

Results for announcement to the market

Appendix 4D

Half year ended 31 December 2014

The current reporting period is the half year ended 31 December 2014. The previous corresponding period is the half year ended 31 December 2013.

Revenue and Net Profit	Half Year Ended	Half Year Ended	Change	
	31 Dec 2014	31 Dec 2013		
	\$'000	\$'000	\$'000	%
Revenue from ordinary activities	141,987	110,724	31,263	28%
Profit/(Loss) from ordinary activities after tax attributable to members	4,106	6,186	(2,080)	(34%)
Net profit/(loss) attributable to members	4,106	6,186	(2,080)	(34%)

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

NTA Backing	Half Year Ended 31 Dec 2014	Half Year Ended 31 Dec 2013
Net tangible asset backing per security (cents per share)	53.8 cps	52.8 cps

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

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

Details of associates and joint venture entities

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

- KSJV
- KSJV Australia Pty Ltd

Commentary on the Results for the Period

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



Interim Financial Report

for the half year ended 31 December 2014

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Directors' report

The directors present their report together with the Condensed Consolidated Interim Financial Report for the six months ended 31 December 2014 and the Independent Review Report thereon.

Directors

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

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

On 29 January 2015 the Board announced the impending retirement of Mr Simon High, the Managing Director and Chief Executive Officer. The Board has commenced a formal search process for a new CEO and Mr High will remain in the role until the appointment is made.

Review of operations

The six months ended 31 December 2014 saw a continuation of the challenging market conditions that emerged during 2013. The tender process to secure available work has become increasingly competitive and commodity price weakness has seen the postponement or cancellation of a number of capital projects.

Despite the tougher operating environment, activity levels over the period were high with revenue of \$142.0m compared to \$110.7m for the six months ended 31 December 2013.

Gross margin for the period was 15.7% which was down slightly on the gross margins of 16.6% achieved in the second half of financial year 2014 but represented a significant decrease from the gross margin of 23.5% in the prior comparative period when several large lump sum projects secured prior to the emergence of these tougher market conditions were successfully closed out.

Net profit after income tax for the period was \$4.1m, down from \$6.2m in the prior comparative period.

Revenues generated by each of SCEE's operating divisions in the period were: SCEE Construction \$80.5m; SCEE Infrastructure \$29.8m; and SCEE Services \$31.7m. Key projects were as follows -

SCEE Construction:

- Rio Tinto Cape Lambert Port B Phase B – Following the successful delivery of Phase A, SCEE was awarded over \$80m of E&I works on Phase B of Rio Tinto's Cape Lambert Port B expansion. Performance on the job was good with manning peaking at over 300 personnel. The project was substantially complete by the end of December.
- Civmec Nammuldi – SCEE has been performing the Electrical and Instrumentation component of Civmec's stockyard and train load out works at Rio Tinto's Nammuldi Below Water Table project. The work had an award value in excess of \$10m and was physically completed in December.
- CITIC Pacific Sino Iron – During the period SCEE was awarded approximately \$80m of E&I works at CITIC Pacific's Sino Iron Project at Cape Preston, Western Australia. Activity commenced during the current period and is scheduled to ramp up during the second half of the year.
- KSJV – Bechtel Australia Pacific LNG – SCEE's LNG focussed joint venture KSJV has been performing E&I works on the Australia Pacific LNG project on Curtis Island in Queensland as a subcontractor to Bechtel. The work, which is being performed on a cost reimbursable basis, will continue into the second half of the year.

SCEE Infrastructure:

- BHP Billiton Iron Ore Yarnima Power Station – SCEE was awarded in excess of \$25m of E&I works at BHP Billiton Iron Ore's Yarnima Power Station near Newman. The work commenced in the prior financial year with the majority of the scope work being completed by the end of the current period.
- BHP Billiton Iron Ore Sustaining Capital – work continued under the framework agreement in which SCEE are on a panel of contractors providing electrical and instrumentation services to BHP Iron Ore's Australia-wide Sustaining Capital program.

SCEE Services:

- Rio Tinto Electrical Infrastructure Replacement – The work at Rio Tinto's East Intercourse Island site includes the replacement and refurbishment of electrical equipment.
- Rio Tinto West Angelas – SCEE has been performing the E&I works at Rio Tinto's West Angelas Deposit B upgrade. The work was substantially completed during the period.

We are pleased to report that we carried out our operations in the period without incurring a Lost Time Injury.

Active management of overheads during the period resulted in an 8% reduction in overheads on the prior comparative period despite a 28% increase in revenue. In absolute terms, overheads reduced from \$13.9m in H1 2014 to \$12.8m in H1 2015. As a percentage of revenue overheads were 9% of revenue compared to 12.5% of revenue in the prior comparative period. Management remains focussed on ensuring that overheads are at an appropriate level to effectively support activity and anticipates that further cost reductions will be achieved.

