2009 Annual Report

Southern Cross Electrical Engineering Limited

2009

Contents

Who we are/What we do

Southern Cross was established in 1978 and together with its overseas group of companies, is a dedicated provider of large scale specialised electrical, control and instrumentation services for major construction projects.

Southern Cross is committed to outstanding client service and as a result is proud to have fostered long-standing relationships with customers including BHP Billiton, Rio Tinto, Barrick Gold, Newmont, Goldfields.

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The range of services and expertise we offer our clients through the project lifecycle includes:

- Constructability reviews;
- Material procurement, transport and logistics;
- Electrical and instrumentation installation ("E&I");
- Installation pre-commissioning and commissioning;
- Shutdown maintenance and installations;
- Installation contractual verification documentation; and
- Manufacturers' data and maintenance manuals.

With teams currently located in Australia, South America and Africa, Southern Cross is well positioned to execute its four pillars strategy by providing highly skilled professionals throughout the world for large scale projects in the following sectors:

- Australian Mining;
- Oil & Gas;
- International Mining; and
- Infrastructure.

During 2009, Southern Cross maintained its focus on large scale minerals and metals construction projects both in Australia and internationally through the:

- Delivery of the largest single E&I project in the company's history being the Cape Lambert 80Mt iron ore project for Rio Tinto/ Robe River Mining Company.
- Delivery of the Hope Downs 1 Stage 2 iron ore expansion project at the mine site.
- Continued delivery of gold construction projects in Australia, Africa and South America for international clients such as Newmont, Barrick and Goldfields.
- Award of early works contracts for the Sino Iron Ore Project.

In addition to the above, Southern Cross has prepared itself to re-enter the Oil and Gas/LNG segment through the:

- Investment in organisation capability for the pursuit of E&I packages for the Australian LNG downstream construction projects.
- Acquisition of Hindle Offshore Services that provides E&I services to offshore exploration assets.
- Capability development of a commissioning team in preparedness for LNG downstream construction contracts.

During the year Southern Cross also reinforced its infrastructure capability to support resources projects through:

- The delivery of overhead power line projects that provide critical infrastructure for new and expanding resources and energy projects.
- The acquisition of K.J. Johnson & Co, an overhead power line business that further strengthens Southern Cross' service offering to resources clients in remote regions.

Southern Cross' ability to grow in its core markets is supported by the respect of our clients, our independence as an E&I contractor and our enhanced corporate team and project delivery capability.

Southern Cross' strong reputation and financial position has allowed the business to prepare for the upcoming Australian LNG projects and the new phase of minerals investment in sectors such as iron ore, gold and nickel around the world.

Southern Cross' strategy to support remote, energy and resources construction projects around the globe remains as strong now as it has been in the last 30 years.

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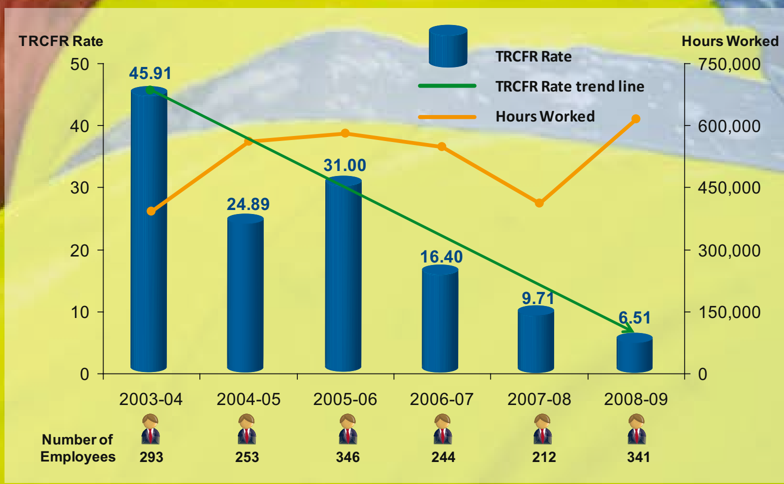
Safety is Southern Cross' highest value and this has been retained and delivered throughout the year on all our projects.

