services to BHP Iron Ore's Australia-wide Sustaining Capital program.

- Rio Tinto Yandi Sustaining Project– SCEE is installing 33kv overhead lines providing power to Rio Tinto's Yandi mine facilities. Performance during the period was good and the project is expected to be physically complete by the end of February 2014.

SCEE Services earned revenues of $14.2m. A large proportion of the work was performed under existing framework agreements with key clients. In addition SCEE Services also secured and performed two contracts under Rio Tinto's Electrical Infrastructure Replacement program at Cape Lambert and East Intercourse Island.

In September SCEE's LNG focussed joint venture, KSJV, secured its first award from Bechtel to perform electrical installation services works at the Australia Pacific LNG project on Curtis Island, Queensland and commenced mobilisation and initial works during the period.

Gross margin for the period was 23.5% compared to a full year gross margin of 22.1% in the 2013 financial year, with the increase predominantly attributable to the project mix with a high volume of work under large scale lump sum contracts being successfully completed. A financial benefit was also realised from the recent plant and equipment investment program with a reduction in the requirement for hired equipment.

Overheads for the period were $13.9m compared to $14.8m in the prior comparative period. As a percentage of revenue overheads were 12.5% compared to 11.1% for the full 2013 financial year. The overhead was sized to support the high activity levels in the early part of the period. Management continues to monitor the overhead base to ensure that it strikes an appropriate balance between cost control and operational effectiveness.

SCEE maintained a strong balance sheet throughout the period and ended December with cash on hand of $31.3m. In addition there was a further $33.8m of short term receivables, a significant increase on the 30 June 2013 balance of $18.6m, due to key projects being commercially closed out and invoiced at the end of the period.

Debt at 31 December 2013 was minimal at $3.6m and relates primarily to the financing of prior period asset acquisitions.

Capital expenditure of $3.9m in the current period was significantly lower than in the recent prior periods. Over $30m was invested in financial years 2012 and 2013 in order to expand and renew the asset fleet to a level capable of supporting current and forecast activity levels. A significant portion of the current period spend was on SCEE's systems development program which continued during the period with the SCEEtrak suite of project controls being implemented and the new Enterprise Resource Planning system going live.

At 31 January 2014 the order book stood at $97m, excluding work performed under recurring framework agreements, with a further $52m of orders in advanced stages of negotiations.

Performing our work safely remains SCEE's highest priority and we are pleased to report that we carried out our operations in the period without incurring a Lost Time Injury.

Dividend

The directors have not declared an interim dividend for the six months ended 31 December 2013 (31 December 2012: no dividend).

Rounding off

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

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 17 and forms part of the directors' report for the six months ended 31 December 2013.

Signed in accordance with a resolution of the directors:

John Cooper
Chairman
Perth
24 February 2014

Condensed Consolidated Statement of Comprehensive Income

	31 Dec 2013 $'000	31 Dec 2012 $'000
Contract revenue	110,724	120,594
Contract expenses	(84,705)	(96,569)
Gross profit	**26,019**	**24,025**
Other income	180	230
Employee benefits expenses	(9,722)	(10,119)
Occupancy expenses	(1,087)	(1,130)
Administration expenses	(2,425)	(2,693)
Other expenses	(650)	(843)
Depreciation expense	(3,479)	(2,195)
Amortisation of customer contract intangibles	(75)	(75)
Profit from operating activities	**8,761**	**7,200**
Finance income	475	303
Finance expense	(588)	(408)
Net finance expense	**(113)**	**(105)**
Profit before income tax	**8,648**	**7,095**
Income tax expense	(2,462)	(2,821)
Profit after income tax for the period	**6,186**	**4,274**
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation losses for foreign operations	5	(3)
Income tax on other comprehensive income	-	-
Other comprehensive income/(loss) net of income tax	**5**	**(3)**
Total comprehensive income for the period	**6,191**	**4,271**
Attributable to		
Owners of the Company	**6,191**	**4,271**
Earnings per share		
- Basic earnings per share (cents per share)	3.8	2.7
- Diluted earnings per share (cents per share)	3.8	2.7

Condensed Consolidated Statement of Financial Position

	Note	31 Dec 2013 $'000	30 Jun 2013 $'000
Assets			
Current Assets			
Cash and cash equivalents		31,326	40,865
Trade and other receivables		33,824	18,567
Tax receivables		-	2,632
Inventories		3,767	2,316
Construction work in progress		15,600	41,709
Prepayments		2,250	564
Total current assets		**86,767**	**106,653**
Non-current assets			
Property, plant and equipment	7	33,098	33,649
Intangible assets		17,325	17,400
Total non-current assets		**50,423**	**51,049**
Total assets		**137,190**	**157,702**
Liabilities			
Current liabilities			
Trade and other payables		15,946	34,219
Unearned revenue		928	1,705
Loans and borrowings		1,889	1,878
Employee entitlements		4,493	5,953
Tax payable		6,633	-
Total current liabilities		**29,889**	**43,755**
Non-current liabilities			
Loans and borrowings		1,746	2,695
Employee entitlements		303	437
Deferred tax liability		2,697	9,498
Total non-current liabilities		**4,746**	**12,630**
Total liabilities		**34,635**	**56,385**
Net assets		**102,555**	**101,317**
Equity			
Share capital		57,578	57,578
Reserves		392	979
Retained earnings		44,585	42,760
Total equity		**102,555**	**101,317**

