Results for announcement to the market

Appendix 4D
Half year ended 31 December 2018

The current reporting period is the half year ended 31 December 2018. The previous corresponding period is the half year ended 31 December 2017.

Revenue and Net Profit	Half Year Ended 31 Dec 2018 $'000	Half Year Ended 31 Dec 2017 $'000	Change $'000	Change %
Revenue from ordinary activities	181,763	176,156	5,607	3%
Profit/(Loss) from ordinary activities after tax attributable to members	4,453	2,677	1,776	66%
Net profit/(loss) attributable to members	4,453	2,677	1,776	66%

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

NTA Backing	Half Year Ended 31 Dec 2018	Half Year Ended 31 Dec 2017
Net tangible asset backing per security (cents per share)	27.8 cps	25.3 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

Commentary on the Results for the Period

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

Interim Financial Report

for the half year ended 31 December 2018

Contents

Directors' Report

The Directors present their report together with the Consolidated Interim Financial Report for the six months ended 31 December 2018 and the Independent Review Report thereon.

Directors

The Directors of Southern Cross Electrical Engineering Limited ("SCEE" or "the Company") during the interim period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Non-executive Directors

Professor Derek Parkin (Chairman)

Mr Simon Buchhorn

Mr Karl Paganin

Mr Gianfranco Tomasi – resigned 30 October 2018

Executive Directors

Mr Graeme Dunn (Managing Director)

Mr David Hammond

Review of operations

Revenue for the half-year was $181.8m, which represented a 3% increase on the prior corresponding period revenue of $176.2m. Key contributors in the period included:

- Commercial – the majority of revenue in the sector was generated from the buoyant New South Wales market on a range of large construction and fit-out projects including the ATP Building 1 in Eveleigh, the Duo Central Park tower development in Chippendale and various projects at Parramatta Square.
- Resources – in Western Australia the business continued to win and perform work under its framework agreements with the major iron ore producers and at the Wheatstone LNG project, which is now demobilising. Rio Tinto's Amrun Bauxite project in Queensland has now demobilised.
- Public infrastructure and defence – in transport infrastructure work ramped up on the Westconnex M4 and M5 motorway tunnel projects in NSW and continued on the Northlink Central Section Project in WA. In the health sector mobilisation is increasing on the Westmead Hospital project in NSW and in defence there is ongoing work at the RAAF Tindal project in the Northern Territory.
- Telecommunications – NBN and wireless construction activity continued across Australia.
- Industrials, energy and utilities – work continued under the three year Ergon Energy Service Agreement in northern Queensland and the Woodman Point Wastewater Treatment Plant in WA.

Gross margins for the half-year were 11.7% compared to 11.1% in the prior corresponding period.

Overheads as a percentage of revenue remained consistent with the prior corresponding period at 7.0%.

EBITDA for the six months ended 31 December 2018 was $9.0m, a 5% increase on the prior corresponding period EBITDA of $8.6m.

EBIT increased by 30% to $6.9m and NPAT increased by 66% to $4.5m compared to the prior corresponding period with the increase due to improved trading performance and reducing amortisation of acquired customer contract intangibles.

The balance sheet remained strong throughout the period. Net cash at 31 December 2018 was $56.2m (including $11.6m in a restricted term deposit) with no debt compared to $58.1m at the start of the half-year period. The payment of $7m of FY18 dividends and $6.5m of deferred Heyday acquisition consideration during the period was offset by earnings and net working capital inflows.

Capital expenditure in the half-year was $1.3m and is expected to remain low.

During the period the Group negotiated increases to its banking and bonding facilities to increase total bonding capacity from $60m to $100m to support future growth.

A stronger second half is expected as certain major projects ramped up slower than anticipated in the first half. Significant ongoing projects include RAAF Tindal, Westconnex M4 and M5, Westmead Hospital, Parramatta Square, Wodgina Lithium Project, Ergon Energy and the NBN roll-out. Demobilisation continues at the Wheatstone LNG project and there will be focus in the half on the commercial close out of recently completed contracts.

