

Southern Cross Electrical Engineering Pty Ltd

ABN 92 009 307 046

Annual Financial Report
for the year ended 30 June 2005

10 FEB 2006
ASIC SERVICE
CENTRE PERTH

Southern Cross Electrical Engineering Proprietary Limited

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Southern Cross Electrical Engineering Proprietary Limited

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2005.

DIRECTORS

The names of the directors of the company in office during the financial year and until the date of this report were G Tomasi, B Carman and D Tomasi (alternate for G Tomasi).

All directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activity during the year of the company was electrical contracting. There was no significant change in the nature of this activity during the year.

RESULTS AND DIVIDENDS

The profit after tax of the company for the year ended 30 June 2005 was \$1,430,919 (2004: profit \$1,567,284).

A dividend of \$235,366 was paid during the 2005 financial year (2004: \$47,895)

REVIEW AND RESULTS OF OPERATIONS

The company experienced a significant increase in sales in the past year due to an increase in the number of contracts. Sales increased by 40% and operating profit before tax decreased by 13%.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of the company's affairs during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no significant events occurring after balance date that may affect either the company's operations or results of those operations or the company's state of affairs.

FUTURE DEVELOPMENTS AND RESULTS

Due to the nature of the 'industry' it is hard to predict the future company developments and results.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The company is not subject to any particular or significant environmental regulation.

Southern Cross Electrical Engineering Proprietary Limited

DIRECTORS' REPORT continued

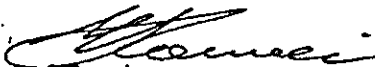
INDEMNIFICATION AND INSURANCE OF DIRECTORS

During or since the financial year, the company has paid premiums of \$6,109 in respect of a contract ensuring all directors of Southern Cross Electrical Engineering Proprietary Limited against costs incurred in defending legal proceedings.

AUDITOR'S INDEPENDENCE DECLARATION

Our auditor, Ernst & Young, have provided the Board of Directors with an independence declaration in accordance with section 307C of the Corporations Act 2001. The independence declaration is included at page 22.

Signed in accordance with a resolution of the directors.



G Tomasi
Director

Perth, 30 November 2005

Southern Cross Electrical Engineering Proprietary Limited

STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE 2005

	Notes	2005	2004
REVENUE FROM ORDINARY ACTIVITIES	3	44,220,306	31,657,435
Raw materials and consumables used		(18,590,360)	(14,138,157)
Depreciation and amortisation expenses	4	(432,066)	(404,085)
Borrowing costs expense	4	(136,181)	(187,537)
Salaries and employee benefits expense		(21,089,239)	(12,567,243)
Other expenses from ordinary activities	4	(2,002,561)	(2,095,040)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		1,969,913	2,265,373
INCOME TAX CREDIT/(EXPENSE) RELATING TO ORDINARY ACTIVITIES	5	(538,994)	(698,089)
NET PROFIT ATTRIBUTABLE TO MEMBERS OF SOUTHERN CROSS ELECTRICAL ENGINEERING PTY LTD	15	1,430,919	1,567,284

Southern Cross Electrical Engineering Proprietary Limited

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2005

	Notes	2005	2004
CURRENT ASSETS			
Cash assets		158,885	69,325
Receivables	7	8,929,146	4,799,658
Prepayments		479,332	
Current tax asset	5	28,356	
TOTAL CURRENT ASSETS		9,595,719	4,868,983
NON-CURRENT ASSETS			
Receivables	8	694,366	1,592,288
Property, plant and equipment	9	2,591,542	2,363,695
Deferred tax assets	5	259,870	320,667
TOTAL NON-CURRENT ASSETS		3,545,778	4,276,650
TOTAL ASSETS		13,141,497	9,145,633
CURRENT LIABILITIES			
Payables	10	4,789,252	1,999,776
Interest bearing liabilities	11	705,746	472,204
Current tax liabilities	5		137,526
Provisions	12	1,393,679	1,237,497
TOTAL CURRENT LIABILITIES		6,888,677	3,847,003
NON-CURRENT LIABILITIES			
Interest bearing liabilities	13	895,350	828,616
Provisions	5		308,097
TOTAL NON-CURRENT LIABILITIES		895,350	1,136,713
TOTAL LIABILITIES		7,784,027	4,983,716
NET ASSETS		5,357,470	4,161,917
EQUITY			
Contributed equity	14	750,002	750,002
Retained profits	15	4,607,468	3,411,915
TOTAL EQUITY		5,357,470	4,161,917

