

## Results for announcement to the market

### Appendix 4D

Half year ended 31 December 2020

The current reporting period is the half year ended 31 December 2020. The previous corresponding period is the half year ended 31 December 2019.

Revenue and Net Profit	Half Year Ended	Half Year Ended	Change	
	31 Dec 2020	31 Dec 2019	\$'000	%
	\$'000	\$'000	\$'000	%
Revenue from ordinary activities	135,396	230,340	(94,944)	(41.2)
Profit/(Loss) from ordinary activities after tax attributable to members	4,520	5,535	(1,015)	(18.3)
Net profit/(loss) attributable to members	4,520	5,535	(1,015)	(18.3)

Dividends	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend		N/a
Date the interim dividend is payable		N/a
The Company operates a dividend re-investment plan.		

NTA Backing	Half Year Ended	Half Year Ended
	31 Dec 2020	31 Dec 2019
Net tangible asset backing per security (cents per share)	18.8 cps	32.1 cps

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

On 16 December 2020, the Company acquired 100% of Trivantage Holdings Pty Ltd (“Trivantage”) and its subsidiaries (together referred to as “Trivantage Group”).

Trivantage Group is a specialised electrical services group with over 50 years of operational experience providing complex electrical solutions across Australia. It is primarily a services-oriented business characterised by a strong degree of recurring and maintenance work. It operates via three specialty divisions. S.J. Electrical (electrical services to commercial and retail markets), SEME Solutions (electronic security services) and Trivantage Manufacturing (switchboard design and manufacture). Trivantage Group is headquartered in Melbourne and has around 400 employees and sub-contractors throughout Australia with offices in Victoria, Western Australia, Queensland, New South Wales, South Australia and Tasmania.

Further details can be found in note 10 to the Interim Financial Report.

### **Details of associates and joint venture entities**

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

- KSJV
- KSJV Australia Pty Ltd

### **Commentary on the Results for the Period**

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

### **Authorised for release by the Board of Directors**



# Interim Financial Report

for the half year ended 31 December 2020

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## Directors' Report

The Directors present their report together with the Consolidated Interim Financial Report for the six months ended 31 December 2020 and the Independent Review Report thereon.

### Directors

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

#### *Non-executive Directors*

Mr Derek Parkin (Chairman)

Mr Simon Buchhorn

Mr Karl Paganin

Mr Paul Chisholm (appointed 16 December 2020)

#### *Executive Directors*

Mr Graeme Dunn (Managing Director)

Mr David Hammond

### Review of operations

The first half of FY21 saw SCEE complete the strategic acquisition of Trivantage Group, a leading specialised electrical services provider to a range of sectors across Australia. The acquisition brings a transformational change in the breadth and depth of the group's recurring, services and maintenance offerings.

The acquisition was completed on 16 December 2020 and as such there was no material contribution from Trivantage in the results for the period.

#### Results for the half year ended 31 December 2020

Revenue for the half year was \$135.4m, a decrease of 27% compared to the previous six months and 41% on the prior corresponding period.

Activity levels were reduced in the half due to the later than expected award of Rio Tinto Gudai-Darri works and the delayed execution of other resources projects into the second half of the year.

Key revenue contributors in the period by market sectors were as follows:

- Commercial – revenue for half year was \$64m. Most of the revenue in the sector continues to be generated in the New South Wales market on a range of large construction and fit-out projects including Wynyard Place and at Parramatta Square 3 & 4, where the works were completed, and continues at Parramatta Square 5 & 7.
- Resources – revenue for the half year was \$32m. Work continued at the Kemerton Lithium Project in WA and Rio Tinto's Gove Operations in the Northern Territory and commenced at the recently awarded Rio Tinto Gudai-Darri iron ore project in WA. All three projects are expected to ramp up significantly in the second half.

- Infrastructure – revenue for the half year was \$32m. Volumes were down on prior periods with the Westmead Hospital project in New South Wales now demobilised and the NBN construction roll-out largely completed early in the half. The Sydney Metro Pitt Street Station project is in the early stages and work continues at the Australian National University in Canberra and the RUDATA SYD053 data centre in Sydney.

Gross profit for the half year of \$21.7m was down 5% on the prior six months and 9% on the prior corresponding period. Gross margin was 16% compared to 11% in the prior six months and 10% in the prior corresponding period.