Full year revenue expectations remain over $400m.

The Group has an order book over $480m including estimates of work to be performed under framework, reimbursable and panel agreements which supports the anticipated full year revenues and includes over $280m of orders for work to be performed in FY20.

Tendering across the Group remains at a high level with nearly $900m of submitted tenders with clients pending decision. The business development pipeline remains strong and, combined with submitted tenders, now exceeds $2.5bn.

Dividend

The Directors have not declared an interim dividend for the six months ended 31 December 2018 (31 December 2017: no dividend).

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the 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 21 and forms part of the directors' report for the six months ended 31 December 2018.

Signed in accordance with a resolution of the directors:

Derek Parkin
Chairman
Perth
26 February 2019

Consolidated Statement of Comprehensive Income

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000
Contract revenue		181,763	176,156
Contract expenses		(160,448)	(156,536)
Gross profit		**21,315**	**19,620**
Other income		510	1,319
Employee benefits expenses		(7,777)	(7,619)
Occupancy expenses		(1,256)	(1,151)
Administration expenses		(3,005)	(2,896)
Other expenses		(781)	(642)
Depreciation expense		(1,698)	(1,874)
Amortisation of acquired customer contract intangibles		(398)	(1,420)
Profit from operating activities		**6,910**	**5,337**
Finance income	7	266	130
Finance expense	7	(822)	(1,072)
Net finance expense	**7**	**(556)**	**(942)**
Profit before income tax		**6,354**	**4,395**
Income tax expense		(1,901)	(1,718)
Profit after income tax for the period		**4,453**	**2,677**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation gain for foreign operations		-	63
Other comprehensive income net of income tax		**-**	**63**
Total comprehensive income for the period		**4,453**	**2,740**
Attributable to			
Owners of the Company		**4,453**	**2,740**
Earnings per share			
- Basic earnings per share (cents per share)		1.91	1.45
- Diluted earnings per share (cents per share)		1.90	1.42

Consolidated Statement of Financial Position

	Note	31 Dec 2018 $'000	30 Jun 2018 $'000
Assets			
Current Assets			
Cash and cash equivalents		44,644	58,076
Restricted term deposit		11,605	-
Trade and other receivables	8	88,998	77,002
Inventories		2,151	2,170
Prepayments		2,313	588
Tax receivable		1,188	1,188
Total current assets		**150,899**	**139,024**
Non-current assets			
Property, plant and equipment		15,924	16,274
Intangible assets		74,193	74,591
Total non-current assets		**90,117**	**90,865**
Total assets		**241,016**	**229,889**
Liabilities			
Current liabilities			
Trade and other payables	9	79,406	59,911
Provisions		9,393	10,664
Deferred acquisition consideration	15	7,344	6,452
Total current liabilities		**96,143**	**77,027**
Non-current liabilities			
Deferred acquisition consideration	15	-	7,626
Provisions		988	958
Deferred tax liability		4,708	3,168
Total non-current liabilities		**5,696**	**11,752**
Total liabilities		**101,839**	**88,779**
Net assets		**139,177**	**141,110**
Equity			
Share capital		102,873	102,873
Reserves		280	1,749
Retained earnings		36,024	36,488
Total equity		**139,177**	**141,110**

Consolidated Statement of Changes in Equity

	Share Capital $'000	Retained Earnings $'000	Deferred Payments Reserve $'000	Share Based Payments Reserve $'000	Translation Reserve $'000	Total Equity $'000
Balance as at 1 July 2018	102,873	36,488	-	2,263	(514)	141,110
Total comprehensive income for the period						
Profit for the period	-	4,453	-	-	-	4,453
Total comprehensive income	**-**	**4,453**	**-**	**-**	**-**	**4,453**
Transactions with owners, recorded directly in equity						
Dividends	-	(7,022)	-	-	-	(7,022)
Cost of share based payments	-	-	-	275	-	275
Performance rights (net of tax)	-	2,105	-	(1,744)	-	361
Total transactions with owners	**-**	**(4,917)**	**-**	**(1,469)**	**-**	**(6,386)**
Balance as at 31 December 2018	102,873	**36,024**	**-**	**794**	**(514)**	**139,177**