Condensed Consolidated Statement of Changes in Equity

	Share Capital	Retained Earnings	Options Reserve	Translation Reserve	Total Equity
Balance as at 1 July 2013	57,578	42,760	1,822	(843)	101,317
Total comprehensive income for the period					
Profit for the period	-	6,186	-	-	6,186
Foreign currency translation	-	-	-	5	5
Total comprehensive Income	**-**	**6,186**	**-**	**5**	**6,191**
Transactions with owners, recorded directly in equity					
Cost of share based payment	-	-	(592)	-	(592)
Dividends	-	(4,361)	-	-	(4,361)
Total transactions with owners	**-**	**(4,361)**	**(592)**	**-**	**(4,953)**
Balance as at 31 December 2013	**57,578**	**44,585**	**1,230**	**(838)**	**102,555**

	Share Capital	Retained Earnings	Options Reserve	Translation Reserve	Total Equity
Balance as at 1 July 2012	57,554	29,052	1,012	(751)	86,867
Total comprehensive income for the period					
Profit for the period	-	4,274	-	-	4,274
Foreign currency translation	-	-	-	(3)	(3)
Total comprehensive Income	**-**	**4,274**	**-**	**(3)**	**4,271**
Transactions with owners, recorded directly in equity					
Cost of share based payment	-	-	413	-	413
Dividends	-	(3,633)	-	-	(3,633)
Total transactions with owners	**-**	**(3,633)**	**413**	**-**	**(3,220)**
Balance as at 31 December 2012	**57,554**	**29,693**	**1,425**	**(754)**	**87,918**

Condensed Consolidated Statement of Cash Flows

	Note	31 Dec 2013 $'000	31 Dec 2012 $'000
Cash flows from operating activities			
Cash receipts from customers		120,980	141,702
Cash paid to suppliers and employees		(122,183)	(109,409)
Interest received		475	303
Interest paid		(589)	(408)
Income taxes received/(paid)		-	(1,739)
Net cash from/(used in) operating activities	8	**(1,317)**	**30,449**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(2,985)	(11,087)
Disposal of property, plant and equipment		56	-
Net cash used in investing activities		**(2,929)**	**(11,087)**
Cash flows from financing activities			
Repayment of borrowings		(937)	(364)
Dividends paid		(4,361)	(3,633)
Net cash used in financing activities		**(5,298)**	**(3,997)**
Net (decrease)/increase in cash and cash equivalents		**(9,544)**	**15,365**
Cash and cash equivalents at 1 July		40,865	31,545
Effect of exchange rate fluctuations on cash held		5	(5)
Cash and cash equivalents at 31 December		**31,326**	**46,905**

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Southern Cross Electrical Engineering Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2013 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2013 is available upon request from the Company's registered office at 41 Macedonia Street, Naval Base, Western Australia 6165 or at www.scee.com.au.

2. Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2013.

The condensed consolidated interim financial report was approved by the Board of Directors on 24 February 2014.

3. Estimates

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

In preparing this condensed consolidated interim financial report, 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 report as at and for the year ended 30 June 2013.

4. Significant accounting policies

Except as described below, the accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2013. The following changes in accounting policies are also expected to be reflected in the Consolidated Entity's annual report for the year ending 30 June 2014:

- As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires the Group consolidate investees that it controls on the basis of de facto circumstances.
  In accordance with the transitional provisions of AASB 10 (2011), the Group reassessed the control conclusion for its investees at 1 July 2013 and concluded that the application of AASB 10 (2011) did not result in any material change;
- As a result of AASB 11, the Group has changed its accounting policy for its interests in joint arrangements.

Under AASB 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.
The Group re-evaluated its involvement in its joint arrangement and concluded that the adoption of AASB 11 has no impact on the classification of joint arrangements and no impact on the Groups results;

- AASB 12 sets out the required disclosures for interests in entities that are subsidiaries, associates and joint ventures. Application of this standard by the Group does not affect any of the amounts recognised in the financial statement;
- AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date.
 In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities; and
- ASSB 119 (2011) introduces new requirements for the classification and measurement of defined benefit plans and short term employee benefits. The application of AASB 119 had no significant impact on the Groups results.