Overheads were \$12.2m compared to \$10.3m in the prior six months which included \$1.2m of the Trivantage acquisition-related costs of \$1.9m being recognised in Administration Expenses in the period. Overheads in the prior corresponding period were \$13.2m.

EBITDA for the half year of \$9.7m was down 9% on the prior six months, EBIT of \$7.3m was down 9% and NPAT of \$4.5m was down 15%. Against the prior corresponding period EBITDA was down 11%, EBIT was down 13% and NPAT was down 18%.

In addition to the Trivantage acquisition costs noted above, the result also included the following one-off or unusual items:

- Jobkeeper receipts of \$7.4m were recognised in the period as certain parts of the Group continued to qualify for the scheme;
- Coronavirus continued to have multiple minor but insidious impacts on productivity including inter-state travel restrictions, unproductive time, additional recruitment requirements, changes to methodologies and additional cleaning and PPE costs. Collectively these impacts have been evaluated as costing circa \$2-3m in the period; and
- following the completion of the large-scale NBN construction roll-out in early FY21, the Datatel business has been restructured and refocused to extend its existing capabilities to become the services and minor projects division of SCEE. This resulted in restructuring costs of \$0.9m being incurred in the period.

Good working capital collection in the period meant that the balance sheet remains strong with cash of \$53.3m and no debt at the end of the period compared to \$55.3m at 30 June 2020. This was despite a net cash outflow for the Trivantage acquisition of \$21.3m and the payment of \$7.2m for the FY20 dividend.

The Decmil arbitration process is continuing with a conclusion expected this calendar year.

The acquisition of Trivantage in the period resulted in the addition of \$6.6m of net tangible assets and \$39.6m of goodwill and intangible assets onto the Group's balance sheet. The initial accounting for the acquisition has been provisionally determined at the end of the period. Should this assessment change prior to year-end, including in respect of the identification of any additional intangible assets which may by their nature be amortised over their useful life, then the goodwill arising on acquisition will be adjusted accordingly.

Capital expenditure for the period was \$0.4m and is expected to remain at low levels.

## Outlook

The Group continues to win work across its core markets. Significant awards during the half year included the Rio Tinto Gudai-Darri project (\$65m) and circa \$40m of commercial and datacentre projects in Sydney and Canberra.

The Group now has a record order book of \$500m, including a \$60m contribution from the acquisition of Trivantage, with secured works well balanced across SCEE's three sectors.

There are currently over \$700m of submitted tenders with clients pending decision and strong visibility of the

Group's opportunity pipeline.

Resources activity has rebounded since the low levels of FY20. The pipeline is expected to continue to grow as commodity prices remain high. Significant opportunities are emerging in iron ore, lithium, and renewables developments alongside resources projects.

Current ongoing works at the Kemerton Lithium Plant, Rio Tinto Gudai-Darri and Rio Tinto Gove projects will be strong revenue contributors in the second half. We continue to perform minor works projects at various Rio Tinto and BHP sites and at Sino Iron and Boddington Gold.

The Commercial sector remains the largest component of the order book. Wynyard Place and the Ribbon Project are expected to be the largest revenue generators in the sector in the second half of the year.

The medium-term outlook for the sector remains strong as developments commence around new infrastructure hubs.

Infrastructure will be a less significant contributor in FY21 as the WestConnex, RAAF Tindal and Westmead Hospital projects are largely completed. However, peak activity in the sector is still to come with significant investment sanctioned and electrical work generally later in cycle.

Works on the Pitt Street Metro project will ramp up in FY22 and we are bidding further opportunities on Sydney Metro and continue to target other hospital, transport and defence opportunities.

A significantly expanded second half is expected as work carried over from H1 is delivered and the Trivantage contribution is added to the Group. Full year revenues of \$420m are targeted.

## Strategy

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

Our growth strategy falls in two parts:

- To continue to deepen our presence and broaden our geographic diversity in those sectors, noting the strong outlooks for resources and infrastructure; and
- To grow our services, maintenance and recurring earnings offerings to complement our construction capabilities.

We will achieve this through both organic initiatives and by continuing to actively pursue acquisition opportunities.

## **Dividend**

The Directors have not declared an interim dividend for the six months ended 31 December 2020 (31 December 2019: no dividend).

## **Rounding off**

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

## Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 21 and forms part of the directors' report for the six months ended 31 December 2020.

Signed in accordance with a resolution of the directors:

A handwritten signature in blue ink, appearing to read 'D. Parkin', is written in a cursive style.