	Share Capital $'000	Retained Earnings $'000	Deferred Payments Reserve $'000	Share Based Payments Reserve $'000	Translation Reserve $'000	Total Equity $'000
Balance as at 1 July 2017	56,656	28,082	13,850	1,783	(615)	99,756
Total comprehensive income for the period						
Profit for the period	-	2,677	-	-	-	2,677
Foreign currency translation gain	-	-	-	-	63	63
Total comprehensive income	**-**	**2,677**	**-**	**-**	**63**	**2,740**
Transactions with owners, recorded directly in equity						
Issue of ordinary shares net of transaction costs	31,834	-	-	-	-	31,834
Equity-settled deferred acquisition consideration	13,850	-	(13,850)	-	-	-
Cost of share based payments	-	-	-	325	-	325
Total transactions with owners	**45,684**	**-**	**(13,850)**	**325**	**-**	**32,159**
Balance as at 31 December 2017	102,340	**30,759**	**-**	**2,108**	**(552)**	**134,655**

Consolidated Statement of Cash Flows

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities			
Cash receipts from customers		191,078	202,349
Cash paid to suppliers and employees		(177,730)	(199,187)
Interest received		266	130
Interest paid		(599)	(599)
Income taxes paid		-	(2,546)
Net cash from/(used in) operating activities	**10**	**13,015**	**147**
Cash flows from investing activities			
Payment of deferred acquisition consideration		(6,500)	(9,250)
Acquisition of property, plant and equipment		(1,332)	(880)
Proceeds from the sale of assets		12	872
Net cash used in investing activities		**(7,820)**	**(9,258)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares net of transaction costs		-	31,867
Repayment of borrowings		-	(48)
Dividends paid		(7,022)	-
Transfer to restricted term deposit		(11,605)	-
Net cash from/(used in) financing activities		**(18,627)**	**31,819**
Net increase/(decrease) in cash and cash equivalents		**(13,432)**	**22,708**
Cash and cash equivalents at 1 July		58,076	40,553
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents at 31 December		**44,644**	**63,261**

Notes to the Consolidated Interim Financial Statements

1. Reporting entity

Southern Cross Electrical Engineering Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2018 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 2018 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 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 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 2018.

The consolidated interim financial report was approved by the Board of Directors on 26 February 2018.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the consolidated interim financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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 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 2018 except for revenue in accordance with AASB 15 'Revenue from Contracts with Customers' (see note 4 (b)). This includes judgments in relation to the measurement and disclosure of fair values under the fair value hierarchy applied to the consolidated financial statements as at and for the year ended 30 June 2018.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year and corresponding interim period with the exception of the adoption of AASB 9 Financial Instruments: Recognition and Measurement and AASB 15 Revenue from Contracts with Customers.

Other revised standards and Interpretations which applied from 1 July 2018 did not have a material effect on the Group.

4. Significant accounting policies (continued)

New accounting standards adopted by the Group

(a) Impact of transition to AASB 9 Financial Instruments

The AASB 9 Financial Instruments standard simplifies the model for classifying and recognising financial instruments and introduces a new impairment model. The new impairment model is a move away from the previous incurred credit loss approach to the expected credit loss approach. Upon adoption of AASB 9, there was no significant impact on current financial instrument classification and measurement practice.

(b) Impact of transition to AASB 15 Revenue from Contracts with Customers

AASB 15 applies to contracts with customers to deliver goods or services as part of the entity's ordinary course of business. It replaces existing revenue recognition guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. AASB 15 contains a single model that applies to contracts with customers, with two approaches to recognising revenue: either at a point in time or over time. The model introduces a five-step assessment to determine whether, how much and when revenue is recognised.