5. Financial risk management

During the six months ended 31 December 2013 the Group's financial risk management objectives and policies were consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2013.

6. Segment reporting

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

The Group has branded itself into the following three operating divisions: SCEE Construction, SCEE Infrastructure and SCEE Services. In the half-year ended 31 December 2013 the Group derived revenues of $72.4 million from SCEE Construction, $24.1 million from SCEE Infrastructure and $14.2 million from SCEE services. The divisions are exposed to similar operational risks and rewards and are only divisions for the purposes of addressing target market opportunities and facilitating appropriate project management structures.

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

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

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

7. Property, plant and equipment

In the six months ended 31 December 2013 the Group made the following additions to property, plant and equipment: leasehold improvements $398,000; plant and equipment $263,000; and office furniture and equipment $3,247,000.

8. Reconciliation of cash flows from operating activities

	31 Dec 2013 $'000	31 Dec 2012 $'000
Cash flows from operating activities		
Profit after income tax for the period	**6,186**	**4,274**
Adjustments for:		
Depreciation and amortisation	3,554	2,270
Equity-settled share-based payment transactions	(592)	413
(Increase)/decrease in assets:		
Change in trade and other receivables	(15,257)	(12,089)
Change in work in progress	26,110	11,539
Change in inventories	(1,451)	(1,167)
Change in prepayments	(1,686)	(1,375)
Increase/(decrease) in liabilities:		
Change in trade and other payables	(18,272)	4,297
Change in unearned revenue	(777)	21,424
Change in provisions and employee benefits	(1,594)	(219)
Change in income tax payable	9,265	1,045
Change in deferred income tax	(6,803)	37
Net cash from/(used in) operating activities	**(1,317)**	**30,449**

9. Joint venture arrangements

A joint venture agreement establishing the Kentech Southern Cross Electrical Engineering joint venture was executed on the 18 December 2012, of which the Group has a 50% interest. The principal activity of the joint venture is to deliver electrical, instrument, telecommunication works to onshore processing elements of the region's LNG projects.

KSJV Australia Pty Ltd joint venture was established on the 17 June 2013, of which the Group has a 50% interest. The principal activity of this joint venture is an employment company servicing the Kentech Southern Cross Electrical Engineering joint venture.

10. Share based payments

During the six months ended 31 December 2013 the Company issued 1,214,583 Performance Rights in respect of the 2014 financial year. The Performance Rights were issued under the Company's Senior Management Long Term Incentive Plan.

The movement in the share based payments reserve reflects the FY2014 expense as outlined above, together with the reversal of amounts for the FY2012 and FY2013 offers where vesting of rights is no longer anticipated.

11. Related parties

The share based payments disclosed in note 10 included the following issues to key management personnel during the six months ended 31 December 2013. Simon High was issued 487,769 Performance Rights, Simon Buchhorn was issued 209,372 Performance Rights and Chris Douglass was issued 184,678 Performance Rights.

The Performance Rights issued to Simon High were approved by shareholders at the Company's Annual General Meeting on 28 October 2013.

Other arrangements with related parties continue to be in place on the same basis as at 30 June 2013. For full disclosure on these transactions refer to the 30 June 2013 annual financial report.

12. Contingent liabilities

During the six months ended 31 December 2013 the Company entered into an adjudication process under the Queensland Building and Construction Industry Payments Act (BCIPA) to resolve a payment dispute from which the Company was awarded and received $5.7 million. The Defendant in the BCIPA process has subsequently issued a Claim and Statement of Claim with the Supreme Court of Queensland on the 7th November 2013. The estimated payout is up to $5.7million should the action be successful.

Based on the favourable BCIPA adjudication and legal advice obtained, Directors do not believe any liability will accrue with respect to the claim and accordingly no provision has been recorded at 31 December 2013.

13. Events after the balance sheet date

There are no matters or circumstances that have arisen since 31 December 2013 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent reporting periods.

Directors' declaration

In the opinion of the directors of Southern Cross Electrical Engineering Limited ("the Company"):

1. the financial statements and notes set out on pages 6 to 13, are in accordance with the Corporations Act 2001 including:

    a. giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the six month period ended on that date; and

    b. complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of the directors

John Cooper
Chairman
Perth
24 February 2014

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

Report on the financial report

We have reviewed the accompanying interim financial report of Southern Cross Electrical Engineering Limited (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2013, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Southern Cross Electrical Engineering Limited ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Southern Cross Electrical Engineering Limited is not in accordance with the *Corporations Act 2001*, including:

(a) Giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Matthew Beevers
Partner

Perth

24 February 2014

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

To: the directors of Southern Cross Electrical Engineering Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

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

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

KPMG

KPMG

Matthew Beevers
Partner

Perth

24 February 2014