SCEE GROUP

Annual Report 2022

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

Gudai-Darri Iron Ore Mine
Pilbara, WA
SCEE Electrical

Contents

In 2022 SCEE Group has delivered a year of record revenue and profitability

Trivantage Manufacturing Sheetmetal Workshop
Melbourne, VIC
Trivantage Manufacturing

2022 Highlights

RECORD REVENUE

$553.3m

UP 49.5%

RECORD EBITDA

$35.3m

UP 19.3%

TOTAL FY22 DIVIDENDS

5.0cps

UP 25%

CASH

$53.1m

AND NO DEBT

RECORD ORDER BOOK

$565m

Record workforce peaked at 2,000 employees

Recurring revenues grown circa 30% of activity

Trivantage exceeding forecasts achieving full earn-out targets

Integration activities progressed co-location and cross-group project delivery

Acquisition targets being explored

Chairman's report

It gives me great pleasure to report on a record-breaking year for the SCEE Group.

2022 saw the highest activity levels in our history delivered by our largest ever workforce. Revenue of $553.3m was up nearly 50% on the prior year, whilst EBITDA of $35.3m was also a record for the Group.

This growth in revenue was driven in large part by activity in the resources sector returning to high levels in the current year. This more than compensated for the subdued activity in parts of our business as coronavirus and adverse weather impacted the east coast, particularly in the commercial sector. Our strategy of growth through diversification has significantly reduced our reliance on any single source of revenue and the events of this year highlight the increasing robustness of our Group.

The FY21 acquisition of Trivantage contributed a full year of revenue in FY22 and continues to outperform expectations, delivering profits in excess of earn-out targets. The addition of the Trivantage businesses to the Group has been a large contributor to the volume of recurring services and maintenance works growing to almost a third of our revenue in 2022.

The Board remains committed to targeting further acquisitions aligned with our diversification strategy.

I have been pleased to see a progression of our integration initiatives this year. These included utilising capabilities across the Group's businesses to secure and deliver projects, cross-selling of services within the Group and the co-location of our businesses in Western Australia. I believe we can derive significant further gains in this area going forward.

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. The full year dividends of 5.0 cents per share is an increase of 25% on the prior year and demonstrates the Board's commitment to growing shareholder returns. On behalf of the Board I would like to take this opportunity to thank shareholders for their continued support.

Finally, I would like to congratulate management and employees across the Group on their achievements during the year. The Board recognises the significant work involved in delivering these record results and thanks them for their commitment.

Derek Parkin
Chairman


DATATEL

About SCEE Group

Southern Cross Electrical Engineering Limited ('the SCEE Group') was founded in 1978 and listed in 2007 (ASX:SXE). Over that time, we have grown to be a leading national electrical, instrumentation, communications and maintenance services group of businesses. The acquisitions of Datatel in 2016, Heyday in 2017 and the Trivantage Group, which includes the businesses of Trivantage Manufacturing, S.J. Electric and SEME Solutions in 2020, means the SCEE Group is now diversified across three broad sectors of infrastructure, commercial and resources.

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

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.

Datatel is a telecoms and communications specialist and provides services to the education, health, government, resources and transport sectors.

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

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

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.


scee
ELECTRICAL

Feature Projects

Rio Tinto Gudai-Darri Iron Ore Mine

Location Pilbara, WA
Market Resources – Iron Ore
Performed by SCEE Electrical

Scope of Work
The project is for a new 43 million tonne annual capacity iron ore mine. SCEE Electrical's scope is for the electrical and instrumentation works at the mine processing plant.

MARBL JV Kemerton Lithium Processing Plant

Location Kemerton, South West WA
Market Resources – Lithium
Performed by SCEE Electrical

Scope of Work
SCEE Electrical is delivering the full E&I scope for both the Hydromat and Pyroment sections of the plant which initially comprises of two trains each with a capacity of 25,000 tons per annum.

BHP Villages Security Project

Location Pilbara, WA
Market Resources – Mining
Performed by SCEE Electrical, SEME Solutions and Datatel

Scope of Work
SCEE has been engaged to perform upgrades to access, lighting, and monitoring systems across BHP's Villages in the Pilbara. The works have drawn on capabilities from businesses across the SCEE Group, including SCEE Electrical, SEME and Datatel, to deliver a multi-technology solution.

Rio Tinto Tom Price Battery Energy Storage Facility

Location Tom Price, WA
Market Renewables
Performed by SCEE Electrical

Scope of Work
SCEE has been engaged for the supply of civil, structural, and electrical works for the installation of the balance of plant for the Tom Price 45MW/12MWh Battery Energy Storage for Spinning Reserve ('BESSR') Facility.

CPB Sydney Metro Pitt Street Station and Towers

Location Sydney, NSW
Market Infrastructure and Commercial
Performed by Heyday Group

Scope of Work

The Pitt Street metro integrated station development will connect the Pitt and Castlereagh Street station entries with retail and commercial facilities. Heyday's scope includes full design and construction of low voltage systems, UPSs and communications, and the electrical services design and construct contracts for commercial and residential towers above Pitt Street Station.

Multiplex Western Sydney International Airport

Location Badgerys Creek, NSW
Market Infrastructure – Airport
Performed by Heyday Group

Scope of Work

The Western Sydney International (Nancy Bird Walton) airport extent of works comprises the terminal building, airside apron, landside plaza, carparking and two technical engineering rooms (TER) located at the site boundary. Heyday's scope includes full design and construction of high voltage system, low voltage systems, UPSs and communications.

Ergon Energy Asset Inspection and Maintenance Services

Location Northern Region, QLD
Market Infrastructure – Utilities
Performed by SCEE Electrical

Scope of Work

Operating under a service agreement, SCEE Electrical's scope is to maintain regulatory safety and reliability of distribution supply network via inspection, testing and maintenance of overhead lines, earthing systems, pillars and street-light poles.

Coles and Woolworths Supermarkets

Location Nationally
Market Commercial – Supermarkets
Performed by SJ Electric

Scope of Work

S.J. Electric have been providing ad-hoc electrical and instrumentation maintenance services to major national supermarkets for over 40 years with a more formalised preventative and reactive service and maintenance contract being in place for the last 15 years.

Commercial

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
- 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.

Wynyard Place Re-development
Sydney, NSW
Heyday Group

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.

Kemerton Lithium Plant
Kemerton, South West WA
SCEE Electrical

Infrastructure

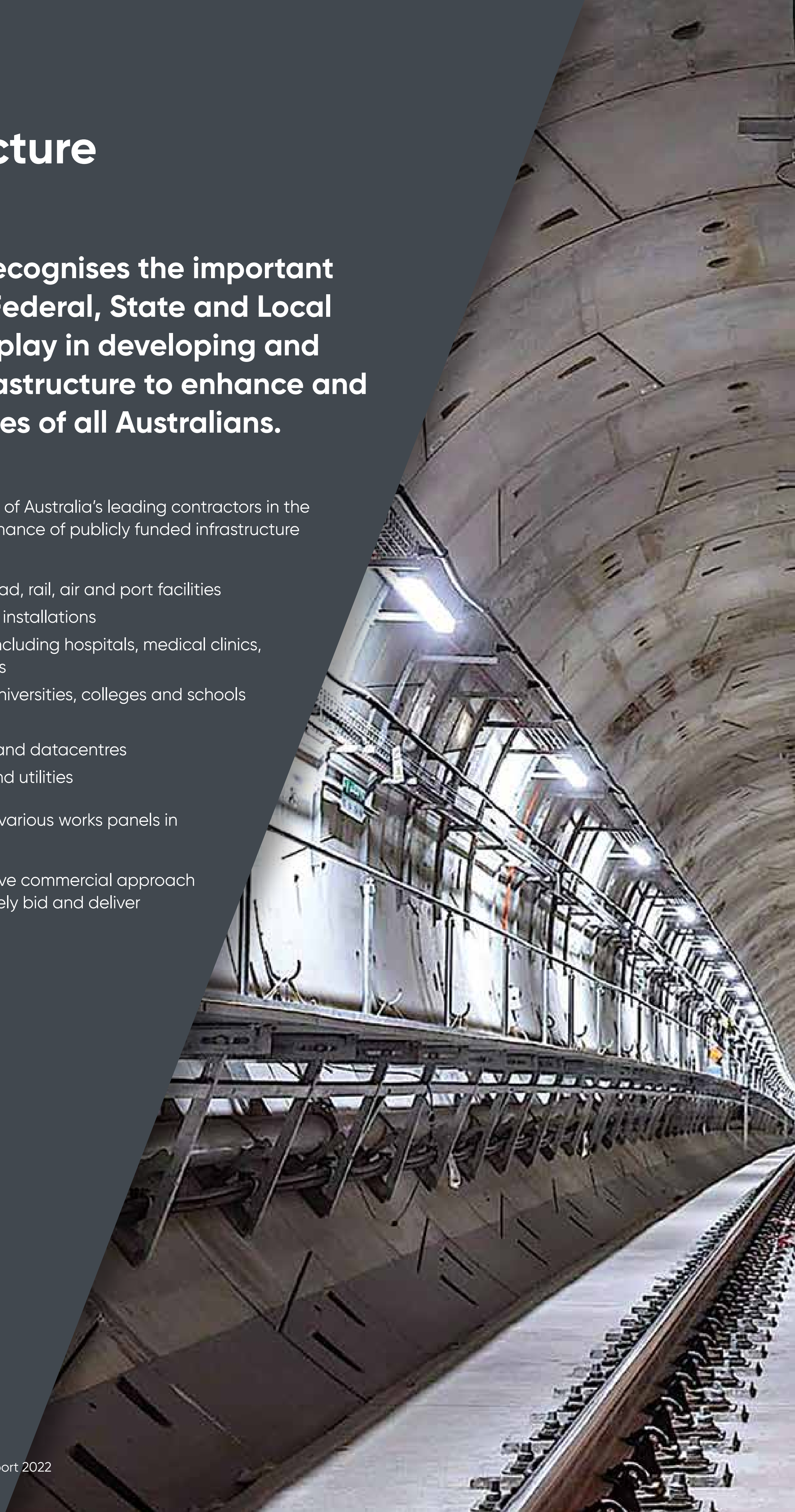
SCEE Group recognises the important role that the Federal, State and Local governments play in developing and providing infrastructure to enhance and protect the lives of all Australians.