Over the last financial year Southern Cross demonstrated this in some of our company's largest projects to date:

- **Cape Lambert Upgrade** (CLU80)
  Southern Cross was awarded "Safety Contractor of the Month" 6 out of the 10 times the client presented this award. This number of awards is the highest of any contractor on site and as a result Southern Cross was acknowledged as the safest contractor on site during the project.

- **Hope Downs** (South) Project
  Southern Cross produced a milestone of having completed 113,000 man hours on the contract without a lost time injury. Across all projects and head office Southern Cross produced a result of zero LTIs for 2009 and were also able to reduce the Medical Treatment Injuries (MTI) to an all time low of four MTI's that resulted in a further drop to the Total Recordable Cases Frequency Rate ("TRCFR") down to 6.51.



Southern Cross continued on its program of continuous improvement initiatives in 2008/2009 which have lead to improvements and implementation including:

- Improved reporting mechanisms in project accountability
- Development of Southern Cross's compliance to Environmental standards in preparation for certification in 2009/2010 to AS/NZS ISO 14001
- Recruitment of a dedicated Training Officer to support professional development and continuous improvement in project teams and head office. Examples of programs introduced are Fatality Prevention Programs, Taproot training and Supervisor OH&S courses
- Preparation towards an integrated management system
- Preparation for certification to AS/NZS 4801 for OHSMS in 2009/2010
- Successful surveillance audits on site and in head office renewing Southern Cross's AS/NZS ISO 9001/2008 certification

The 2009 year was our first full year as a listed entity and it is particularly pleasing to report record financial and operating results.

Chairman's Review

Gianfranco Tomasi
Chairman

2009 Chairman's Review

On behalf of the Board of Directors I am pleased to present to you the 2009 Southern Cross Electrical Engineering Ltd Annual Report.

The 2009 year was our first full year as a listed entity and it is particularly pleasing to report record financial and operating results. This is particularly so given the challenging times that uncertain economic conditions present to any organisation. This is testament to the efforts of all involved with Southern Cross.

The current year was important for the company on many fronts in particular with the appointment of a new Managing Director, Mr Stephen Pearce. Mr Pearce brings a wealth of experience to Southern Cross having worked in the resources and energy industries for many years in a public company environment.

The subsequent development and communication of the strategic planning for the group and two key appointments to complete the executive team provide a strong platform to take the company forward in the years ahead.

On a broader industry perspective the Global Financial Crisis saw a number of large scale resource projects deferred or delayed pending clarity on resource prices and overall demand levels. Australia appears to have weathered the storm in relatively good condition and we are now seeing many projects moving forward to contract award.

Southern Cross has worked hard to position itself and develop its internal capabilities to pursue opportunities in the emerging LNG construction segment. This will be a key target market for Southern Cross together with its existing core strength in the Australian and International mining project space.

Strong relationships with customers, employees and the communities in which we work have always been part of the Southern Cross story and this remains a key driver in the way we go about our business. These relationships have seen the company emerge from these uncertain times in a strong position both in terms of human and financial capital.

On the people side of the business, the company has not only kept core teams together but invested in people, apprentices and capacity to enable it to grow strongly in the years ahead. Financially the company has a very strong balance sheet that has enabled us to complete two key acquisitions subsequent to year end.

Corporate Governance practices have been reviewed throughout the year to ensure we are effectively and sensibly complying with the ASX recommended Corporate Governance Principles and Recommendations.

The focus remains on keeping the business model at Southern Cross as simple and effective as possible – building on the traditions of the past while taking the company forward and realising the potential and opportunities that lie ahead for the benefit of all shareholders, customers, employees and the broader community.

With the team we have in place I am confident that we can achieve these goals.

Gianfranco Tomasi
Chairman

Managing Director's Review

Growth in earnings per share of 27% has seen EPS grow from 10.1 cents per share to 12.9 cents per share.

Stephen Pearce
Managing Director

2009 Managing Director's Review

It is almost exactly a year since I joined Southern Cross and what a year 2009 turned out to be!

In the context of uncertain economic times and the impact this has had on resource construction projects it is very pleasing to be able to report success on a number of fronts for the company as a whole.