The balance sheet remained strong throughout the period. Cash on hand at 31 December 2014 was \$34.0m with a further \$13.6m of trade debtors which has been due prior to the end of the period being received in the first

week of January 2015.

Debt at 31 December 2014 was minimal at \$1.8m and relates to asset finance leases.

Capital expenditure in the period was \$1.2m and is expected to remain at a low level in the near term. This follows significant capital spend in recent financial years on the renewal of SCEE's plant and equipment fleet and systems upgrades.

The order book at 31 December was \$110m, excluding work performed under recurring framework agreements. Subsequent to the period end additional orders of \$20m have been received.

Dividend

The directors have not declared an interim dividend for the six months ended 31 December 2014 (31 December 2013: no dividend).

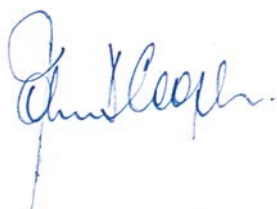
Rounding off

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

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 17 and forms part of the directors' report for the six months ended 31 December 2014.

Signed in accordance with a resolution of the directors:

A handwritten signature in blue ink, appearing to read 'John Cooper', is written over a faint, light blue circular stamp or watermark.

John Cooper

Chairman

Perth

24 February 2015

Condensed Consolidated Statement of Comprehensive Income

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Contract revenue	141,987	110,724
Contract expenses	(119,740)	(84,705)
Gross profit	22,247	26,019
Other income	257	180
Employee benefits expenses	(8,828)	(9,722)
Occupancy expenses	(834)	(1,087)
Administration expenses	(2,670)	(2,425)
Other expenses	(510)	(650)
Depreciation expense	(3,352)	(3,479)
Amortisation of customer contract intangibles	(75)	(75)
Profit from operating activities	6,235	8,761
Finance income	451	475
Finance expense	(505)	(588)
Net finance expense	(54)	(113)
Profit before income tax	6,181	8,648
Income tax expense	(2,075)	(2,462)
Profit after income tax for the period	4,106	6,186
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation losses for foreign operations	40	5
Income tax on other comprehensive income	-	-
Other comprehensive income/(loss) net of income tax	40	5
Total comprehensive income for the period	4,146	6,191
Attributable to		
Owners of the Company	4,146	6,191
Earnings per share		
- Basic earnings per share (cents per share)	2.54	3.80
- Diluted earnings per share (cents per share)	2.53	3.80

Condensed Consolidated Statement of Financial Position

	Note	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Assets			
Current Assets			
Cash and cash equivalents		34,019	37,869
Trade and other receivables		28,946	28,461
Inventories		3,018	2,649
Construction work in progress		27,855	28,909
Prepayments		1,708	686
Total current assets		95,546	98,574
Non-current assets			
Property, plant and equipment	7	28,492	30,741
Intangible assets		17,175	17,249
Total non-current assets		45,667	47,990
Total assets		141,213	146,564
Liabilities			
Current liabilities			
Trade and other payables		19,240	23,968
Unearned revenue		2,223	1,134
Loans and borrowings		1,624	1,875
Employee entitlements		5,687	5,459
Tax payable		1,766	2,117
Total current liabilities		30,540	34,553
Non-current liabilities			
Loans and borrowings		136	820
Employee entitlements		382	326
Deferred tax liability		6,087	6,612
Total non-current liabilities		6,605	7,758
Total liabilities		37,145	42,311
Net assets		104,068	104,253
Equity			
Share capital		57,578	57,578
Reserves		623	553
Retained earnings		45,867	46,122
Total equity		104,068	104,253

Condensed Consolidated Statement of Changes in Equity

	Share Capital	Retained Earnings	Options Reserve	Translation Reserve	Total Equity
Balance as at 1 July 2014	57,578	46,122	1,328	(775)	104,253
Total comprehensive income for the period					
Profit for the period	-	4,106	-	-	4,106
Foreign currency translation	-	-	-	40	40
Total comprehensive Income	-	4,106	-	40	4,146
Transactions with owners, recorded directly in equity					
Cost of share based payment	-	-	30	-	30
Dividends	-	(4,361)	-	-	(4,361)
Total transactions with owners	-	(4,361)	30	-	(4,331)
Balance as at 31 December 2014	57,578	45,867	1,358	(735)	104,068

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

Condensed Consolidated Statement of Cash Flows

	Note	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash flows from operating activities			
Cash receipts from customers		143,903	120,980
Cash paid to suppliers and employees		(138,389)	(122,183)
Interest received		451	475
Interest paid		(505)	(589)
Income taxes received/(paid)		(2,951)	-
Net cash from/(used in) operating activities	8	2,509	(1,317)
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(1,225)	(2,985)
Disposal of property, plant and equipment		122	56
Net cash used in investing activities		(1,103)	(2,929)
Cash flows from financing activities			
Repayment of borrowings		(935)	(937)
Dividends paid		(4,361)	(4,361)
Net cash used in financing activities		(5,296)	(5,298)
Net decrease in cash and cash equivalents		(3,890)	(9,544)
Cash and cash equivalents at 1 July		37,869	40,865
Effect of exchange rate fluctuations on cash held		40	5
Cash and cash equivalents at 31 December		34,019	31,326

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Southern Cross Electrical Engineering Limited (the “Company”) is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2014 comprises the Company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial report of the Group as at and for the year ended 30 June 2014 is available upon request from the Company’s registered office at 41 Macedonia Street, Naval Base, Western Australia 6165 or at www.scee.com.au.