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.



Forrestfield Airport Link Project
Redcliffe, WA
Datatel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Decarbonisation

SCEE Group is well positioned to leverage opportunities across the global 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 decarbonisation initiatives including solar farms, recycling plants, refrigeration power efficiencies, green buildings design optimisation and electric vehicle charging systems.

Tom Price BESSR Project
Tom Price, WA
SCEE Electrical

Sustainability

SCEE Group is committed to delivering sustainable and profitable growth of our businesses without compromising on our responsibilities to the environment, our people and the communities in which we operate. Our approach to sustainability falls under the following broad categories:

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
- Low carbon footprint throughout our operations
- 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
- Regular injury prevention training

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 2022 SCEE Group has delivered a year of record revenue and profitability.

Financial Results

Revenue for the year of $553.3m was a record for the Group, up 49.5% on the prior year, driven by a significant increase in activity in the resources sector and the inclusion of a full year of revenue from the Trivantage businesses which were acquired in December 2020. Revenue in the second half of FY22 of $300.3m represented a third consecutive record half of revenue.

Revenue contribution by sector was as follows:

Resources
Revenue for the year was $282.5m, more than double the $129.5m in the prior year, making resources the largest sector for the first time since FY18. This growth was primarily driven by high levels of activity at the MARBL JV Kemerton Lithium Plant, Rio Tinto Gudai-Darri and the BHP Villages Security projects and also included contributions from the Rio Tinto Tom Price Battery Energy Storage Facility, general works for Rio Tinto and BHP and under framework agreements at the Sino Iron and Newmont Boddington mine sites.

Commercial
Revenue for the year was $166.9m, compared to $164.7m in the prior year. Activity for the year was significantly behind planned levels with coronavirus and weather related disruptions on the east coast resulting in works being delayed, although volumes had returned to more normal levels by year end. Key contributors in the year included the Sandstone Education Building project, the Commonwealth Bank Place Sydney North Building fitout in Sydney, ongoing works at Parramatta Square and Trivantage's national supermarket services business providing a full year of revenue in 2022.

Infrastructure
Revenue for the year was $103.9m, up from $76.0m in the prior year. Heyday commenced work on the Multiplex Western Sydney International Airport project, which at over $100m was the largest award in the Group's history. Work continued throughout the year on the Sydney Metro Pitt Street Station project and the Next DC S3 data centre. SCEE Electrical continues to deliver works under the Ergon Energy Queensland Service Agreement while the contribution from Trivantage included projects in the water and prison sectors.

"With a record year end order book, significant opportunity pipeline and strong cash position I am confident in our ability to deliver another year of record profitability in 2023."

Gross profit for the year of $72.5m was up 24.6% on the prior year. The FY21 gross profit of $58.2m included JobKeeper receipts of $8.1m. Excluding JobKeeper gross profit was up 44.7% and gross margins were 13.1% in 2022 compared to 13.5% in the prior year.

Overheads were $38.3m compared to $29.5m in the prior year with the increase due to the inclusion of Trivantage overheads for a full year in 2022 and the requirement to support higher activity levels in the current year. As a percentage of revenue overheads decreased from 8.0% in FY21 to 6.9% in the current year.

EBITDA for the year of $35.3m was also a record for the Group and was up 19.3% on the prior year EBITDA of $29.6m which included $8.9m of JobKeeper receipts.

The Trivantage businesses continue to outperform expectations and achieved FY22 earn-out targets in full. The FY23 earn-out targets are also now expected to be fully achieved and an additional $2.3m of deferred acquisition consideration for that has been provided for in the year. Amortisation of intangibles from the acquisition was $2.2m, compared to $1.6m in FY21.

Net profit after tax of $15.3m was up 10.9% on the prior year NPAT of $13.8m.

The Board has declared a fully franked final dividend of 4.0 cent per share and paid an interim fully franked dividend of 1.0 cents per share. The full year dividend of 5.0 cents per share represents an increase of 25% on the prior year.

The year-end cash balance of $53.1m was an increase on the opening balance of $51.0m despite funding Trivantage deferred consideration of $10.0m and dividend payments of $12.7m during the year. The Group remains debt free.

Capital expenditure for the year was $3.2m and is expected to remain at these low levels.

A full and final settlement of the dispute with Decmil Group Limited regarding the subcontract for works at Rio Tinto's Amrun mine project in Queensland has been agreed and the arbitration proceedings concerning the dispute have been terminated.

Operational

The Group's record revenue and profitability was delivered by a record workforce which peaked at over 2,000. With a large proportion of the workforce being required to service the high level of resources activity in WA, the ability to meet these recruitment targets in a competitive labour market and with the added challenge of interstate border closures for part of the year is a credit to the organisation.

Performing our work safely remains of the upmost importance and we take great pride in the fact that our SCEE Electrical business has now gone over 18.7 million man-hours and nearly 20 years without a Lost Time Injury in Australia.

Managing Director's Review

We were pleased to have the quality of work acknowledged by our industry with SCEE Electrical's Rio Tinto Gudai Darri project being the state winner of the "Industrial Large Project Award 2022" at the WA National Electrical and Communications Association ("NECA") Excellence Awards. At the NSW NECA Excellence awards Heyday's apprentice Bailey Gronau was awarded "Apprentice of the Year for 2021".

Integration activities continued to progress during the year. In November the WA businesses of SCEE Electrical, Datatel and Trivantage co-located in our new Perth CBD head office and have subsequently also combined warehouse facilities. We immediately saw the benefit of this with the businesses working together to successfully win and deliver the BHP Villages Security project. Trivantage Manufacturing commenced the provision of switchboards to group projects during the year. We continue to see significant opportunity to further cross-sell services in the Group and deliver increased capability to our clients.

Outlook

For FY23 revenues are expected to be similar to FY22 with the large resources projects completing in the first half of FY23 and not being immediately replaced. However, EBITDA is forecast to increase to a range of \$36m–\$38m due to a more profitable project mix.

The year-end order book was \$565m, which was another record, up 31.4% from the start of the year and with the Group continuing to win work across its core markets.

The infrastructure sector is now the largest component of the order book following the award of Western Sydney International Airport. The project will run for several years and has potential for further growth, plus other packages at the airport, as well as general commercial and infrastructure opportunities as the Western Sydney Aerotropolis region develops. The Sydney Metro Pitt Street Station project is ongoing with further opportunities presenting on the Sydney Metro programme.

The broader infrastructure pipeline remains strong with record levels of infrastructure spend sanctioned across Australia.

In the resources sector work will complete on key FY22 projects in the first half of 2023 and there is a long tail of smaller opportunities in the sector across many commodities.

In the commercial sector the pipeline in Sydney is growing again with new awards anticipated soon. The Sydney Central Precinct Renewal Program and Technology Hub is expected to generate multiple commercial opportunities for Heyday. For Trivantage, Woolworths and Coles continue to invest heavily in efficiencies, store renewals and new store formats and work has recently been secured with Aldi.

The Group's workforce remains adequate to service client requirements, although certain areas of tightness in the labour market may mean that some opportunities may not be maximised.

The Group continues to manage the impact of inflationary pressures on its operations. The typically short time between tender submission and project mobilisation helps ensure accurate costings and, while in many sectors most materials are free issued by the client, in those that are not, prices are generally fixed with suppliers on or before award. A large proportion of the Group's workforce are employed under Enterprise Bargaining Agreements and as such labour rates are known over the duration of contracts.