Southern Cross Electrical Engineering Proprietary Limited

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2005

CASH FLOWS FROM OPERATING ACTIVITIES

	Notes	2005	2004
Receipts from customers		40,070,891	31,312,713
Payments to suppliers and employees		(39,215,820)	(29,201,346)
Interest received		13,968	5,301
Borrowing costs		(136,181)	(187,537)
Income tax paid		(952,176)	(476,040)

NET CASH FLOWS FROM OPERATING ACTIVITIES

16(a)

(219,317)

1,432,551

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of property, plant and equipment		(673,669)	(637,032)
Proceeds from sale of property, plant and equipment		19,927	62,534

NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES

(653,742)

(574,498)

CASH FLOWS FROM FINANCING ACTIVITIES

Borrowings – Director related entities		897,710	(254,408)
Borrowings – Other		28,677	(56,075)
Dividends paid on ordinary shares		(235,366)	(47,895)
Finance lease and hire purchase liabilities		(5,706)	

NET CASH FLOWS USED IN FINANCING ACTIVITIES

685,315

(358,378)

NET INCREASE IN CASH HELD

(187,744)

519,675

Add opening cash brought forward

(189,921)

(709,596)

CLOSING CASH CARRIED FORWARD

16(b)

(377,665)

(189,921)

Southern Cross Electrical Engineering Proprietary Limited

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

1. CORPORATE INFORMATION

Southern Cross Electrical Engineering Proprietary Limited is a company limited by shares that is incorporated and domiciled in Australia.

The registered office of Southern Cross Electrical Engineering Proprietary Limited is located at:

41 Macedonia Street,
Naval Base, WA 6165

The principal activity during the year of the company was electrical contracting.

The entity employed 170 employees as of 30 June 2005 (2004: 212 employees).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

This special purpose financial report has been prepared for distribution to the members to fulfil the directors' financial reporting requirements under the Corporations Act 2001. The accounting policies used in the preparation of this report, as described below, are consistent with previous years, and are, in the opinion of the directors, appropriate to meet the needs of members.

By virtue of Accounting Standard AASB 1025: Application of the Reporting Entity Concept and Other Amendments, the requirements of Accounting Standards issued by the Australian Accounting Standards Board and other professional reporting requirements do not have mandatory applicability to Southern Cross Electrical Engineering Pty Ltd in relation to the year ended 30 June 2005 because the directors have determined that the company is not a reporting entity. However, the directors have determined that in order for the financial report to give a true and fair view of the company's results of operations and state of affairs, the requirements of Accounting Standards and other professional reporting requirements relating to the measurements of assets, liabilities, revenues, expenses and equity should be complied with.

Accordingly, the directors have prepared the financial report in accordance with Accounting Standards and other professional reporting requirements with the following exceptions:

AASB 1005: Segment Reporting;

AASB 1017: Related Party Disclosures;

AASB 1024: Consolidated Accounts;

AASB 1033: Presentation and Disclosure of Financial Instruments;

AASB 1047: Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards.

The financial statements have been prepared in accordance with the historical cost convention.

(b) Change in accounting policies

The accounting policies adopted are consistent with those of the previous year.

Southern Cross Electrical Engineering Proprietary Limited

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

(d) Trade Receivables

Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Bad debts are written off as incurred.

(e) Receivables - Related Parties

Amounts (other than trade debts) receivable from related parties are carried at nominal amounts due.

(f) Recoverable Amount

Non-Current assets are written down to their recoverable amount when the carrying amount of the asset is greater than the assets' recoverable amount. Where a group of assets working together supports the generation of net cash inflows relevant to the determination of recoverable amount, the net cash inflows are estimated for the relevant group of assets and the recoverable amount test is applied to the carrying amount of that group of assets.

(g) Property, plant and equipment

Cost and valuation

Subsequent to initial recognition as an asset all classes of property, plant and equipment (Freehold Land, Buildings and Plant and Equipment) are measured at cost.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment, other than freehold land.

Major depreciation periods are:	2005	2004
Freehold buildings:	40 years	40 years
Leasehold improvements:	the lease term	the lease term
Plant and equipment:	2 to 6 years	2 to 6 years
Motor Vehicles:	2 to 5 years	2 to 5 years

(h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the company are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the statement of financial performance.

Southern Cross Electrical Engineering Proprietary Limited

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Trade Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the company.

(j) Loans and Borrowings

All borrowings are carried at the principal amount. Interest is charged as an expense as it accrues.

(k) Provisions

Dividends payable are recognised when a legal obligation to pay the dividend arises, typically following approval of the dividend at a meeting of shareholders.

(l) Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the company.