Revenue is recognised over time if one of the following is met:

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

The Group adopted AASB 15 using the cumulative method and based on the Group’s assessment there has been no impact on adoption in opening retained earnings or in the Group’s financial statements other than disclosure and terminology.

In accordance with AASB 15, The Group will present its contract balances as a contract asset and contract liability that have previously been disclosed as work in progress and unearned revenue.

(c) Revenue recognition accounting policy

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

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.

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.

4. Significant accounting policies (continued)

Contract modifications

Revenue in relation to modifications, such as a change in the scope or price (or both) of the contract, will only 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, and the historical outcome of similar claims to determine whether the enforceable and "highly probable" thresholds have been met.

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 granular approach to identify the different revenue streams (i.e. performance obligations) in a contract 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 will continue to be 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.

AASB 15 provides guidance in respect of the term over which revenue may be recognised and 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.

Variable consideration

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.

4. Significant accounting policies (continued)

(d) New accounting standards not yet adopted

AASB 16 - Leases

The Group continues to assess and quantify the effect of the new standard. However, the following impacts are generally expected on implementation date:

- Total assets and total liabilities will increase, due to the recognition of a "Right of Use Asset" and a "Lease Liability" grossing up the assets and liabilities in the Statement of Financial position;
- Operating rental expense will decrease, however interest expense will increase due to the effective interest rate implicit in the lease, where the interest expense component is higher in early years on the lease and depreciation charge will increase as the depreciation of the right of use assets is recognised;
- Operating cash flows will increase and financing cash flows will decrease as repayment of the principal portion of all lease liabilities will be classified as financing activities.
- Management will no longer recognise provisions for operating leases assessed to be onerous and will instead include the payments due under the lease in its lease liability and assess the right of use of assets for impairment;

AASB 16 must be implemented retrospectively either, with the restatement of comparatives or, under the retrospective approach, with the cumulative impact of initial application recognised as an adjustment to opening retained earnings as at 1 July 2019.

Under the modified retrospective approach, on a lease-by-lease basis, the right of use of an asset may be deemed to be equivalent to the lease liability at transition or calculated retrospectively as at inception of the lease.

The Group is in the process of assessing available options for transition.

5. Financial risk management

During the six months ended 31 December 2018 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 2018.

6. Segment reporting

Revenue is principally derived by the Group from the provision of electrical services to the following sectors: Commercial developments; public infrastructure and defence; resources – mining, oil and gas; industrial, utilities and energy; telecommunications and data centres. The Group provides its services through the three key segments of SCEE, Datatel and Heyday.

The directors believe that the aggregation of the operating segments 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 segments have therefore been aggregated to form one operating segment.

7. Finance income and expenses

	31 Dec 2018 $'000	31 Dec 2017 $'000
Interest income on bank deposits	266	130
Finance income	266	130
Interest expense on bank borrowings	(37)	(49)
Finance charges payable under finance lease	-	(6)
Unwinding of discount on deferred consideration	(223)	(473)
Bank charges	(260)	(304)
Bank guarantee fees	(302)	(240)
Finance expenses	(822)	(1,072)
Net finance expense	(556)	(942)

8. Trade and other receivables

	31 Dec 2018 $'000	30 Jun 2018 $'000
Trade receivables	29,291	35,115
Provision for impairment of trade receivables	(246)	(317)
Contract assets	57,620	39,793
Retentions	1,436	1,053
Loans to vendors	897	1,358
	88,998	77,002

9. Trade and other payables

	31 Dec 2018 $'000	30 Jun 2018 $'000
Trade payables	27,176	26,092
Contract liabilities	28,708	16,519
Retentions payable	277	378
Accrued expenses	21,926	15,451
Goods and services tax payable	1,319	1,471
	79,406	59,911