No significant impact from coronavirus is currently anticipated in delivering the 2023 forecasts, however the business continues to monitor this risk.

Managing Director’s Review

Strategy

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

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.

This includes particularly targeting maintenance and recurring earnings. The acquisition of Trivantage has taken the group along this path by:

- adding new capabilities with entry into the security sector and with the manufacture of electrical components;
- increasing exposure to service and maintenance style work with recurring revenues now circa 30% of activity;
- offering cross-selling opportunities; and
- completing our national footprint in every state and territory.

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

The decarbonisation of the global economy presents SCEE with opportunities across all the sectors in which it operates.

Conclusion

I am delighted to report a year of record revenue and profitability for the SCEE Group. We have now delivered three consecutive halves of record revenues since the acquisition of the Trivantage businesses, which continue to outperform expectations.

The resilience of our organisation and the success of our diversification strategy has again been demonstrated by the Group achieving this record result despite significant parts of the business being impacted during the year by coronavirus disruption and weather events on the east coast. This was more than offset by the high levels of activity in the resources sector.

With a record year end order book, significant opportunity pipeline and strong cash position I am confident in our ability to deliver another year of record profitability in 2023.

I would like to take this opportunity to thank our employees across the SCEE Group for their hard work and commitment to delivering for our clients during the year. I would also like to thank our clients and shareholders for their continued support.

Graeme Dunn
Managing Director

Director’s Report

Your Directors submit their report for Southern Cross Electrical Engineering Limited (‘SCEE Group’ or ‘the Company’) for the year ended 30 June 2022.

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 of the Institute 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 40 years and four continents, primarily in the public company environment. 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’s other non-executive directorships to date have primarily been in the non-listed sphere and he has also chaired a number of advisory committees in both the government and not-for-profit sectors. Derek is a past national Board member of the Institute of Chartered Accountants Australia (“ICAA”) and has served on a number of its 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 contract delivery and operational performance both domestically and internationally. He is also a graduate of the Australian Institute of Company Directors.

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

Director's Report

Karl Paganin

Independent Non-Executive Director

Karl has over 15 years of senior executive experience in Investment Banking, specialising in transaction structuring, equity capital markets, mergers and acquisitions and providing strategic management advice to listed public companies. Prior to that, Karl was Director of Major Projects and Senior Legal Counsel for Heytesbury Pty Ltd (the private company of the Holmes a Court family) which was the proprietor of John Holland Group Pty Ltd.

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

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

Paul Chisholm

Non-Executive Director

Paul was a significant shareholder and Chairman of Trivantage Holdings Pty Ltd prior to the acquisition by SCEE Group in December 2020.

Paul has over 40 years of experience in the electrical industry including 10 of which as a director of Trivantage. 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.

David Hammond resigned 5 November 2021

Executive Director

David was a vending shareholder of Heyday Pty Ltd and was appointed to the Board as an Executive Director on completion of the acquisition of Heyday by SCEE Group in March 2017.

David has more than 35 years electrical contracting experience and has been involved in the Heyday business for over 20 years. David retired from the SCEE Group Board during the year and has continued in his ongoing executive role managing the Heyday business.

Director's Report

Executive Officers

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

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 as ASX listed oil & gas exploration company and previously worked for Ernst & Young 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	121,134	-	-
Graeme Dunn[1]	1,677,618	2,113,241	-
Simon Buchhorn	800,000	-	-
Karl Paganin	1,595,201	-	-
Paul Chisholm	2,758,460	-	-

1. Included in the Performance Rights held by Graeme Dunn are 702,806 2020 Performance Rights which have been performance tested on finalising the 2022 results and it has been determined that 98% of these 2020 Performance Rights have vested and 2% did not vest and will be forfeited.

Directors' meetings

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

Director	Board Meetings		Audit and Risk Management Committee Meetings		Nomination and Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Derek Parkin	15	15	4	4	4	4
Graeme Dunn	15	15	-	-	-	-
Simon Buchhorn	15	15	4	4	4	4
Karl Paganin	15	15	4	4	4	4
Paul Chisholm	15	14	-	-	-	-
David Hammond	8	6	-	-	-	-

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

Principal Activities

The principal activities during the year of the entities within the consolidated group were the provision of electrical, instrumentation, communication and maintenance services to a diverse range of sectors across Australia.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the company or consolidated group during this financial year.

Operating and Financial Review

A review of operations of the consolidated group during the financial year, the results of those operations and the likely developments in the operations are set out in the Managing Director's Review on page 20.

Operating results for the year were:	2022 $'000	2021 $'000
Contract revenue	553,280	370,206
Profit/(loss) after income tax from continuing operations	15,269	13,761

Director's Report

Dividends

	Cents per share	Total amount $'000
Declared and paid during the period (fully franked at 30%)		
Final franked dividend for 2021	4.0	10,382
Interim franked dividend for 2022	1.0	2,600
Declared after balance date and not recognised as a liability (fully franked at 30%)		
Final franked dividend for 2022	4.0	10,400

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 2022 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 389,242 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 $328,814 (2021: $353,725).

Proceedings on Behalf of Company

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

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

Director's Report

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 85 and forms part of the Directors' report for the financial year ended 30 June 2022.

Remuneration Report

The Remuneration Report is set out on pages 30 to 35 and forms part of this report.

Rounding off

The Company is of a kind referred to in ASIC Instrument 2016/191 dated 24 March 2016 and in accordance with that Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

Derek Parkin
Chairman

30 August 2022

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 and there were no pay increases awarded to any KMP in the 2022 financial year.

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 2022 financial year STI scheme could earn up to a maximum of 50% 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 2022, the financial KPIs accounted for 80% of the executive team's STI and were achievable on outperforming specific targets for profit and order book.

The non-financial KPIs accounted for 20% of the executive team's STI and comprised the achievement of strategic objectives. The strategic objectives were chosen to align with the key drivers for the short term success of the business and provide a framework for delivering long term value.

The assessment of performance against KPIs is based on the audited financial results for the Company. For each component of the STI against a KPI no award is made where performance falls below the minimum threshold for that KPI. The Nomination and Remuneration Committee recommends the STI to be paid to the individuals for approval by the Board. For the 2022 financial year STI it has been determined that 100% of the available bonus will vest.

Remuneration report – audited

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 2022 financial year LTI scheme were issued with performance rights equal to 50% of their fixed remuneration converted at the 5 day volume weighted average price of the Company's ordinary shares at the start of the three year performance period.

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 for approval by the Board. For the 2020 financial year performance rights, which have been performance tested at 30 June 2022, it has been determined that 98% of the available performance rights will vest and 2% will be forfeited. Under the terms of the LTI Plan, as approved by shareholders at the 2021 Annual General Meeting, up to 50% of vested performance rights may be exercised for cash at the participants 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.

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

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

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

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

Consequences of performance on shareholder wealth

In considering the impact of the Group's performance on shareholder wealth and the related rewards earned by executives, the Nomination and Remuneration Committee had regard to the following measures over the years below:

	2022 $'000	2021 $'000	2020 $'000	2019 $'000	2018 $'000
Profit/(loss) attributable to owners of the company	**15,269**	13,761	10,870	12,713	8,406
Dividends declared and paid during the year	**12,982**	7,428	7,042	7,022	-
Change in share price	**9%**	23%	(19%)	(24%)	23%
Return on capital employed	**13%**	11%	10%	12%	9%

Remuneration report – audited

		Short-term				Post-employment	Share-based payments		
		Salary and fees $	STI cash bonus[3] $	Non-monetary benefits $	Total $	Super annuation benefits $	Options and rights[4] $	Total $	% of remuneration that is performance related
Non-Executive Directors									
Derek Parkin - Chairman	**2022**	**110,000**	**-**	**-**	**110,000**	**11,000**	**-**	**121,000**	**-**
	2021	110,000	-	-	110,000	10,450	-	120,450	-
Simon Buchhorn	**2022**	**80,000**	**-**	**-**	**80,000**	**8,000**	**-**	**88,000**	**-**
	2021	80,000	-	-	80,000	7,600	-	87,600	-
Karl Paganin	**2022**	**80,000**	**-**	**-**	**80,000**	**8,000**	**-**	**88,000**	**-**
	2021	80,000	-	-	80,000	7,600	-	87,600	-
Paul Chisholm[1]	**2022**	**80,000**	**-**	**-**	**80,000**	**8,000**	**-**	**88,000**	**-**
	2021	43,333	-	-	43,333	4,117	-	47,450	-
Executive Directors									
Graeme Dunn	**2022**	**643,750**	**324,180**	**-**	**967,930**	**27,500**	**298,953**	**1,294,383**	**48%**
	2021	643,750	432,696	-	1,076,446	25,000	356,067	1,457,513	54%
David Hammond[2]	**2022**	**82,853**	**-**	**-**	**82,853**	**8,285**	**-**	**91,138**	**-**
	2021	235,000	280,000	-	515,000	25,000	-	540,000	52%
Executives									
Chris Douglass - CFO	**2022**	**370,800**	**192,351**	**-**	**563,151**	**27,500**	**173,725**	**764,376**	**48%**
	2021	370,800	256,091	-	626,891	25,000	207,444	859,335	54%
Total	**2022**	**1,447,403**	**516,531**	**-**	**1,963,934**	**98,285**	**472,678**	**2,534,897**	**39%**
Total	**2021**	**1,562,883**	**968,787**	**-**	**2,531,670**	**104,767**	**563,511**	**3,199,948**	**48%**

1. Paul Chisholm was appointed to the Board on 16 December 2020.
2. 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.
3. 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.
4. The fair value of the performance rights with market related vesting conditions were valued using a Monte Carlo simulation model. The use of a Monte Carlo Simulation model simulates multiple future price projections for both SCEE shares and the shares of the peer group against which they are tested. The performance rights with non-market related vesting conditions were valued using the Black-Scholes option model. The values derived from these models are allocated to each reporting period evenly over the period from grant date to vesting date. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. The value disclosed in Table 1 is the fair value of the performance rights recognised in the financial year.