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of Services

Where the contract outcome can be reliably measured:

- Sales revenue is recognised by means of progressive billings based on the percentage of completion of contracts. Inclusive in sales contracts to customers is the provision for warranty cover for any defects in the products. Retention or bank guarantees are held by customers until the expiry of the warranty period. The sales revenue recognised includes these retentions.

Where the contract outcome cannot be reliably measured:

- Revenue is recognised only to the extent that costs have been incurred.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Dividends

Control of a right to receive consideration for the investment in assets is attained, usually evidenced by approval of the dividend at a meeting of shareholders.

(n) Income Tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Where assets are re-valued no provision for potential capital gains tax has been made.

Southern Cross Electrical Engineering Proprietary Limited

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- Wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
 - Other types of employee benefits
- are recognised against profits on a net basis in their respective categories.

Southern Cross Electrical Engineering Proprietary Limited

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

Notes

2005

2004

3. REVENUE FROM ORDINARY ACTIVITIES

Revenues from operating activities

Revenue from services

44,085,948

31,589,600

Revenues from outside the operating activities

Interest

13,968

5,301

Proceeds from sale of non-current assets

19,927

62,534

Management fee

75,323

Net foreign currency gain/(loss)

114,890

Other

10,250

Total revenues from outside the operating activities

134,358

67,835

Total revenues from ordinary activities

44,220,306

31,657,435

4. EXPENSES AND LOSSES / (GAINS)

(a) Expenses

Cost of services provided

35,606,286

23,325,837

Other expenses from ordinary activities

Motor vehicle expenses

389,979

395,901

Rent

285,337

295,108

Insurance

573,615

476,434

Telephone

98,327

191,168

Other

655,303

836,429

Total other expenses from ordinary activities

2,002,561

2,095,040

Depreciation and amortisation of non-current assets

Plant and equipment

158,297

157,300

Leaschold improvements

24,883

24,883

Motor vehicles

248,886

221,902

Total depreciation and amortisation expenses

432,066

404,085

Borrowing costs expensed

Interest expense

Other persons/corporations

116,006

164,604

Hire-purchase

20,175

22,933

Total borrowing costs expensed

136,181

187,537

Southern Cross Electrical Engineering Proprietary Limited

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

Notes

2005

2004

4. EXPENSES AND LOSSES / (GAINS) (Con't)

(b) Losses / (Gains)

Net loss/(gain) on disposal of property, plant and equipment

(6,171) (6,799)

Net foreign currency loss/(gain)

(14,890) 27,083

5. INCOME TAX

The prima facie tax on operating profit differs from the income tax provided in the financial statements as follows:

Prima facie tax on operating profit at 30% (2004: 30%)

590,975 679,611

Tax effect of permanent differences

Non-deductible expenses

1,028 3,655

Overprovision of previous year

(55,009) 14,823

Total income tax provided on operating profit

538,994 698,089

Tax assets and liabilities

Current tax receivable / (payable)

28,356 (137,526)

Provision for deferred income tax – non-current

(308,097)

Future income tax benefit – non-current

259,870 320,667

6. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

(a) Dividends paid

Franked dividends

15

235,366 47,895

The tax rate at which dividends have been franked is 30% (2004: 30%).

(b) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

– franking account balance as at the beginning of the financial year at 30% (2004: 30%)

1,530,332 1,928,844

– franking credits that will arise from the payment of income tax payable as at the end of the financial year

805,199 422,014

– franking debits that will arise from the payment of dividends or refund of 2004 tax assessment as at the end of the financial year

(253,113) (20,526)

1,882,418 1,330,332

Southern Cross Electrical Engineering Proprietary Limited

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

Notes

2005

2004

7. RECEIVABLES (CURRENT)

Trade debtors
 Provision for doubtful debts

 Sundry Debtors
 Retentions
 Other
 Amounts other than trade debts receivable from related parties:
 Directors and director related entities
 - director-related

	2005	2004
	\$	\$
Trade debtors	7,478,324	3,902,886
Provision for doubtful debts	(7,478,324)	(3,902,886)
Sundry Debtors	1,233,168	
Retentions	196,107	880,687
Other	5,256	
Amounts other than trade debts receivable from related parties:		
Directors and director related entities		
- director-related	(16,297)	(16,085)
	8,929,146	4,799,658

8. RECEIVABLES (NON-CURRENT)

Related party receivables
 Directors and director-related entities
 - loans to director-related entities

Related party receivables		
Directors and director-related entities		
- loans to director-related entities	694,366	1,592,288