10. Reconciliation of cash flows from operating activities

	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities		
Profit after income tax for the period	**4,453**	**2,677**
Adjustments for:		
Depreciation and amortisation	2,096	3,294
Profit on sale of assets	(28)	(699)
Tax recognised in respect of share-based payment	361	-
Equity-settled share-based payment transactions	275	325
(Increase)/decrease in assets:		
Change in trade and other receivables	(11,996)	(3,944)
Change in inventories	19	21
Change in prepayments	(1,725)	(512)
Change in income tax receivable	-	(1,727)
Increase/(decrease) in liabilities:		
Change in trade and other payables	19,495	(2,345)
Change in provisions and employee benefits	(1,241)	1,686
Change in deferred consideration	(234)	471
Change in income tax payable	-	(723)
Change in deferred income tax	1,540	1,623
Net cash from operating activities	**13,015**	**147**

11. Share based payments

During the six months ended 31 December 2018 the Company issued 1,010,625 Performance Rights in respect of the 2019 financial year. The Performance Rights issued, under the Company's Senior Management Long Term Incentive Plan, vest over the period to 30 June 2021 and have a fair value at grant date of $0.29 (TSR Component) and $0.59 (EPS Component). The fair value of the TSR Performance Rights has been measured using the Monte-Carlo simulation. The EPS Performance Rights has been measured using the Binomial tree methodology.

The movement in the share based payments reserve reflects the amounts expensed in regards to the FY2019 grant of $274,804 and the expired of prior year grants $1,744,667.

12. Related parties – Key management personnel

The share based payments disclosed in note 11 included the following issues to key management personnel during the six months ended 31 December 2018. Graeme Dunn was issued 464,286 Performance Rights and Chris Douglass was issued 275,000 Performance Rights.

The Performance Rights issued to Graeme Dunn were approved by shareholders at the Company's Annual General Meeting on 30 October 2018.

Other arrangements with related parties continue to be in place on the same basis as at 30 June 2018. For full disclosure on these transactions refer to the 30 June 2018 annual financial report.

13. Dividends

The following dividends were declared and paid by the Company:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Final 2018 ordinary fully franked at 3.00 cents per share	7,022	-

14. 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.

	31 Dec 2018 $'000	30 Jun 2018 $'000
Bank Guarantees	48,719	35,928
Surety Bonds	15,581	11,715

15. Financial instruments

The Group holds deferred acquisition consideration liabilities of $7,344,053 (30 June 2018: $14,077,284) which are classified as fair value hierarchy level 3, in which fair values are based on valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

The reduction in the period of $6,733,231 of deferred acquisition consideration liabilities included a reduction of $6,500,000 for the payment of deferred acquisition consideration, net change in fair value (unrealised) $456,150 and an increase of $222,919 for the unwinding of the deferred consideration interest discount.

The fair value of the deferred acquisition consideration liabilities is based on the expected payments to be made which are determined by the valuation technique of considering possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario for the acquired entities. For these scenarios the significant unobservable inputs include forecast annual revenue growth rate and forecast EBITDA margin.

16. Events after the balance sheet date

There have been no events after the balance sheet date that have a material impact on the financial report.

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 17, 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 2018 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

D Parkin.

Derek Parkin
Chairman
Perth
26 February 2019

KPMG

Independent Auditor's Review Report

To the shareholders of Southern Cross Electrical Engineering Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Southern Cross Electrical Engineering Limited.

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:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2018
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Southern Cross Electrical Engineering Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the half-year.

Responsibilities of the Directors 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*
- 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 for the review of the Interim Financial Report

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 Company’s financial position as at 31 December 2018 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 Period 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.

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

KPMG

KPMG

Trevor Hart
Partner

Perth

26 February 2019

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 of Southern Cross Electrical Engineering Limited for the half-year ended 31 December 2018 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

Trevor Hart
Partner

Perth

26 February 2019