Remuneration report – audited

Employment Contracts

The following executives have non-fixed term employment contracts. Either party 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

	Held at 30 June 2021	Granted as remuneration	Vested and exercised [1]	Forfeited	Held at 30 June 2022	Vested and exercisable at 30 June 2022
Graeme Dunn	1,971,706	605,821	(232,143)	(232,143)	2,113,241	-
Chris Douglass	1,141,261	359,477	(137,500)	(137,500)	1,225,738	-
	3,112,967	**965,298**	**(369,643)**	**(369,643)**	**3,338,979**	**-**

1. Graeme Dunn elected to exercise 50% of his vested 2019 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 2019 performance rights for ordinary shares.

Performance rights granted as remuneration in 2022

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]	2022 Rights	302,911	5/11/21	0.41	0.00	30/6/24	5/11/25
Graeme Dunn[2]	2022 Rights	302,910	5/11/21	0.61	0.00	30/6/24	5/11/25
Chris Douglass[1]	2022 Rights	179,739	5/11/21	0.41	0.00	30/6/24	5/11/25
Chris Douglass[2]	2022 Rights	179,738	5/11/21	0.61	0.00	30/6/24	5/11/25
		965,298					

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

Remuneration report – audited

2022 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 2021 to 30 June 2024 ("Performance Period");
- No performance rights will vest until 30 June 2024;
- 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 2024 financial year. For the purposes of performance testing the Performance Rights, EPS in the 2024 financial year will be the Basic EPS for the year, as prescribed by the accounting standards and set out in the Company's Financial Reports, adjusted to remove the following non-cash items from the calculation of profit or loss attributable to ordinary shareholders in the year, in order to reflect the companies underlying profitability:

(a) amortisation of acquired intangibles;
(b) unwinding of interest on deferred acquisition consideration payments;
(c) adjustments to the assessment of deferred consideration payable; and
(d) acquisition costs.

EPS, as described above, will be assessed against targets for threshold performance of 8.57 cents per share in the 2024 financial year and for stretch performance of 9.55 cents per share in the 2024 financial year. The vesting schedule is as follows for EPS performance in the 2024 financial year:

Less than 8.57 cents per share	0% vesting
8.57 cents per share	50% vesting
Between 8.57 and 9.55 cents per share	Pro-rata vesting between 50% and 100%
At or above 9.55 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.

Remuneration report – audited

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	2019 Rights	464,286	9/11/18	50%	50%	30/6/21	9/11/22
	2020 Rights (A)	702,806	8/11/19	-	-	30/6/22	8/11/23
	2021 Rights (B)	804,614	4/12/20	-	-	30/6/23	4/12/24
	2022 Rights (C)	605,821	5/11/21	-	-	30/6/24	5/11/25
Chris Douglass	2019 Rights	275,000	9/11/18	50%	50%	30/6/21	9/11/22
	2020 Rights (A)	403,878	8/11/19	-	-	30/6/22	8/11/23
	2021 Rights (B)	462,383	4/12/20	-	-	30/6/23	4/12/24
	2022 Rights (C)	359,477	5/11/21	-	-	30/6/24	5/11/25

A. 50% of the 2020 performance rights have TSR as the vesting condition with a threshold target of 8% per annum compounded and a stretch target of 12% per annum compounded. These performance rights have a fair value of $0.29 each. 50% of the 2019 performance rights have EPS growth as the vesting condition with a threshold target of 6.8 cents per share and a stretch target of 7.6 cents per share. These performance rights have a fair value of $0.49 each. Subsequent to 30 June 2022, the vesting conditions in respect of the 2020 performance rights have been performance tested and it has been determined that 98% of the performance rights held by Mr Dunn and Mr Douglass have vested and 2% of the performance rights will be forfeited.

B. 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.

C. The vesting conditions and fair values of the 2022 performance rights are set out above.

Movements in shares

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

	Held at 30 June 2021	Additions	Disposals	Other	Held at 30 June 2022
Directors					
Derek Parkin[1]	112,320	8,814	-	-	121,134
Graeme Dunn[2]	1,561,546	116,072	-	-	1,677,618
Simon Buchhorn	800,000	-	-	-	800,000
Karl Paganin[1]	1,524,022	71,179	-	-	1,595,201
Paul Chisholm[3]	-	2,758,460	-	-	2,758,460
David Hammond[4]	3,629,544	-	-	(3,629,544)	-
Executives					
Chris Douglass[2]	1,512,366	137,500	-	-	1,649,866

1. Shares acquired through participation in the Company's Dividend Reinvestment Plan.
2. Shares acquired on exercise of vested FY19 performance rights.
3. Shares acquired as part consideration for the prior year acquisition of Trivantage Holdings Pty Ltd on receipt of shareholder approval at the 2021 Annual General Meeting.
4. David Hammond ceased to be a KMP following his retirement from the Board on 5 November 2021.

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.

Financial Statements

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Contract revenue	4	553,280	370,206
Contract expenses		(480,776)	(311,994)
Gross profit		**72,504**	**58,212**
Other income	5	1,101	892
Employee benefits expenses	6	(21,900)	(17,006)
Occupancy expenses		(2,558)	(1,851)
Administration expenses		(10,625)	(8,340)
Depreciation expense	7	(3,513)	(2,949)
Amortisation expense	7	(2,981)	(2,742)
Amortisation of customer contracts and relationships	7	(2,172)	(1,636)
Other expenses from ordinary activities		(3,168)	(2,293)
Profit from operations		**26,688**	**22,287**
Finance income	8	12	271
Finance expenses	8	(2,067)	(1,740)
Change in fair value of deferred acquisition consideration	21	(2,253)	–
Net finance expense		**(4,308)**	**(1,469)**
Profit before tax		**22,380**	**20,818**
Income tax expense	9	(7,111)	(7,057)
Profit from continuing operations		**15,269**	**13,761**
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		**15,269**	**13,761**
Total comprehensive income attributable to:			
Owners of the Company		**15,269**	**13,761**
Earnings per share:			
Basic earnings per share (cents)	10	**6.10**	**5.55**
Diluted earnings per share (cents)	10	**6.01**	**5.27**

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

Consolidated Balance Sheet

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Assets			
Current assets			
Cash and cash equivalents	11	53,083	51,006
Trade and other receivables	12	155,586	147,703
Inventories	13	1,386	1,796
Prepayments		1,176	1,089
Total current assets		**211,231**	**201,594**
Non-current assets			
Property, plant and equipment	15	10,700	12,664
Right-of-use assets	16	10,614	7,992
Intangible assets	17	112,961	114,986
Total non-current assets		**134,275**	**135,642**
Total assets		**345,506**	**337, 236**
Liabilities			
Current liabilities			
Trade and other payables	18	115,727	102,094
Lease liability	19	2,145	2,585
Provisions	20	20,198	17,878
Deferred acquisition consideration	21	5,641	9,954
Tax payable	9	153	5,704
Total current liabilities		**143,864**	**138,215**
Non-current liabilities			
Lease liability	19	8,816	5,687
Provisions	20	752	405
Deferred acquisition consideration	21	7,105	10,206
Deferred tax liability	9	10,681	11,550
Total non-current liabilities		**27,354**	**27,848**
Total liabilities		**171,218**	**166,063**
Net assets		**174,288**	**171,173**
Equity			
Share capital	22	115,953	109,967
Reserves		743	6,046
Retained earnings		57,592	55,160
Total equity		**174,288**	**171,173**