9. PROPERTY, PLANT AND EQUIPMENT

Buildings and leasehold land
 At cost
 Accumulated depreciation

Plant and equipment

At cost
 Accumulated depreciation

Motor vehicles

At cost
 Accumulated depreciation

Total property, plant and equipment

Total at cost

Provision for depreciation and amortisation

Total written down amount

Buildings and leasehold land		
At cost	995,352	995,352
Accumulated depreciation	(226,002)	(201,119)
Plant and equipment		
At cost	2,257,183	2,055,640
Accumulated depreciation	(1,640,410)	(1,512,210)
Motor vehicles		
At cost	2,859,497	2,454,343
Accumulated depreciation	(1,654,078)	(1,428,311)
Total property, plant and equipment	1,205,419	1,026,032
Total at cost	6,112,032	5,505,335
Provision for depreciation and amortisation	(3,520,490)	(3,141,640)
Total written down amount	2,591,542	2,363,695

Southern Cross Electrical Engineering Proprietary Limited

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005	Notes	2005	2004
		\$	\$
9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)			
Movement in non-current assets			
<i>Leasehold Improvements</i>			
Balance at beginning of the year		794,233	819,116
Depreciation expense		(24,883)	(24,883)
Balance at the end of the year		769,350	794,233
<i>Plant and Equipment</i>			
Balance at the beginning of the year		543,430	514,258
Additions		234,958	199,530
Disposals		(3,318)	(13,058)
Depreciation expense		(158,297)	(157,300)
Balance at the end of the year		616,773	543,430
<i>Motor Vehicles</i>			
Balance at the beginning of the year		1,026,032	853,108
Additions		438,710	437,503
Disposals		(10,438)	(42,677)
Depreciation expense		(248,886)	(221,902)
Balance at the end of the year		1,205,419	1,026,032
10. PAYABLES (CURRENT)			
Trade creditors		3,621,804	1,461,755
Other creditors		880,793	263,895
Accrued expenses		286,655	274,126
		4,789,252	1,999,776
11. INTEREST BEARING LIABILITIES (CURRENT)			
Lease liability		169,196	212,958
Borrowings secured by mortgage			
- bank overdrafts		536,550	259,246
		705,746	472,204

Southern Cross Electrical Engineering Proprietary Limited

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

Notes

2005

2004

(a) Secured lease liability
Finance lease

17

169,196

212,958

(b) Terms and conditions

Terms and conditions relating to the above financial instruments

(i) Interest on the bank overdraft is charged at the bank's benchmark rate.

(ii) Finance leases have an average lease term of 5 years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the lease is 7% (2004: 7%). Secured lease liabilities are secured by a charge over the leased assets. A restriction also exists requiring notification to the lessor of any further finance leases entered into.

12. PROVISIONS

Employee Entitlements

1,393,679

1,237,497

13. INTEREST-BEARING LIABILITIES (NON-CURRENT)

Lease liability

17

154,225

116,169

Borrowings, unsecured
- director-related entities

741,124

712,447

895,350

828,616

(a) Secured lease liability
Finance lease

17

154,225

116,169

(b) Terms and conditions

Terms and conditions relating to the above financial instruments

(i) Finance leases have an average lease term of 5 years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the lease is 7% (2004: 7%).

(ii) Other loans relate to loans from a director related entity due on 31 March 2004. Interest is charged semi-annually at the commercial borrowing rate.

14. CONTRIBUTED EQUITY

Issued and paid up capital

- 750,002 ordinary shares each fully paid (2004: 750,002)

750,002

750,002

Southern Cross Electrical Engineering Proprietary Limited

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

Notes

2005

2004

(a) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the company.

15. RETAINED PROFITS

Retained profits

4,607,468 3,411,915

Movements in retained profits:

(a) Retained profits

Balance at the beginning of the year

3,411,915 1,892,526

Net (loss)/profit

1,430,919 1,567,284

Total available for appropriation

4,842,834 3,459,810

Dividends paid

(235,366) (47,895)

Balance at end of year

4,607,468 3,411,915

16. STATEMENT OF CASH FLOWS

(a) Reconciliation of the operating profit after tax to the net cash flows from operations

Operating profit after tax

1,430,919 1,567,284

Depreciation of non-current assets

432,066 404,085

Net loss/(gain) on disposal of property, plant and equipment

(6,171) (6,799)

Changes in assets and liabilities

Trade receivables

(3,575,437) 312,575

Prepayments

(479,332)

Other assets

(553,838) (643,485)

Future income tax benefit

73,367 107,653

Trade creditors

2,160,649 (934,622)

Other creditors

629,427 209,027

Current tax liability

(165,882) 114,396

Deferred tax liability

(320,667)

Employee entitlements

156,182 322,437

Net cash flow from operating activities

(219,317) 1,452,551

(b) Reconciliation of cash

Cash balance comprises:

– cash on hand

158,885 69,325

– bank overdraft

16 (c)

(536,550) (259,246)

Southern Cross Electrical Engineering Proprietary Limited

NOTES TO THE FINANCIAL STATEMENTS

Closing cash balance		(377,665)	(189,921)
30 JUNE 2005	Notes	2005	2004
16. STATEMENT OF CASH FLOWS (continued)			
(c) Bank Overdraft Facility			
The company has a bank overdraft facility, business card facility and contingent liability limit available to the extent of \$5,060,000 (2004: \$3,250,000).			
(d) Insurance Premium Funding Facility			
The company has a premium financing facility for the workers compensation insurance of \$500,000 (2004: \$300,000) at 3 per cent per annum payable in equal instalments over ten months.			
17. EXPENDITURE COMMITMENTS			
(a) Lease expenditure commitments			
(i) Finance leases:			
- not later than one year		186,319	228,943
- later than one year and not later than five years		163,297	121,288
- total minimum lease payments		349,616	350,231
- future finance charges		(26,194)	(21,104)
- lease liability		323,422	329,127
- current liability	11	169,196	212,958
- non-current liability	13	154,225	116,169
		323,422	329,127
Finance leases have an average lease term of 5 years with an average discount rate of 7% (2004: 7%) implicit in the leases. The security over finance leases is disclosed in note 12.			
18. CONTINGENT LIABILITIES			
The company has issued bank guarantees in relation to contracts as required by their clients in the normal course of business. Guarantees are issued in respect of any defects that may occur during the specified warranty period.			
		3,884,631	4,492,132
19. SUBSEQUENT EVENTS			
There have been no significant events that have occurred subsequent to 30 June 2005.			

Southern Cross Electrical Engineering Proprietary Limited

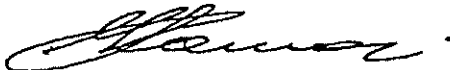
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Southern Cross Electrical Engineering Proprietary Limited, I state that:

In the opinion of the directors the financial report of Southern Cross Electrical Engineering Pty Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Southern Cross Electrical Engineering Pty Ltd at 30 June 2005 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements; and
 - (ii) complying with Accounting Standards in Australia to the extent described in Note 2 to the financial statements and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia to the extent described in Note 2 to the financial statements.

On behalf of the Board



G Tomasi
Director

Perth, 30 November 2005

Auditor's Independence Declaration to the Directors of Southern Cross Electrical Engineering Pty Ltd

In relation to our audit of the financial report of Southern Cross Electrical Engineering Pty Ltd for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

G Lotter
Partner
30 November 2005



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Australia

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Perth WA 6843

Independent audit report to members of Southern Cross Electrical Engineering Pty Ltd

Scope

The financial report and directors' responsibility

The financial report is a special purpose financial report and comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Southern Cross Electrical Engineering Pty Ltd (the company), for the year ended 30 June 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia to the extent described in Note 2 to the financial statements, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors have determined that the accounting policies used and described in Note 2 to the financial statements are appropriate to meet the needs of the members. These policies do not require the application of all Accounting Standards and other mandatory financial reporting requirements in Australia. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the directors' financial reporting requirements under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Audit approach

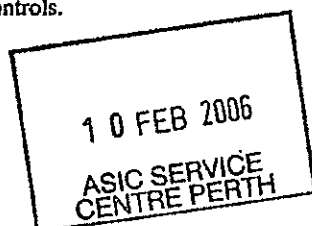
We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia to the extent described in Note 2 to the financial statements, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



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under the Professional Standards Act 1994 (NSW)



We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration.

Qualification

Included in non-current loans receivable as defined in Note 8 to the financial statements is an amount of \$694,366 representing amounts receivable from a director Mr G Tomasi and entities associated with Mr G Tomasi. We have been unable to obtain sufficient audit evidence as to the recoverability of these loans because the recoverability is dependent upon the underlying values of the personal and other business assets of Mr G Tomasi and his associated entities to which we are not privy. This constitutes a limitation in the scope of our audit.

Qualified Audit opinion

In our opinion, except for the effect on the financial report of such adjustments, if any, as might have been determined to be necessary had the limitation referred to in the qualification paragraph not existed, the financial report of Southern Cross Electrical Engineering Pty Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Southern Cross Electrical Engineering Pty Ltd at 30 June 2005 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements; and
 - (ii) complying with Accounting Standards in Australia to the extent described in Note 2 to the financial statements and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia to the extent described in Note 2 to the financial statements.

Ernst & Young

Ernst & Young

G Lotter
Partner
Perth
30 November 2005

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ASIC SERVICE
CENTRE PERTH