**Derek Parkin**

Chairman

Perth

23 February 2021



## Consolidated Statement of Comprehensive Income

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Contract revenue		135,396	230,340
Contract expenses		(113,700)	(206,514)
<b>Gross profit</b>		<b>21,696</b>	<b>23,826</b>
Other income		229	202
Employee benefits expenses		(6,664)	(8,155)
Occupancy expenses		(625)	(726)
Administration expenses		(4,360)	(3,455)
Other expenses		(594)	(825)
Depreciation expense		(1,320)	(1,527)
Right-of-use asset amortisation expense		(1,024)	(943)
Other amortisation expenses		(2)	(1)
<b>Profit from operating activities</b>		<b>7,336</b>	<b>8,396</b>
Finance income	7	264	188
Finance expense	7	(768)	(666)
<b>Net finance expense</b>	<b>7</b>	<b>(504)</b>	<b>(478)</b>
<b>Profit before income tax</b>		<b>6,832</b>	<b>7,918</b>
Income tax expense		(2,312)	(2,383)
<b>Profit after income tax for the period</b>		<b>4,520</b>	<b>5,535</b>
Other comprehensive income		-	-
<b>Other comprehensive income net of income tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>4,520</b>	<b>5,535</b>
<b>Attributable to</b>			
Owners of the Company		<b>4,520</b>	<b>5,535</b>
<b>Earnings per share</b>			
- Basic earnings per share (cents per share)		1.82	2.30
- Diluted earnings per share (cents per share)		1.73	2.29

## Consolidated Statement of Financial Position

	Note	31 Dec 2020 \$'000	30 Jun 2020 \$'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		53,341	55,272
Trade and other receivables	8	121,886	113,073
Inventories		2,718	1,588
Prepayments		2,099	901
<b>Total current assets</b>		<b>180,044</b>	<b>170,834</b>
<b>Non-current assets</b>			
Property, plant and equipment		12,933	11,148
Right-of-use assets		9,527	5,967
Intangible assets	10	114,665	73,792
<b>Total non-current assets</b>		<b>137,125</b>	<b>90,907</b>
<b>Total assets</b>		<b>317,169</b>	<b>261,741</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	96,277	75,278
Provisions		16,587	9,114
Deferred acquisition consideration	10	9,817	-
Lease liability		2,250	1,749
Tax payable		2,979	4,031
<b>Total current liabilities</b>		<b>127,910</b>	<b>90,172</b>
<b>Non-current liabilities</b>			
Lease liability		7,522	4,218
Deferred acquisition consideration	10	10,062	-
Provisions		339	197
Deferred tax liability		9,937	8,781
<b>Total non-current liabilities</b>		<b>27,860</b>	<b>13,196</b>
<b>Total liabilities</b>		<b>155,770</b>	<b>103,368</b>
<b>Net assets</b>		<b>161,399</b>	<b>158,373</b>
<b>Equity</b>			
Share capital		109,967	109,767
Reserves		5,513	108
Retained earnings		45,919	48,498
<b>Total equity</b>		<b>161,399</b>	<b>147,708</b>

## Consolidated Statement of Changes in Equity

	Note	Share Capital \$'000	Retained Earnings \$'000	Share Based Payments Reserve \$'000	Translation Reserve \$'000	Deferred Acquisition Consideration Reserve \$'000	Total Equity \$'000
Balance as at 1 July 2020		109,767	48,498	622	(514)	-	158,373
<b>Total comprehensive income for the period</b>							
Profit for the period		-	4,520	-	-	-	4,520
<b>Total comprehensive income</b>		-	4,520	-	-	-	4,520
<b>Equity transactions with owners:</b>							
Dividends		-	(7,428)	-	-	-	(7,428)
Dividend re-investments, net		200	-	-	-	-	200
Deferred acquisition consideration	10	-	-	-	-	5,500	5,500
Equity-settled share based payments		-	-	234	-	-	234
Performance rights (net of tax)		-	329	(329)	-	-	-
<b>Total transactions with owners</b>		200	(7,099)	(95)	0	5,500	(1,494)
<b>Balance as at 31 December 2020</b>		<b>109,967</b>	<b>45,919</b>	<b>527</b>	<b>(514)</b>	<b>5,500</b>	<b>161,399</b>