In terms of financial results it is pleasing to report Revenue growth for 2009 of 19% to $100.3m. This in turn has translated to growth in Net Profit after Tax of 37% to $15.5m. Both outcomes represent a record result for the Southern Cross Group.

Growth in earnings per share (EPS) of 27% has seen EPS grow from 10.1 cents per share to 12.9 cents per share. This has given Directors the confidence to declare an increased dividend for the 2009 full year of 6.5 cents per share.

Operationally the focus has remained on the core value proposition to customers – on time quality delivery in a safe and responsible manner. This core value will not change as we pursue the growth opportunities in the years ahead.

Key projects for 2009 consisted of work at Cape Lambert, Boddington, Hope Downs South, Buzwagi, Cerro Cerona and Cape Preston. All projects have progressed well - meeting client expectations and providing a challenging environment for our project teams and support staff.

Of particular note is that we have achieved another year with zero lost time incidents – 4 years in a row! This does not happen without a lot of hard work and focus from a large number of people across the organisation and it is an outcome of which we are all extremely proud.

It was also very pleasing to be recognised again by the National Electrical Contractors Association ("NECA") for our commitment to safety and project delivery. In September we received the Western Australian branch Award for Safety and the Award for Excellence for the work we performed at Cape Lambert. As a result of these awards we will be considered for the national awards to be presented later this year.

Building for the Future

The Board and senior management group spent considerable time working through strategies for Southern Cross to ensure we take advantage of our strong financial position and growth opportunities across the sectors in which we operate.

The four key pillars around which we intend to build the company going forward are the provision of electrical and instrumentation construction services to;

- Australian mining projects
- Oil and gas projects
- International mining projects, and
- Infrastructure projects

The whole team have been working to ensure that the people, systems and processes are in place to support the growth in each of these key areas.

On the organisation and people front the year saw two key appointments to the Executive team - Gerard Moody as the General Manager Business Development and Phillip Dawson as the General Manager Corporate Services.

Both Gerard and Phillip have hit the ground running and together with Simon Buchhorn as Chief Operating Officer and Steve Fewster as Chief Financial Officer position the company strongly to achieve our future plans.

Subsequent to the end of the financial year Southern Cross has announced two important acquisitions:

- Hindle Offshore Services – providing offshore electrical inspection and maintenance services predominantly to exploration assets; and
- K.J. Johnston & Co – providing power line construction services to large resource and related projects.

Both acquisitions represent an important step for Southern Cross - both are within our core discipline and both provide additional platforms to achieve our growth ambitions within the four pillars strategy. Each acquisition is expected to be EPS accretive immediately.

Looking forward to 2010 and beyond Southern Cross is well positioned to take advantage of the considerable project pipeline before it. Large scale projects in both the Mining and Oil & Gas sectors are moving forward rapidly and provide considerable opportunities for Southern Cross over the next five years. I believe we are up to the challenge and I look forward to working with the Southern Cross team to deliver outstanding results for all stakeholders.

Stephen Pearce
Managing Director

Directors' Report

For the year ended 30 June 2009

Your directors submit their report for Southern Cross Electrical Engineering Limited ("Southern Cross", "SCEE" or "the Company") the year ended 30 June 2009.

Directors

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

Gianfranco Tomasi
Chairperson
Non-Executive Director

Frank has over 40 years experience in the electrical construction industry.

Frank has been the owner and Chairman of the Company since 1978. Prior to SCEE, he worked at Transfield (WA) Pty Ltd from 1968 – 1978, serving as the National Electrical Manager from 1971 – 1978.

Frank holds an Electrical Engineering Certificate (NSW), MAICD.

Stephen Pearce
Managing Director

Stephen brings over 20 years experience in senior management roles in the mining, oil and gas, and utilities industries. He previously held the position of Chief Financial Officer with Alinta Limited, an $8bn energy and utility company based in Western Australia.

Stephen has a Bachelor of Business from RMIT, has a Graduate Diploma in Company Secretarial Practice, and is a Chartered Accountant, a Chartered Secretary and a Member of the Australian Institute of Company Directors.