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 2022

	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 2020	109,767	48,498	622	-	(514)	158,373
Total comprehensive income for the year						
Profit for the year	-	13,761	-	-	-	13,761
Total comprehensive income	-	13,761	-	-	-	13,761
Transactions with owners, recorded directly in equity						
Dividends	-	(7,428)	-	-	-	(7,428)
Dividend re-investment and share placements, net	200	-	-	-	-	200
Deferred acquisition payment	-	-	-	5,500	-	5,500
Performance rights (net of tax)	-	329	(329)	-	-	-
Equity-settled share-based payment	-	-	767	-	-	767
Total transactions with owners	200	(7,099)	438	5,500	-	(961)
Balance as at 30 June 2021	**109,967**	**55,160**	**1,060**	**5,500**	**(514)**	**171,173**
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 and share placements, 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**

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 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Cash receipts from customers		606,733	364,195
Cash paid to suppliers and employees		(561,804)	(337,175)
Government grants (Job Keeper) received		–	9,795
Interest received		12	271
Interest paid		(1,734)	(1,460)
Income taxes paid		(13,533)	(6,342)
Net cash from operating activities	27	**29,674**	**29,284**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		–	(22,247)
Payment of deferred acquisition consideration	21	(10,000)	–
Proceeds from the sale of assets		1,449	492
Acquisition of property, plant and equipment	15	(3,225)	(1,789)
Acquisition of intangible asset	17	(256)	(88)
Net cash used in investing activities		**(12,032)**	**(23,632)**
Cash flows from financing activities			
Proceeds from issue of shares		–	200
Dividends paid	22	(12,694)	(7,428)
Payment of lease liabilities principal		(2,871)	(2,690)
Net cash used in financing activities		**(15,565)**	**(9,918)**
Increase/(decrease) in cash and cash equivalents		2,077	(4,266)
Cash and cash equivalents at beginning of period		51,006	55,272
Cash and cash equivalents at 30 June	11	**53,083**	**51,006**

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 2022 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 30 August 2022.

(b) Basis of measurement

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

- Share-based payment arrangements are measured at fair value.
- Assets and liabilities acquired in a business combination are initially recognised at fair value.

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

(c) Functional and presentation currency

(i) Functional and presentation currency

Both the functional and presentation currency of Southern Cross Electrical Engineering Limited and its Australian subsidiaries are Australian dollars ($). The functional currency for the Peruvian subsidiary is Neuvos Soles. Overseas functional currencies are translated to the presentation currency (see below).

(ii) Transactions and balances

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

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

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

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

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

(d) Use of estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2021.

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 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).

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

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

Notes to the financial statements

3. Segment reporting

Revenue is principally derived by the Group from the provision of electrical services through construction and services contracts to customers in the following sectors: Commercial; Resources; and Infrastructure.

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

The Group provides its services through three key segments of SCEE, 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.

Revenues from the two largest customers of the Group's Australian segment generated $181.2 million of the Group's total revenue (2021: $102 million generated from the two largest customers).

4. Contract revenue

Disaggregated revenue information	Note	2022 $'000	2021 $'000
Operating sectors			
Commercial		166,922	164,671
Resources		282,484	129,510
Infrastructure		103,874	76,025
Total revenue		**553,280**	**370,206**
Revenue type			
Construction revenue		403,625	279,550
Services revenue		149,655	90,656
Total revenue		**553,280**	**370,206**
Timing of revenue recognition			
Products and services transferred over time		553,280	370,206
Revenue from contracts with customers		**553,280**	**370,206**
Contract balances			
Trade receivables	12	67,189	68,250
Contract assets	14	87,233	79,049
		154,422	**147,299**

Trade receivables are non-interest bearing and are generally on 30 to 45 days term. In 2022, no additional amount (2021: $Nil) was recognised as provision for expected credit losses on trade receivables.

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

Notes to the financial statements

The following amounts are included in revenue from contracts for the year ended 30 June 2022:

	2022 $'000	2021 $'000
Revenue recognised as a contract liability in prior period	33,504	33,205

Unsatisfied Performance Obligations

Transaction price expected to be recognised in future years for unsatisfied performance obligations at 30 June 2022:

	2022 $'000	2021 $'000
Construction revenue	360,691	303,901
Services revenue	136,281	83,060
	496,972	**386,961**

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

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

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

5. Other income

	Note	2022 $'000	2021 $'000
Other income			
Apprenticeship incentive		581	226
Net (loss)/gain on disposals		(227)	179
Other		747	487
		1,101	**892**

6. Employee benefits expenses

	Note	2022 $'000	2021 $'000
Remuneration, bonuses and on-costs		(17,138)	(14,657)
Superannuation contributions		(2,112)	(1,380)
Amounts provided for employee entitlements		(2,006)	(1,123)
Share-based payments expense	26	(644)	(767)
Government grant (Job Keeper) applied		-	921
		(21,900)	**(17,006)**

The above employee benefits expenses do not include employee benefits expenses recorded within contract expenses. Employee benefits included in contract expenses were $189.8m (2021: $86.9m), inclusive of Government grant (Job Keeper) applied amounting to $Nil (2021: $8.1m). The total employee benefits expense is therefore $211.7m (2021: $103.9m).

Notes to the financial statements

7. Depreciation and amortisation expenses

	Note	2022 $'000	2021 $'000
Buildings		(17)	(17)
Leasehold improvements		(241)	(242)
Plant and equipment		(1,068)	(926)
Motor vehicles		(1,116)	(788)
Office furniture and equipment		(1,071)	(976)
Total depreciation expense for the year	15	**(3,513)**	**(2,949)**
Amortisation of right-of-use asset	16	(2,872)	(2,544)
Amortisation of customer contract intangibles	17	(2,172)	(1,636)
Amortisation of intellectual property	17	(109)	(55)
Other		–	(143)
Total amortisation expense for the year		**(5,153)**	**(4,378)**

8. Finance income and expenses

	Note	2022 $'000	2021 $'000
Interest income on bank deposits		12	271
Finance income		12	271
Interest expense			
Bank charges		(631)	(645)
Bank guarantee fees		(558)	(484)
Deferred consideration	21	(333)	(281)
Lease liability interest		(486)	(288)
Other		(59)	(42)
Finance expenses		(2,067)	(1,740)
Change in fair value of deferred acquisition consideration	21	(2,253)	–
Net finance expense		**(4,308)**	**(1,469)**

Notes to the financial statements

9. Income tax expense

	2022 $'000	2021 $'000
(a) Income Statement		
Current tax expense		
Current period	(8,357)	(5,979)
Over provision from prior year	377	–
	(7,980)	**(5,979)**
Deferred tax expense		
Origination and reversal of temporary differences	619	(1,076)
Over/(under) provision from prior year	250	(2)
Income tax expense reported in the income statement	**(7,111)**	**(7,057)**
(b) Amounts charged or credited directly to equity		
Expenses in relation to capital raising	–	(1)
Income tax expense reported in the income statement	**-**	**(1)**
(c) Reconciliation between tax expense and pre-tax accounting profit		
Accounting profit before income tax	**22,380**	**20,818**
Income tax expense using the Company's domestic tax rate of 30%	(6,714)	(6,245)
Over provision from prior year	627	–
Acquisition costs included in cost base	–	(428)
Share based payments	(193)	(230)
Non-deductible deferred consideration interest	(100)	(84)
Non-deductible change in fair value of deferred consideration	(676)	–
Other	(55)	(70)
Income tax expense reported in the income statement	(7,111)	(7,057)
The applicable effective tax rates are:	**31.8%**	**33.9%**

Notes to the financial statements

Deferred tax assets and liabilities	Balance Sheet		Income Statement		Equity		Acquisition of Subsidiary	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Deferred tax liabilities								
Retentions receivable	–	(60)	(60)	(279)	-	-	-	–
Contract assets	(20,448)	(17,360)	3,088	4,513	-	-	-	–
Right-of-use assets	(3,183)	(2,398)	785	(677)	-	-	-	(1,285)
Sundry debtors	–	–	–	(432)	-	-	-	–
Intangible assets	(2,976)	(3,603)	(627)	(457)	-	-	-	(4,060)
Property, plant and equipment	(397)	(243)	154	(86)	-	-	-	(306)
	(27,004)	**(23,664)**	**3,340**	**2,582**	**-**	**-**	**-**	**(5,651)**
Deferred tax assets								
Provisions	1,534	73	(1,461)	13	-	-	-	13
Employee entitlements	6,073	6,329	256	(894)	-	-	-	2,232
Property, plant and equipment	–	19	19	–	-	-	-	–
Unearned revenue	4,485	2,300	(2,185)	(1,750)	-	-	-	–
Lease liability	3,320	2,513	(807)	633	-	-	-	1,356
Tax losses	235	–	(235)	–	-	-	-	–
Other	676	880	204	492	-	(1)	-	356
	16,323	**12,114**	**(4,209)**	**(1,506)**	**-**	**(1)**	**-**	**3,957**
Net deferred tax liabilities	**(10,681)**	**(11,550)**	**(869)**	**1,076**	**-**	**(1)**	**-**	**1,694**

10. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2022 was based on the profit attributable to ordinary shareholders of $15,269,000 (2021: $13,761,000) and a weighted average number of ordinary shares outstanding of 250,458,122 (2021: 247,914,045), calculated as follows:

Profit attributable to ordinary shareholders	Note	2022 $'000	2021 $'000
Profit for the period		15,269	13,761

Weighted average number of ordinary shares	Note	2022	2021
Issued ordinary shares at 1 July	22	248,050,102	247,614,481
Effective new balance resulting from issue of shares in the year		2,408,020	299,564
Weighted average number of ordinary shares at 30 June		**250,458,122**	**247,914,045**

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2022 was based on the profit attributable to ordinary shareholders of $15,269,000 (2021: $13,761,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 252,929,240 (2021: 260,991,548) as follows:

Profit attributable to ordinary shareholders (diluted)	2022 $'000	2021 $'000
Profit for the period	15,269	13,761

Weighted average number of ordinary shares (diluted)	2022	2021
Weighted average number of ordinary shares for basic earnings per share	250,458,122	247,914,045
Effect of dilution:		
Contingently issuable shares – acquisition	–	11,120,923
Share options and performance rights on issue	3,492,647	1,956,580
Weighted average number of ordinary shares at 30 June	**253,950,769**	**260,991,548**

11. Cash and cash equivalents

	2022 $'000	2021 $'000
Bank balances	33,113	34,538
Short term deposits	19,970	16,468
Cash and cash equivalents in the statement of cash flows	**53,083**	**51,006**

The effective interest rate on cash and cash equivalents was 0.03% (2021: 0.5%); these deposits are either at call or on short term deposit.

Notes to the financial statements

12. Trade and other receivables

	Note	2022 $'000	2021 $'000
Trade receivables		67,189	68,250
Sundry debtors		1,339	315
Provision for impairment of trade receivables		(197)	(112)
Contract assets	14	87,233	79,049
Retentions		22	201
		155,586	**147,703**

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:

	2022	2021
Balance at start of year	112	112
Impairment losses recognised	396	6
Write-offs	(46)	(6)
Amounts recovered	(265)	-
Balance at 30 June	**197**	**112**

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

	2022	2021
Raw materials and consumables – cost	**1,386**	**1,796**

14. Contract assets

	2022	2021
Costs incurred to date	386,412	166,529
Recognised profit	75,116	74,132
Progress billings	(374,295)	(161,612)
	87,233	**79,049**

Contract assets represents the unbilled amount expected to be collected from customers for contract work performed to date. Cost includes all expenditure related directly to specific projects. Recognised profit is based on the percentage completion method and is determined using the costs incurred to date and the total forecast contract costs.

The timing of cash inflows for contract assets is dependent on the status of processes underway to gain acceptance from customers as to the enforceability of recognised modifications resulting from contractual claims and variations. The Group pursues various options with customers to accelerate the inflow of cash including, but not limited to, negotiations, security of payment adjudications and arbitration involving the support of legal counsel and external consultants. Accordingly, there remains a risk that settlement of contract assets takes longer than 12 months. Contract assets, for which revenue was earned longer than 12 months ago and for which cash is yet to be received, is $43.3m (2021: $47.7m)

Notes to the financial statements

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 2020		916	2,825	18,286	11,869	11,350	45,246
Acquisitions through business combination		–	385	1,060	1,181	325	2,951
Additions		–	73	467	891	358	1,789
Disposals		–	–	(308)	(1,861)	–	(2,169)
Balance as at 30 June 2021		**916**	**3,283**	**19,505**	**12,080**	**12,033**	**47,817**
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**
Depreciation							
Balance at 1 July 2020		(201)	(1,232)	(15,051)	(9,057)	(8,557)	(34,098)
Depreciation for the year	7	(17)	(242)	(926)	(788)	(976)	(2,949)
Disposals		–	–	245	1,649	–	1,894
Balance at 30 June 2021		**(218)**	**(1,474)**	**(15,732)**	**(8,196)**	**(9,533)**	**(35,153)**
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)**
Carrying amounts							
At 30 June 2021		698	1,809	3,773	3,884	2,500	12,664
At 30 June 2022		**681**	**1,358**	**2,813**	**3,786**	**2,062**	**10,700**

Notes to the financial statements

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 2020		4,908	921	138	5,967
Additions		295	–	–	295
Acquired through acquisition		4,281	–	–	4,281
Remeasurement		123	–	–	123
Amortisation charged for the year	7	(1,945)	(522)	(77)	(2,544)
Derecognition during the year (net)		(29)	(101)	–	(130)
Closing carrying amount at 30 June 2021		**7,633**	**298**	**61**	**7,992**
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**

17. Intangible assets

	Note	Goodwill $'000	Customer Contracts and Relationships $'000	Other $'000	Total $'000
Cost					
Balance as at 1 July 2020		82,169	7,491	19	89,679
Acquisitions through business combinations		29,263	12,258	1,276	42,797
Additions		–	–	88	88
Balance as at 30 June 2021		111,432	19,749	1,383	132,564
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**
Amortisation and impairment losses					
Balance as at 1 July 2020		(8,390)	(7,491)	(6)	(15,887)
Amortisation	7	–	(1,636)	(55)	(1,691)
Balance as at 30 June 2021		(8,390)	(9,127)	(61)	(17,578)
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)**
Carrying amounts					
At 30 June 2021		103,042	10,622	1,322	114,986
At 30 June 2022		**103,042**	**8,450**	**1,469**	**112,961**

Impairment testing for cash-generating units containing goodwill

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

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

	2022 $'000	2021 $'000
SCEE	21,082	21,082
Heyday	52,697	52,697
Trivantage	29,263	29,263
	103,042	**103,042**

The recoverable amounts of the above segments were based on their value in use with the group performing its annual impairment test in June 2022. The carrying amount of the operating segments were determined to be lower than their recoverable amounts and therefore no impairment charge has been recognised.

Notes to the financial statements

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

Value in use was determined by preparing five year discounted cash flow forecasts, and extrapolating the cash flows beyond the terminal year using a terminal growth-rate. The calculation of value in use was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results, known and expected contract wins, and independent research on the markets in which the segments operate.
- The five year cash flow estimates used in assessments for all CGU's were based on Board approved budgets for the year ending 30 June 2023. Growth assumptions thereafter are SCEE -1.4% (2021: -2.9%), Heyday 2.1% (2021: -2.6%), and Trivantage -0.9% (2021: -0.6%) per annum for each future year, each being reductions in revenues. The terminal value assumes perpetual growth of 2.5% (2021: 2.5%).
- The margins included in the projected cash flow are the same rate that has been achieved by historical .
- A pre-tax discount rate between 12.9% and 13.2% (2021: between 14.2% and 14.6%) 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 is able to withstand a reduction in revenue forecasts or a reduction in gross margin forecast of up to 5% before carrying value exceeds its recoverable amount.

18. Trade and other payables

	2022 $'000	2021 $'000
Trade payables	31,448	31,066
Contract liabilities	41,068	36,114
Accrued expenses	40,218	29,410
Goods and services tax payable	2,339	4,672
Retentions payable	654	832
	115,727	**102,094**

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

	2022 $'000	2021 $'000
Current		
Unearned revenue	**41,068**	**36,114**

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

Notes to the financial statements

19. Lease liability

	2022 $'000	2021 $'000
Current portion	2,145	2,585
Non-current portion	8,816	5,687
	10,961	**8,272**

The average remaining lease term for the leased assets per underlying asset class as at 30 June 2022 are as follows:

	2022 (in years)	2021 (in years)
Land and building	2.34	1.98
Motor vehicles	3.12	1.06
Office equipment	2.63	0.95

20. Provisions

	2022 $'000	2021 $'000
Current		
Annual leave	14,013	12,355
Long service leave	3,474	3,314
Other employee leave	2,656	2,104
Other	55	105
	20,198	**17,878**
Non-current		
Long service leave	**752**	**405**

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.

Notes to the financial statements

21. Deferred acquisition consideration

	2022 $'000	2021 $'000
Current portion	5,641	9,954
Non-current portion	7,105	10,206
Balance at 30 June	**12,746**	**20,160**
Deferred acquisition consideration movements		
Balance at 1 July	20,160	-
From acquisition of Trivantage	-	19,879
Finance costs	333	281
Change in fair value of deferred acquisition consideration (i)	2,253	-
Payments	(10,000)	-
Balance at 30 June	**12,746**	**20,160**

(i) During the year, 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 has been recognised as a finance cost in the Consolidated Statement of Comprehensive Income.