	Note	Share Capital \$'000	Retained Earnings \$'000	Share Based Payments Reserve \$'000	Translation Reserve \$'000	Deferred Acquisition Consideration Reserve \$'000	Total Equity \$'000
Balance as at 1 July 2019		102,873	44,284	1,065	(514)	-	147,708
<b>Total comprehensive income for the period</b>							
Profit for the period		-	5,535	-	-	-	5,535
<b>Total comprehensive income</b>		-	5,535	-	-	-	5,535
<b>Equity transactions with owners:</b>							
Dividends		-	(7,042)	-	-	-	(7,042)
Dividend re-investment and share placements, net		6,894	-	-	-	-	6,894
Equity-settled share based payments		-	-	305	-	-	305
Performance rights (net of tax)		-	386	(386)	-	-	-
<b>Total transactions with owners</b>		6,894	(6,656)	(81)	-	-	157
<b>Balance as at 31 December 2019</b>		<b>109,767</b>	<b>43,163</b>	<b>984</b>	<b>(514)</b>	<b>-</b>	<b>153,400</b>

## Consolidated Statement of Cash Flows

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		167,163	230,693
Cash paid to suppliers and employees		(143,046)	(221,722)
Government grants (Job Keeper) received		7,659	-
Interest received		264	188
Interest paid		(768)	(666)
Income taxes paid		(3,641)	-
<b>Net cash from operating activities</b>	11	<b>27,631</b>	<b>8,493</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash acquired	10	(21,264)	-
Payment of deferred acquisition consideration		-	(6,500)
Acquisition of property, plant and equipment		(358)	(1,110)
Proceeds from the sale of assets		313	325
<b>Net cash used in investing activities</b>		<b>(21,309)</b>	<b>(7,285)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares net of transaction costs		199	6,831
Dividends paid	14	(7,428)	(7,042)
Principal portion of lease liability payments		(1,024)	(943)
<b>Net cash used in financing activities</b>		<b>(8,253)</b>	<b>(1,154)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,931)</b>	<b>54</b>
Cash and cash equivalents at 1 July		55,272	53,257
<b>Cash and cash equivalents at 31 December</b>		<b>53,341</b>	<b>53,311</b>

## Notes to the Consolidated Interim Financial Statements

### 1. Reporting entity

Southern Cross Electrical Engineering Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2020 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 2020 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](http://www.scee.com.au).

### 2. Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2020.

The consolidated interim financial report was approved by the Board of Directors on 23 February 2021.

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

### 3. Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2020.

### 4. Significant accounting policies

The principal accounting policies adopted in the preparation of the interim financial report are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2020. 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 2020 which had a material effect on the financial position or performance of the Group.

### 5. Financial risk management

During the six months ended 31 December 2020 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 2020.

## 6. Segment reporting

Revenue is principally derived by the Group from the provision of electrical services to the following sectors: Commercial, Resources, and Infrastructure. The Group provides its services through the four key segments of SCEE, Datatel, Heyday, and Trivantage which was acquired on 16 December 2020 (note 10).

The directors believe that the aggregation of the operating segments is appropriate as they:

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

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

## 7. Finance income and expenses

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Interest income on bank deposits	264	188
Finance income	264	188
Bank charges	(421)	(296)
Bank guarantee and surety bond fees	(223)	(221)
Interest expense on bank borrowings	(36)	(81)
Unwinding of discount on lease liability	(88)	(68)
Finance expenses	(768)	(666)
Net finance expense	(504)	(478)

## 8. Trade and other receivables

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Trade receivables	38,879	24,324
Sundry debtors	1,071	1,358
Provision for impairment of trade receivables	(156)	(112)
Contract assets (i)	81,638	86,374
Retentions	454	1,129
	121,886	113,073

- (i) Contract assets and revenue include contract modifications recognised in accordance with the Group's accounting policy for which amounts are not yet finalised with the customer.

## 8. Trade and other receivables (continued)

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.

The Group continues to pursue Decmil Australia Pty Ltd in relation to amounts it considers entitled pursuant to a contract for electrical services in which the Group had demobilised from site by the end of November 2018. In accordance with its accounting policies, the Group has previously recognised revenue in relation to this contract, applying constraint. The amount is included within contract assets.

## 9. Trade and other payables

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Trade payables	27,057	27,990
Contract liabilities (i)	48,176	34,158
Accrued expenses	18,231	11,417
Retentions payable	891	1,048
Goods and services tax payable	1,922	665
	96,277	75,278

- (i) Contract liabilities represents unearned revenue which 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.