Stephen is a director of Amadeus Energy Limited (July 2008 to present), Chairman of Surtron Technologies Pty Ltd and a member of the Western Australian Business and Industry Committee for the Salvation Army.

Stephen commenced with SCEE on 18th August 2008.

Brian Carman
Non-Executive Director

Brian commenced work with SCEE in 1981 as a contracts manager and progressed to Managing Director. He held this position through to his retirement in August 2007.

Brian has over 35 years experience in the electrical construction industry having served in senior positions with Mt Newman Mining Company, Soake Electrical and Transel Pty Ltd. Brian is a member of the Australian Institute of Company Directors.

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

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John Cooper
Independent Non-Executive Director

John has over 30 years engineering and construction experience in Australia and overseas and has provided consultancy services for a number of years to the major projects industry. John's qualifications are B.Sc (Building), FIE Aust, FAICD).

John is the Australian Chief Executive of Murray & Roberts and was previously a Director and General Manager of Concrete Constructions Group.

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

John has been a director of the following listed companies over the last three years:

Clough Limited August (2006 to present)
Murray and Roberts International Limited (January 2008 to present)

Douglas Fargher
Independent Non-Executive Director

Douglas has over 37 years experience in the construction and mining industry in Australia and overseas.

Douglas has served in a range of senior maintenance and operating roles in underground and open cut mining and was previously a Project Manager with Rio Tinto, specialising in construction of new and brown field projects including Dampier Port Upgrade.

Douglas' qualifications are BE (Mechanical) (Hons), MIE Aust, CP Eng), MAICD.

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

Directors' Report (continued)

Executive Team

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

Simon Buchhorn
Chief Operating Officer

Simon has been with SCEE for 27 years and has extensive experience through a number of roles in the business.

He is responsible for the Company's operations, contract delivery, client negotiations and general business activities.

Stephen Fewster
Chief Financial Officer/ Company Secretary

Stephen was the Chief Financial Officer and Company Secretary at iiNet Ltd before joining SCEE in March 2008. He is responsible for the preparation of the Company's financial records, investor relations, assessing investment opportunities, company secretarial duties and budgeting. In addition Stephen is involved in the Company's enterprise risk management and setting of strategy.

Stephen has a Bachelor of Business and is a Chartered Accountant and a member of FINSIA.

He is also a member of the Consultative Committee for the Edith Cowan University Business Faculty.

Gerard Moody
General Manager Business Development

Gerard brings 20 years of senior management and leadership experience in the resources, corporate advisory industries as well as his military career in the Australian Army.

More recently he has been accountable for strategy and business development roles in industries that deliver services to mining, Oil and Gas in Australia and offshore.

Gerard has a Masters of Business Administration from the Australian School of Business (AGSM), UNSW and is a Member of the Australian Institute of Company Directors.

Philip Dawson
General Manager Corporate Services

Phil has over 40 years experience in the mining industry and over 25 years in the Human Resources field. He was previously the Human Resources manager for Oxiana/Oz Minerals' Laos Gold and Copper operation in South East Asia.

Prior to that Phil worked with BHP Billiton for more than 30 years both in the Pilbara and their Perth head office and has many years Industrial Relations, Training and generalist HR experience.

Company Secretary

Stephen Fewster B.Comm, C.A, SA Fin

Stephen Fewster was appointed to the position of company secretary in March 2008. Stephen is a Chartered Accountant and was previously the company secretary for iiNet Limited.

On the people side of the business, the company has not only kept core teams together but invested in people, apprentices and capacity to enable it to grow strongly in the years ahead.

Directors' Report (continued)

Interests in the shares and options of the company and related bodies corporate
As at the date of this report, the interests of the directors in the shares and options of Southern Cross Electrical Limited were:

Director	Number of ordinary shares	Number of options over ordinary shares
Gianfranco Tomasi	61,914,844	-
Stephen Pearce	33,250	1,500,000
Brian Carman	1,870,000	-
John Cooper	100,000	-
Douglas Fargher	200,000	-

Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings	Audit and Risk Committee Meetings	Remuneration and Nomination Committee Meetings
Number of meetings held:	10	4	2
Number of meetings attended:			
Gianfranco Tomasi#	9	N/A	N/A
Stephen Pearce*	10	N/A	N/A
Brian Carman	9	4	2
John Cooper	10	4	2
Douglas Fargher	9	4	2

Gianfranco Tomasi is not a member of the Audit and Risk Management Committee and the Nomination and Remuneration Committee. As the Board Chairman, Mr Tomasi has a standing invitation to attend committee meetings.
* Stephen Pearce was appointed as a director on 18th August 2008. Stephen is not a member of the Audit and Risk Management Committee and the Nomination and Remuneration Committee. As the Managing Director, Stephen has a standing invitation to attend committee meetings.