22. Capital and reserves

Share capital	2022		2021	
	Number	$'000	Number	$'000
Ordinary shares				
Issued and fully paid	260,006,961	115,953	248,050,102	109,967
Movements in shares on issue				
Balance at the beginning of the financial year	248,050,102	109,967	247,614,481	109,767
Exercise of employee performance rights, net of transaction costs	389,242	221	-	-
Issue of ordinary shares under dividend reinvestment plan, net of transaction costs	446,698	270	435,621	200
Shares issued for acquisition of Trivantage Group, net of transaction costs	11,120,919	5,495	-	-
Balance at the end of the financial year	**260,006,961**	**115,953**	**248,050,102**	**109,967**

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

During the year, the Group issued the $5.5 million of ordinary shares to the selling shareholders 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.

Notes to the financial statements

Dividends

Dividends recognised in the current year by the Group are:

	Cents per share	Total amount $'000	Franked	Date of payment
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**		
2021				
Final 2020 ordinary	3.00	7,428	Franked	22 October 2020
Total amount		**7,428**		

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

Declared after end of year

Subsequent to 30 June 2022, a dividend of 4.00 cents per share in the amount of $10.4 million, including dividends paid to shares anticipated to be issued in respect of vested and exercisable performance rights, was proposed by the directors. The dividend has not been provided in the financial statements.

	Company	
	2022 $'000	2021 $'000
Franking account balance	31,688	23,824

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.

Notes to the financial statements

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	
	2022 $'000	**2021 $'000**
Cash and cash equivalents	53,083	51,006
Trade and sundry receivables (net of provision for impairment)	68,353	68,654
Contract assets	87,233	79,049
	208,669	**198,709**

Cash

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

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and contract with customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Geographically, the concentration of credit risk is within Australia and, by industry, the concentration is within the commercial, infrastructure and resources industries.

When entering into new customer contracts for service, the Group only enters into contracts with credit-worthy companies. Management monitors the Group's exposure on a monthly basis. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, aging profile, maturity and existence of previous financial difficulties.

The Group does not require collateral in respect of trade receivables and contract assets. The Group does not require collateral in respect of trade receivables and contract assets. The Group utilises trade credit insurance against certain customers to reduce the Groups 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	
	2022 $'000	**2021 $'000**
Australia	**155,586**	**147,703**

Impairment losses

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

	Note	Gross 2022 $'000	Allowance for Impairment 2022 $'000	Gross 2021 $'000	Allowance for Impairment 2021 $'000
Contract assets – not past due	14	87,233	-	79,049	-
Trade Receivables:					
Not past due		54,565	-	58,219	-
Past due 0-30 days		10,057	-	6,730	-
Past due 30-60 days		2,298	-	1,788	-
Past due 60 days and less than 1 year		1,421	-	1,524	-
More than 1 year		209	(197)	505	(112)
		68,550	(197)	68,766	(112)
		155,783	**(197)**	**147,815**	**(112)**

The provision of $197,000 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.

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

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.

Notes to the financial statements

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses project costing to assess the cash flows required for each project currently underway and entered into. Cash flow is monitored by management using rolling forecasts and annual budgets that are reviewed monthly at the Board level.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount $'000	Contractual cash flows $'000	6 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 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**
30 June 2021							
Non-derivative financial liabilities							
Trade and other payables	65,980	65,980	65,090	890	–	–	–
Deferred consideration	20,160	20,674	10,000	–	5,666	5,008	–
Lease liability	8,272	9,376	1,487	1,362	2,054	4,168	305
	94,412	**96,030**	**76,577**	**2,252**	**7,720**	**9,176**	**305**

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 2022 or 30 June 2021.

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	
	2022 $'000	2021 $'000
Variable rate instruments		
Financial assets	**53,083**	**51,006**

Notes to the financial statements

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 2021.

	Profit or loss		Equity	
	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
30 June 2022				
Variable rate instruments	1,082	(1,082)	-	-
Cash flow sensitivity (net)	**1,082**	**(1,082)**	**-**	**-**
30 June 2021				
Variable rate instruments	1,189	(1,189)	-	-
Cash flow sensitivity (net)	**1,189**	**(1,189)**	**-**	**-**

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.

Notes to the financial statements

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 (%)	
		2022	2021
Cruz Del Sur Ingeniería Electra (Peru) S.A	Peru	100	100
Southern Cross Electrical Engineering (WA) Pty Ltd (i)	Australia	100	100
Southern Cross Electrical Engineering Tanzania Pty Ltd	Tanzania	100	100
Southern Cross Electrical Engineering Ghana Pty Ltd	Ghana	100	100
S&DH Enterprises Pty Ltd (i)	Australia	100	100
FMC Corporation Pty Ltd (i)	Australia	100	100
Southern Cross Electrical Engineering (Australia) Pty Ltd (i)	Australia	100	100
Hazquip Industries Pty Ltd (i)	Australia	100	100
Datatel Communications Pty Ltd (i)	Australia	100	100
Heyday5 Pty Ltd (i)	Australia	100	100
Electrical Data Projects Pty Ltd (i)	Australia	100	100
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

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

(a) Deed of cross guarantee

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

Notes to the financial statements

25. Interest in joint operations

During the year the Group had a 50% interest in KSJV Unincorporated and KSJV Australia Pty Ltd, both of which were dormant for the period. These joint arrangements are accounted for as joint operations. Subsequent to the year end the Joint Venture Agreement and Shareholder Agreement in respect of these entities have been terminated by mutual consent.

The Group's share of the underlying assets and liabilities as at 30 June 2022 and 2021 and revenues and expenses of the joint operations for the year ended 30 June 2022 and 2021, 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:

		2022 $'000	2021 $'000
2022 Performance Rights	(i)	(225)	-
2021 Performance Rights	(ii)	(224)	(224)
2020 Performance Rights	(iii)	(195)	(195)
2019 Performance Rights		-	(348)
		(644)	**(767)**

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) 2022 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	Contractual life
Performance rights issued to senior management on 5 November 2021	351,872	Employed on 30 June 2024 and exceed performance hurdle	30 months
Performance rights issued to key management on 5 November 2021	965,298	Employed on 30 June 2024 and exceed performance hurdle	30 months
Total /performance rights	**1,317,170**		

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 2021 to 30 June 2024 ("Performance Period");
- No performance rights will vest until 30 June 2024;
- 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

(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 2024 financial year. For the purposes of performance testing the Performance Rights, EPS in the 2024 financial year will be the Basic EPS for the year, as prescribed by the accounting standards and set out in the Company's Financial Reports, adjusted to remove the following non-cash items from the calculation of profit or loss attributable to ordinary shareholders in the year, in order to reflect the companies underlying profitability:

(a) amortisation of acquired intangibles;

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

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

(d) acquisition costs.

EPS, as described above, will be assessed against targets for threshold performance of 8.57 cents per share in the 2024 financial year and for stretch performance of 9.55 cents per share in the 2024 financial year. The vesting schedule is as follows for EPS performance in the 2024 financial year:

Less than 8.57 cents per share	0% vesting
8.57 cents per share	50% vesting
Between 8.57 and 9.55 cents per share	Pro-rata vesting between 50% and 100%
At or above 9.55 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.

(ii) 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.

(iii) 2020 Performance Rights

There were 1,502,329 financial year 2020 Performance Rights on issue at 1 July 2020. No 2020 Performance Rights were granted, none vested and none were forfeited during the year.

The 2020 Performance Rights are performance tested over a three-year period from 1 July 2019 to 30 June 2022. 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 98% of the 2020 Performance Rights have vested and 2% will be forfeited.

Notes to the financial statements

(b) Measurement of fair values

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

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

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

	2022	2021
Grant date	5 November 2021	4 December 2020
Vesting date	30 June 2024	30 June 2023
Share price at grant date	$0.55	$0.55
Expected life	2.7 years	2.6 years
Volatility	36%	36%
Risk free interest rate	0.82%	0.11%
Dividend yield	5.7%	5.5%
Fair value of TSR component	$0.41	$0.31
Fair value of EPS component	$0.61	$0.48

(c) Reconciliation of outstanding performance rights

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

	2022 Number of rights	2021 Number of rights
Outstanding at 1 July	4,232,908	3,754,072
Granted during the year	1,317,170	1,719,954
Exercised during the year	(505,313)	-
Forfeited or withdrawn during the year	(505,312)	(1,241,118)
Outstanding at 30 June	4,539,453	4,232,908
Vested and exercisable at 30 June	-	-

The performance rights exercised and forfeited during the year were the 2019 financial year performance rights which were performance tested on finalisation of the 2021 financial year results with 50% of these performance rights vesting.

Subsequent to 30 June 2022, the vesting conditions in respect of the 2020 performance rights have been performance tested and it has been determined that 1,472,282 of the 2020 performance rights have vested and 30,047 will be forfeited.