## 10. Business combination

On 16 December 2020, the Company acquired 100% of Trivantage Holdings Pty Ltd (“Trivantage”) and its subsidiaries (together referred to as “Trivantage Group”).

Trivantage Group is a specialised electrical services group with over 50 years of operational experience providing complex electrical solutions across Australia. It is primarily a services-oriented business characterised by a strong degree of recurring and maintenance work. It operates via three specialty divisions. S.J. Electrical (electrical services to commercial and retail markets), SEME Solutions (electronic security services) and Trivantage Manufacturing (switchboard design and manufacture). Trivantage Group is headquartered in Melbourne and has around 400 employees and sub-contractors throughout Australia—with offices in Victoria, Western Australia, Queensland, New South Wales, South Australia and Tasmania.

### Fair values measured on a provisional basis

The initial accounting for the acquisition of Trivantage Group has been provisionally determined at the end of the reporting period. Should this assessment change, including in respect of the identification of any additional intangible assets which may by their nature be amortised over their useful life, then the goodwill arising on acquisition will be adjusted accordingly.

## 10. Business combination (continued)

### Consideration transferred

	\$'000
Initial cash payment (net of Net Financial Debt) (i)	20,817
Contingent deferred shares (ii)	5,500
Contingent consideration arrangement (ii)	19,879
	<b>46,196</b>

(i) Initial cash payment comprises the purchase price on completion of \$25.0 million less the aggregate of items defined as Net Financial Debt in the Share Purchase Agreement which included the financial indebtedness, other debt-like items and cash of the Trivantage Group. \$19.8m of this initial cash payment was paid on completion on 16 December 2020 with the balance accrued for at the period end.

(ii) The Group has agreed to pay the selling shareholders additional consideration of up to \$28.5 million subject to Trivantage Group's future earnings before interest and tax (EBIT) achieving the following targets:

- Results confirmation payment for financial year ending 30 June 2021 ("FY21"):

Following the confirmation that Trivantage Group FY21 EBIT is equal to or greater than \$10.1 million:

- a) \$10 million in cash; and
- b) \$5.5 million in the Company's shares.

If FY21 EBIT is less than \$10.1 million, elements (a) and (b) above are each reduced on a pro-rata basis to nil at EBIT of \$4.0 million. If the EBIT in FY21 is greater than \$10.1 million, the incremental EBIT above \$10.1 million will be added to EBIT of financial year ending 30 June 2022 ("FY22") for the purpose of calculating FY22 earn-out consideration as set out below.

- Earn-out payments for financial years ending 30 June 2022 ("FY22") and 30 June 2023 ("FY23"):
  - a) Deferred consideration of \$4.0 million in cash for each year that Trivantage Group EBIT result is equal to or greater than \$10.1 million in FY22 and FY23. To the extent that EBIT is below \$10.1 million in either FY22 or FY23, the deferred consideration amount payable for the respective year would be calculated based on the following formula reducing the payment to zero: \$4.0 million less 5 x (\$10.1 million less actual EBIT).
  - b) Outperformance consideration of \$1.7 million in cash for FY22 if EBIT results for FY22 is equal to or greater than \$11.4 million, and \$3.3 million in cash for FY23 if EBIT results for FY23 is equal to or greater than \$14.4 million. For each year, the amount is reduced on a pro-rata basis down to nil at EBIT of \$10.1 million.

The Directors' assessment of the expected achievement of these earn out targets were estimated to result to a contingent consideration of \$26.2 million so the fair value recognised at acquisition date is the discounted value of these expected future payments of \$25.4 million.

Acquisition-related costs amounting to \$1.4 million have been excluded from the consideration transferred and have been recognised as an expense in the period, within 'Administration expenses' and 'Finance expense' line items for \$1.2 million and \$0.2 million, respectively, in the statement of comprehensive income.