Dividends

	Cents	2007
Declared and paid during the period (fully franked at 30%)		
Final franked dividend for 2008	4.00	4,800,000
Interim franked dividend for 2009	2.00	2,400,000
Proposed and not recognised as a liability (fully franked at 30%)		
Final franked dividend for 2009	4.50	5,400,000

Principal Activities

The principal activities during the year of the entities within the consolidated group was the provision of large scale specialised electrical, control and instrumentation installation and testing services for the resources, infrastructure and heavy industrial sectors. The group's major projects were during 2009 were:

- Cape Lambert Upgrade
- Buzwagi
- Hope Downs
- Boddington
- Cerro Corona

Operating and Financial Review

A review of operations of the consolidated entity during the financial year, the results of those operations, the changes in the state of affairs and the likely developments in the operations of the consolidated entity are set out in the Chairman's Report.

Operating results for the year were:	2009	2008
Revenue	$100,321,904	$84,173,883
Net profit after income tax	$15,464,156	$11,312,261

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Company or Group during this financial year.

Significant Events After Balance Date

On the 1 July 2009, SCEE acquired 100% of the shares in FMC Corporation Pty Ltd (Hindle Group) for consideration of up to $5,377,381. The consideration consists of 882,353 shares in the Company valued at $864,706, cash of $3,262,675 and deferred cash consideration of up to $1,250,000. The deferred consideration includes an "at risk" component based on the Hindle Group exceeding an EBITDA benchmark in each of the next two years of operation.

On 7 August 2009 the Group acquired the assets and liabilities of K.J. Johnson & Co for cash consideration of $9,550,000.

On 17 August 2009 the Company declared it will pay a 4.5 cents per share fully franked final dividend. This dividend is not recorded as a liability at the balance sheet date.

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

Likely Developments and Expected Results

Other than as referred to in this report, further information as to the likely developments in the operations of the consolidated entity would, in the opinion of the directors, be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation and Performance

The operations of the Group are subject to the environmental regulations that apply to our clients. During 2009 the Group complied with the regulations.

Share Options

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the Managing Director as part of his remuneration. Details of the options are as follows:

	Number of options granted	Exercise Price	Expiry date
Director			
Stephen Pearce	500,000	$1.15	26 November 2013
Stephen Pearce	500,000	$1.15	26 November 2014
Stephen Pearce	500,000	$1.15	26 November 2015

All options were granted during the financial year. No options have been granted since the end of the financial year.

Directors' Report (continued)

Share Options (continued)

At the date of this report unissued ordinary shares of the Company under options are:

Expiry date	Exercise price	Number of shares
28 November 2012	$1.15	166,667
28 November 2013	$1.15	166,667
28 November 2014	$1.15	166,666
4 March 2013	$1.15	93,334
4 March 2014	$1.15	166,667
4 March 2015	$1.15	166,666
26 November 2013	$1.15	500,000
26 November 2014	$1.15	500,000
26 November 2015	$1.15	500,000

All options expire on the earlier of their expiry date or termination of the employee's employment. The vesting of the options is conditional on the employee being employed on the vesting date and the Company achieving a minimum total shareholder return ("TSR"). Further details are contained in the Remuneration Report.

Indemnification and Insurance of Directors and Officers

During or since the end of the financial year, the Company has paid premiums in respect of a contract insuring all the directors of the Company against a liability incurred in their role as directors of the Company, except where:

a) the liability arises out of conduct involving a wilful breach of duty; or
b) there has been a contravention of Sections 182 or 183 of the Corporations Act 2001.