Notes to the financial statements

27. Reconciliation of cash flows from operating activities

	2022 $'000	2021 $'000
Profit for the year	**15,269**	**13,761**
Adjustments for:		
Depreciation and amortisation	8,666	7,327
Loss/(profit) on sale of property, plant and equipment and other	227	(179)
Equity-settled share-based payment transactions	644	767
Other	(40)	-
(Increase)/decrease in assets:		
Trade and other receivables	(2,929)	(7,916)
Inventories	410	1,172
Prepayments	(87)	100
Increase/(decrease) in liabilities:		
Trade and other payables	8,679	12,535
Provisions and employee benefits	2,667	2,024
Deferred acquisition consideration	2,586	281
Income tax payable	(5,551)	(793)
Deferred income tax	(869)	205
Net cash from operating activities	**29,674**	**29,284**

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.

Bank Guarantees and Surety Bonds	63,018	66,902

Bank Guarantees and Surety Bonds are provided to customers for satisfactory contract performance. Total bank guarantee facilities at 30 June 2022 were $50.4 million (2021: $51.6 million) and the unused portion was $17.2 million (2021: $17.8 million). These facilities are subject to annual review. Total surety bonds facilities at 30 June 2022 were $66.2 million (2021: $67.2 million) and the unused portion was $36.3 million (2021: $34.1 million). These facilities are subject to annual review. All facilities are set to mature during the 2022/23 year. It is management's intention to review these facilities at maturity to a level appropriate to support the ongoing business of the Group.

Other contingent liabilities

The Group is currently managing a number of claims 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. At 30 June 2022 the Group was also managing an arbitration process in relation to a construction contract. Subsequent to the year end these proceedings have been terminated as further disclosed in note 29.

Notes to the financial statements

29. Subsequent events

Decmil settlement

On 4 August 2022, the Group announced that it has agreed a full and final settlement of its dispute with Decmil Group Limited regarding the subcontract between them for works at Rio Tinto's Amrun mine project in Queensland. The arbitration proceedings concerning this dispute have been terminated.

Dividend declared

On 30 August 2022, the Directors of Southern Cross Electrical Engineering Limited declared a final dividend on ordinary shares in respect of the 2022 financial year. The total amount of the dividend is $10.4 million, which represents a fully franked final dividend of 4 cents per share. This dividend has not been provided for in the 30 June 2022 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:	2022 $'000	2021 $'000
- Auditing or reviewing the financial report	475	397
	475	**397**
Remuneration of PwC Australia as the component auditor of Trivantage for:		
- Auditing or reviewing the financial report of component	-	102
	-	**102**

For the financial year ending 30 June 2022, the auditor for the Group are engaged by the parent company.

31. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2022 the parent company of the Consolidated entity was Southern Cross Electrical Engineering Limited.

Result of the parent entity		
Profit/(loss) for the period	**1,240**	**(8,131)**
Total comprehensive loss for the period	**1,240**	**(8,131)**
Financial position of parent entity at year end		
Current assets	96,391	79,220
Total assets	243,226	224,925
Current liabilities	(134,340)	(105,181)
Total liabilities	(159,276)	(130,059)
Total equity of the parent entity comprising:		
Share capital	115,953	109,967
Reserves	922	6,227
Accumulated losses	(32,925)	(21,328)
Total Equity	**83,950**	**94,866**

Parent entity contingencies:

The parent entity has contingent liabilities which are included in note 28. At 30 June 2022, 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:

	2022 $'000	2021 $'000
Short-term employee benefits	1,964	2,532
Post-employment benefits	98	105
Share-based payments	473	564
	2,535	**3,200**

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

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 2021.

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 2021 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.

Notes to the financial statements

(ii) Foreign operations

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

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

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

(c) Cash and cash equivalents

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

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

(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.

Notes to the financial statements

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised as part of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

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

Buildings	40 years
Leasehold improvements	1 – 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.

(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.

Notes to the financial statements

(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:

	2022	2021
• 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 to AASB 16 - Leases in for accounting its leases previously classified as operating leases other than those leases with short-term, i.e. twelve (12) months or less, and/or of low-value, i.e. less than $7,000.

(i) 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.

(ii) 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 make an adjustment to the right-of-use asset in the following instances:

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

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

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

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

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

(h) Inventories

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

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

(i) Contract assets

Contract assets represents construction work equal to gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (note 33(n)) less progress billings and recognised losses. Cost includes all expenditure related directly to projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

If payments received from customers exceed the income recognised, then the difference is presented as contract liabilities under Trade and other payables in the balance sheet.

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

(j) Assets held for sale

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

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

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

(k) Impairment

(i) Financial assets

A financial asset not carried at fair value through the profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that a financial asset (including equity securities) is impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset level and collective level (see note 23). All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current forward-looking economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical trends (see note 23).

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

(ii) Non-financial assets

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

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

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised 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 unit (group of units) on a pro rata basis.

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

(l) Employee benefits

(i) Long-term benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on high quality corporate bonds or government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the Projected Unit Credit method.

(ii) Termination benefits

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

(iii) Short-term benefits

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

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

(iv) Share-based payment transactions

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

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Notes to the financial statements

(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 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.

(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.

Notes to the financial statements

(v) Variable consideration

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

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

(o) Finance income and expenses

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

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

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

(p) Income tax

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

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

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

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

(q) Goods and services tax

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

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

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

(r) Earnings per share

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

(s) Segment reporting

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

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

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

(t) Financial guarantees

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

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

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

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

(u) Business combinations

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

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

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

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

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.

(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 2022, 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 2021-7c	*Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*

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 completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iii) Trade and other receivables

The fair value of trade and other receivables acquired in a business combination, including contract asset as well as service concession receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(v) Share-based payment transactions

The fair value of employee performance rights and share options is measured using an appropriate pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(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 2022 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 2022.

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

30 August 2022

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 2022 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated balance sheet as at 30 June 2022;
- 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.

Recognition of Contract Revenue ($553 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 tested a sample of the key controls in this process including customer approval of progress claim submissions; • 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 revenue accruals to by agreeing it 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;

	• 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 and 33(n).

Value of Goodwill ($103 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 30% of total assets. We focused on the significant forward-looking assumptions the Group applied in their value in use models for the SCEE, Heyday, Trivantage segments, 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 • Discount rates - these are complicated in nature and vary according to the conditions and environment the specific segments are subject to from time to time. The Group's modelling is sensitive to changes in the discount rate. We involve our valuation specialists with the assessment.	Our procedures included: • Considering the Group's determination of the level at which goodwill is tested based on our understanding of the operations of the Group's business and how independent cash inflows were generated, against the requirements of the accounting standards; • Considering the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards. We 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 the value in use models used;

KPMG

	• 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, growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those segments with a higher risk of impairment and to focus our further procedures; • Working with our valuation specialists, we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in; • 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.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- Assessing the Group and 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.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Southern Cross Electrical Engineering Limited for the year ended 30 June 2022, 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 Directors' report for the year ended 30 June 2022.

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

KPMG

R Gambitta
Partner

Perth

30 August 2022

Lead Auditor's Independence Declaration

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 2022 there have been:

i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG.

KPMG

R Gambitta
Partner

Perth

30 August 2022

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 2022.

Distribution of equity security holders

	Number of equity security holders	
Category	Ordinary shares	Performance rights
1 - 1,000	458	-
1,001 - 5,000	1,061	-
5,001 - 10,000	599	-
10,001 - 100,000	1,436	-
100,001 and over	200	4
	3,754	**4**

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

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Frank Tomasi Nominees Pty Ltd <Frank Tomasi Family a/c>	46,862,764	18.02
UBS Nominees Pty Ltd	40,800,440	15.69
Citicorp Nominees Pty Limited	33,162,303	12.75
J P Morgan Nominees Australia Pty Limited	12,333,705	4.74
National Nominees Limited	5,494,096	2.11
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
HSBC Custody Nominees (Australia) Limited	1,941,121	0.75
CS Fourth Nominees Pty Ltd <HSBC Cust Nom Au Ltd 11 a/c>	1,683,287	0.65
Asgard Capital Management Ltd <1109440 Kaleidoscope a/c>	1,677,618	0.65
Westor Asset Management Pty Ltd <Value Partnership a/c>	1,506,345	0.58
Neweconomy Com Au Nominees Pty Limited <900 account>	1,488,801	0.57
Alfiedoug Pty Ltd <CCALO a/c>	1,432,824	0.55
Stanco Pty Ltd <The Stanco a/c>	1,091,093	0.42
Mr Raymond John Wise	1,076,846	0.41
BNP Paribas Noms Pty Ltd <IB AU Noms Retail Client DRP>	1,073,366	0.41
Mr Roger Edward Koch	1,050,000	0.40
Felix Ventures Pty Ltd	1,008,112	0.39
DPHD5 Pty Ltd	1,000,008	0.38
Poco Asino Investments Pty Ltd	969,077	0.37
	160,340,563	**61.67**

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

Corporate Governance Statement

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

Corporate Directory

Directors

Derek Parkin
Independent Chairman
Non-Executive Director

Graeme Dunn
Chief Executive Officer
Managing Director

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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