## 10. Business combination (continued)

### Assets acquired and liabilities assumed at the date of acquisition

The provisional fair values of the identifiable assets and liabilities of Trivantage Group as at the date of acquisition were:

	\$'000
Cash and cash equivalents	11,137
Trade receivables	21,220
Sundry debtors	146
Contract assets	5,349
Inventories	1,380
Prepayments and other	288
Property, plant and equipment	2,950
Right of use assets	4,281
Deferred tax assets	288
Intangible assets acquired (intellectual properties)	1,275
Trade and other payables	(15,958)
Lease liabilities	(4,521)
Loans and borrowings	(12,260)
Provisions	(6,948)
Tax payable	(2,033)
<b>Net identifiable assets / liabilities acquired</b>	<b>6,594</b>

### Goodwill and intangibles arising on acquisition

Consideration	46,196
Less: fair value of identifiable net assets / liabilities acquired	6,594
<b>Goodwill and intangibles arising on acquisition</b>	<b>39,602</b>

### Net cash outflow on acquisition of subsidiary

Consideration paid in cash	(19,834)
Add back: Cash and cash equivalents balances acquired	11,137
Less: Settlement of debt and other costs on completion	(12,567)
<b>Net cash flow on acquisition</b>	<b>(21,264)</b>

### Impact of acquisition on the result of the Group

There was no material impact on the results for the period as the acquisition was completed on 16 December 2020.

Had the business combination been effected at 1 July 2020, management estimates the revenue of the Group would have been \$201.8 million and the net profit after tax for the year from continuing operations would have been \$9.7 million.

## 11. Reconciliation of cash flows from operating activities

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Cash flows from operating activities</b>		
<b>Profit after income tax for the period</b>	<b>4,520</b>	<b>5,535</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	2,346	2,471
Profit on sale of assets	(108)	(64)
Equity-settled share based payment transactions	234	305
<b>(Increase)/decrease in assets:</b>		
Change in trade and other receivables	17,902	(21,337)
Change in inventories	250	236
Change in prepayments	(909)	(1,211)
<b>Increase/(decrease) in liabilities:</b>		
Change in trade and other payables	4,058	18,067
Change in provisions and employee benefits	667	2,109
Change in income tax payable	(3,517)	63
Change in deferred income tax	2,188	2,319
<b>Net cash from operating activities</b>	<b>27,631</b>	<b>8,493</b>

## 12. Share based payments

During the six-month period ended 31 December 2020, the Company issued 1,719,954 performance rights in respect of the 2021 financial year. The Performance Rights issued, under the Company's Senior Management Long Term Incentive Plan, vest over the period to 30 June 2023 and have a fair value at grant date of \$0.305 and \$0.475 for the TSR and EPS components, respectively. The fair value of the TSR Performance rights has been measured using the Monte-Carlo simulation while the EPS Performance rights has been measured using the Binomial Tree methodology.

The movement in share based payments reserve during the period reflects the amounts expensed in respect of the FY2021 grant of \$234,000, and the expiry of prior year grants amounting to \$329,000.

## 13. Related parties – Key management personnel

The share based payments disclosed in note 12 included the share issues to key management personnel during the six months ended 31 December 2020. Graeme Dunn was issued 804,614 Performance Rights and Chris Douglass was issued 462,383 Performance Rights.

The Performance Rights issued to Graeme Dunn were approved by shareholders at the Company's Annual General Meeting on 24 November 2020.

Other arrangements with related parties continue to be in place on the same basis as at 30 June 2020. For full disclosure on these transactions, refer to the 30 June 2020 annual financial report.

## 14. Dividends

The following dividends were declared and paid by the Company:

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Final 2020 ordinary fully franked at 3.00 cents per share	7,428	-
Final 2019 ordinary fully franked at 3.00 cents per share	-	7,042

## 15. 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 2020 \$'000	30 Jun 2020 \$'000
Bank Guarantees	33,657	20,559
Surety Bonds	34,701	37,355

## 16. Government grants

During the period the Group received government grants (Jobkeeper) amounting to \$7.4m of which \$6.6m was included in contract expenses and \$0.8m in employee benefits expenses in the statement of comprehensive income.

## 17. Events after the balance sheet date

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

## Directors' Declaration

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

1. the financial statements and notes set out on pages 7 to 17, are in accordance with the Corporations Act 2001 including:
  - a. giving a true and fair view of the Group's financial position as at 31 December 2020 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



**Derek Parkin**

Chairman

Perth

23 February 2021



# Independent Auditor's Review Report

To the shareholders of Southern Cross Electrical Engineering Limited

## Conclusion

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

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Southern Cross Electrical Engineering Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2020
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

## Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



## Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

## Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 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*.

A review of a half-year 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.

KPMG

R Gambitta  
Partner

Perth

23 February 2021



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

To the Directors of Southern Cross Electrical Engineering Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Southern Cross Electrical Engineering Limited for the half-year ended 31 December 2020 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 'R Gambitta', with a stylized flourish at the end.

R Gambitta  
*Partner*

Perth

23 February 2021