The total amount of insurance contract premiums paid was $19,821 (2008: $8,382).

Proceedings on Behalf of Company

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

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

Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the year ended 30 June 2009 the external auditors did not perform any non-audit services.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 77 of this report.

Remuneration report

Remuneration report – audited

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations.

For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company and includes the five executives in the Parent and the Group receiving the highest remuneration. For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives, general managers and secretaries of the Company and the Group.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board of Directors is responsible for determining and reviewing remuneration arrangements for the directors and executive. The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team.

Remuneration Philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end the Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value;
- have a significant portion of executive remuneration 'at risk'; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration Structure

In accordance with best practice corporate governance, the structure of the non-executive director and executive remuneration is separate and distinct.

Non- Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The aggregate remuneration as approved by shareholders at the annual general meeting held on 26 November 2008 is $600,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director receives a base fee of $55,000 for being a director of the Group. The chairman of the Company's Board receives an annual fee of $120,000. An additional fee of $7,500 is also paid for each Board committee on which a non-executive director sits and $10,000 if the director is a Chair of a Board Committee.

Directors receive superannuation at the statutory rate in addition to their director fees and committee fees. The payment of additional fees for serving on a committee recognises the additional time commitment required by the non-executive directors who serve on one or more sub-committees.

The non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.

The remuneration of non-executive directors for the period ended 30 June 2009 and 30 June 2008 is detailed in table 1 of this report.

Executive Remuneration

Objectives

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward executives for Group, business unit and individual performance against targets set by reference to appropriate benchmarks;

Directors' Report (continued)

Remuneration report (continued)

- align the interests of executives with those of shareholders; and
- ensure remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Nomination and Remuneration Committee reviews comparative Australian listed companies as well as referencing independent research on executive remuneration. The Company has entered into contracts of employment with the Managing Director and the executives. Details of these contracts contain the following key elements:

- Fixed remuneration;
- At risk remuneration;
  - Short term incentive (STI); and
  - Long term incentive.

The proportion of fixed remuneration and variable remuneration (potential and long term incentives) for each executive is set out in table 1.

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee. This process consists of a review of company, business unit and individual performance, relevant comparative remuneration externally and internally and, where appropriate external research.

Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without undue cost for the Group. There are no guaranteed base pay increases for any executive. The fixed remuneration component of executives is detailed in table 1.

Variable Remuneration – Short Term Incentive (STI)

Objective

The purpose of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Structure

Actual STI payments granted to each executive depend on the extent to which specific targets as set at the beginning of the financial year are met.

The targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial, corporate and individual measures of performance.

The financial KPI used to assess performance is net profit after tax compared to budget. This objective accounts for 50% of the Managing Director's STI and 40% of the executive team's STI. The non-financial KPIs are business planning and strategy execution, systems and processes improvement, health and safety and people development. These KPIs account for 50% of the Managing Director's STI and 60% of the executive team's STI. No bonus is awarded where performance falls below the minimum threshold.

These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

The performance evaluation in respect of the year ended 30 June 2009 has taken place in accordance with this process. The Nomination and Remuneration Committee recommends the cash incentive to be paid to the individuals for approval by the board. The method of assessment was chosen as it provides the committee with an objective assessment of the individual's performance.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to retain and reward the members of the executive management team in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Structure

LTI grants to executives are delivered at the discretion of the Nomination and Remuneration Committee in the form of options under the Senior Management Long Term Incentive Plan. During the year ended 30 June 2009, there were 1,500,000 options issued to the Managing Director. The key terms of the options issued are as follows:

- Each option is over 1 unissued share;
- Each option is granted at no cost;
- The exercise price of each option is $1.15, which is payable by the holder on exercise of each vested option;

Remuneration report (continued)

- The options will vest, and only become exercisable, in three annual tranches commencing from the anniversary date of grant and provided that the Performance Hurdles are achieved; and

- The exercise period for the options will expire on the date 4 years after vesting.