2. Statement of compliance

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

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2014.

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

3. Estimates

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

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2014.

4. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2014.

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

The Group did not adopt any new and or revised standards, amendments or interpretations from 1 July 2014 which had any effect on the financial position or performance of the Group.

5. Financial risk management

During the six months ended 31 December 2014 the Group's financial risk management objectives and policies were consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2014.

6. Segment reporting

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

The Group has branded itself into the following three operating divisions: SCEE Construction, SCEE Infrastructure and SCEE Services. In the half-year ended 31 December 2014 the Group derived revenues of \$80.5 million from SCEE Construction, \$29.8 million from SCEE Infrastructure and \$31.7 million from SCEE services. The divisions are exposed to similar operational risks and rewards and are only divisions for the purposes of addressing target market opportunities and facilitating appropriate project management structures.

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

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

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

7. Property, plant and equipment

In the six months ended 31 December 2014 the Group made the following additions to property, plant and equipment: leasehold improvements \$17,000; plant and equipment \$528,000; and office furniture and equipment \$680,000.

8. Reconciliation of cash flows from operating activities

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash flows from operating activities		
Profit after income tax for the period	4,106	6,186
Adjustments for:		
Depreciation and amortisation	3,427	3,554
Equity-settled share-based payment transactions	30	(592)
(Increase)/decrease in assets:		
Change in trade and other receivables	(485)	(15,257)
Change in work in progress	1,054	26,110
Change in inventories	(369)	(1,451)
Change in prepayments	(1,022)	(1,686)
Increase/(decrease) in liabilities:		
Change in trade and other payables	(4,728)	(18,272)
Change in unearned revenue	1,089	(777)
Change in provisions and employee benefits	283	(1,594)
Change in income tax payable	(351)	9,265
Change in deferred income tax	(525)	(6,803)
Net cash from/(used in) operating activities	2,509	(1,317)

9. Share based payments

During the six months ended 31 December 2014 the Company issued 2,120,941 Performance Rights in respect of the 2015 financial year. The Performance Rights issued under the Company's Senior Management Long Term Incentive Plan, vest over the period to 30 June 2017 and have a fair value at grant date of \$0.25 (TSR Component) and \$0.42 (EPS Component). The fair value of the TSR Performance Rights has been measured using the Monte-Carlo simulation. The EPS Performance Rights has been measured using the Binomial tree methodology.

The movement in the share based payments reserve reflects the amounts expensed in regard to the FY 2015 grant of \$295,901, together with the reversal of amounts for the FY2014 offers of \$266,311 where vesting of rights is no longer anticipated.

10. Related parties – Key management personnel

The share based payments disclosed in note 10 included the following issues to key management personnel during the six months ended 31 December 2014. Simon High was issued 842,026 Performance Rights and Chris Douglass was issued 341,837 Performance Rights.

The Performance Rights issued to Simon High were approved by shareholders at the Company's Annual General Meeting on 4 November 2014.

Other arrangements with related parties continue to be in place on the same basis as at 30 June 2014. For full disclosure on these transactions refer to the 30 June 2014 annual financial report.

11. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Bank Guarantees	24,851	19,677
Surety Bonds	15,729	14,641

12. Events after the balance sheet date

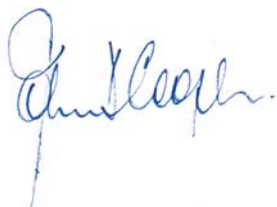
As at the reporting date 3,312,760 shares had been purchased as part of the group's share buy back scheme at an average share price of \$0.47 per share.

Directors' declaration

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

1. the financial statements and notes set out on pages 6 to 13, are in accordance with the Corporations Act 2001 including:
 - a. giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the six month period ended on that date; and
 - b. complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors



John Cooper

Chairman

Perth

24 February 2015



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

Report on the financial report

We have reviewed the accompanying interim financial report of Southern Cross Electrical Engineering Limited (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2014, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Southern Cross Electrical Engineering Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Matthew Beevers', with a stylized flourish at the end.

Matthew Beevers
Partner

Perth

24 February 2015



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

To: the directors of Southern Cross Electrical Engineering Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Matthew Beevers', with a long horizontal stroke extending to the right.

Matthew Beevers
Partner

Perth

24 February 2015