Performance Hurdle

The company uses a relative Total Shareholder Return (TSR) as the performance hurdle for the LTI plan. Relative TSR was selected as the LTI hurdle as it ensures an alignment between comparative shareholder return and reward for the executives. In assessing whether the performance hurdles for each grant have been met, the Group will source independent data from an external adviser, which provides both the Company's TSR growth from the commencement of each grant date and that of the pre-selected peer group. The peer group selected reflects the Group's competitors for capital and talent.

The Group's performance against the hurdle is determined according to the Company's ranking against the peer group TSR growth over the performance period.

- Where the Company is ranked at the 51st percentile (target performance), 50% of the share options will vest;

- Where the Company is ranked at the 75th percentile (target performance), 100% of the share options will vest;

- Where the Company is ranked below the 51st percentile (target performance), the options will lapse;

- For rankings between the 51st and the 75th percentile, a sliding scale will be applied to determine the proportion of share options that vest.

Where a participant ceases employment prior to the vesting of their share options, the share options are forfeited unless cessation of employment is due to termination initiated by the Company or death.

In the event of a change of control of the Company, all options that have not lapsed may be exercised. The options issued to Mr Simon Buchhorn and Mr Stephen Fewster were on the same terms as above.

Employment Contracts

All executives have non-fixed term employment contracts. The company or executive may terminate the employment contract by providing the other party notice as follows:

Executive	Role	Notice Period
Stephen Pearce	Managing Director	12 months
Simon Buchhorn	Chief Operating Officer	3 months
Stephen Fewster	Chief Financial Officer	3 months
Gerard Moody	General Manager Business Development	6 months
Philip Dawson	General Manager Corporate Services	6 months

The Group retains the right to terminate a contract immediately by making a payment in lieu of the notice period. An executive may be terminated immediately for a breach of their employment conditions.

Upon termination the executive are entitled to receive their accrued annual leave and long service leave together with any superannuation benefits. There are no other termination payment entitlements.

Directors' Report (continued)

Remuneration report (continued)

Table 1 Remuneration of Key Management Personnel

Details of the nature and amount of each major element of remuneration of each director of the Company, each of the four named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel are:

in AUD	Note		Short-term				Post-employment	Termination benefits $	Share-based payments	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
			Salary & fees $	STI cash bonus $(A)	Non-monetary benefits $	Total $	Superannuation benefits $		Options and rights (B) $			
Directors												
Non-executive directors												
Gianfranco Tomasi, Chairman	1	2009	100,000	-	-	100,000	9,000	-	-	109,000	-	-
		2008	-	-	-	-	-	-	-	-	-	-
Brian Carman	2	2009	72,500	-	-	72,500	6,528	-	-	79,028	-	-
		2008	42,694	-	-	42,694	3,843	-	-	46,537	-	-
John Cooper	3	2009	72,500	-	-	72,500	6,528	-	-	79,028	-	-
		2008	42,694	-	-	42,694	3,843	-	-	46,537	-	-
Douglas Fargher	4	2009	70,000	-	-	70,000	6,300	-	-	76,300	-	-
		2008	41,222	-	-	41,222	3,710	-	-	44,932	-	-
Executive directors												
Gianfranco Tomasi, Executive Chairman	1	2009	44,444	-	-	44,444	4,000	159,698	-	208,142	-	-
		2008	266,666	-	64,728	331,394	24,000	-	-	355,394	-	-
Stephen Pearce, Managing Director	5	2009	391,440	-	8,452	399,892	35,998	-	36,389	472,279	7.7%	7.7%
		2008	-	-	-	-	-	-	-	-	-	-
Brian Carman, Managing Director	2	2009	-	-	-	-	-	-	-	-	-	-
		2008	116,512	-	16,150	132,662	10,487	262,500	-	405,649	-	-
David Lawrence Tomasi	6	2009	-	-	-	-	-	-	-	-	-	-
		2008	46,805	-	-	46,805	4,215	107,488	-	158,508	-	-
Executives												
Simon Buchhorn Chief Operating Officer		2009	185,040	50,000	76,464	311,504	23,540	-	45,528	380,572	25.1%	12.0%
		2008	201,996	50,000	23,775	275,771	50,004	-	43,722	369,497	25.4%	11.8%
Stephen Fewster Chief Financial Officer	7	2009	232,060	27,650	16,501	276,211	22,397	-	51,258	349,866	22.6%	14.7%
		2008	75,572	-	-	75,572	6,880	-	32,792	115,244	28.5%	28.5%
Gerard Moody General Manager Business Development	8	2009	87,070	-	4,674	91,744	8,258	-	-	100,002	-	-
Phillip Dawson General Manager Corporate Services	9	2009	35,698	-	-	35,698	3,238	-	-	38,936	-	-
Total 2008			**834,161**	**50,000**	**104,653**	**988,814**	**106,982**	**369,988**	**76,514**	**1,542,298**	**8.2%**	**5.0%**
Total 2009			**1,290,752**	**77,650**	**106,091**	**1,474,493**	**125,787**	**159,698**	**133,175**	**1,893,153**	**11.1%**	**7.0%**

Remuneration report (continued)

1. Gianfranco Tomasi resigned as an executive on 1 September 2008 and remains as a non executive director and chairman
2. Brian Carman was appointed as a director on 27 June 1988 and resigned as Managing Director on 31 July 2007
3. John Cooper was appointed as a non-executive director on 28 October 2007
4. Douglas Fargher was appointed as a non-executive director on 27 October 2007
5. Stephen Pearce was appointed as Managing Director on 18 August 2008
6. David Tomasi resigned as an executive director on 30 October 2007
7. Stephen Fewster was appointed as Chief Financial Officer on 4 March 2008
8. Gerard Moody was appointed General Manager Business Development on 2 February 2009
9. Phillip Dawson was appointed General Manager Corporate Services on 28 April 2009

Notes in relation to the table of directors' and executive officers' remuneration – audited

A. The short term incentive bonus is for performance during the respective financial year using the criteria set out in pages 17 and 18. The amount was finally determined after performance reviews were completed and approved by the Nomination and Remuneration Committee.

B. The fair value of the options is calculated at the date of grant using the Black-Scholes option model and due to the options having market related vesting conditions, a Monte Carlo Simulation analysis was performed. The use of a Monte Carlo Simulation model simulates multiple future price projections for both SCEE shares and the shares of the peer group they are tested against. The value derived from the Black-Scholes option pricing model is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the fair value of the options recognised in this reporting period.

Details of performance related remuneration – audited

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed on pages 17 and 18.

Analysis of bonuses included in remuneration - audited

Details of the vesting profile of the short term incentive cash bonuses awarded as remuneration to the Managing Director and the four named executives are detailed below.

	Short term incentive bonus		
	(A) Included in remuneration $	% vested in year	% forfeited in year
Managing Director			
Stephen Pearce (B)	-	-	-
Executives			
Simon Buchhorn	50,000	100%	-
Stephen Fewster	27,650	72%	28%
Gerard Moody (C)	-	-	-
Phillip Dawson (D)	-	-	-

A. Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria set for the 2008 financial year. No amounts vest in future financial years in respect of the bonus schemes for the 2008 financial year. Mr Buchhorn's and Mr Fewster's short term incentive for the 2009 financial year will be paid in the 2010 financial year. The 2009 financial year short term incentive will be assessed by the Nomination and Remuneration Committee based on achievement of personal goals and satisfaction of specified performance criteria set for the 2009 financial year.

B. Mr Pearce was appointed on 18 August 2008 and was therefore not eligible to receive a short term incentive for the 2008 financial year. Mr Pearce's short term incentive for the 2009 financial year will vest in the 2010 financial year. The 2009 financial year short term incentive will be assessed by the Nomination and Remuneration Committee based on achievement of personal goals and satisfaction of specified performance criteria set for the 2009 financial year.

C. Mr Moody was appointed on 2 February 2009 and was therefore not eligible to receive a short term incentive for the 2008 financial year. Mr Moody's short term incentive for the 2009 financial year will vest in the 2010 financial year. The 2009 financial year short term incentive will be assessed by the Nomination and Remuneration Committee based on achievement of personal goals and satisfaction of specified performance criteria set for the 2009 financial year.

D. Mr Dawson was appointed on 28 April 2009 and was therefore not eligible to receive a short term incentive for the 2008 financial year. Mr Dawson's short term incentive for the 2009 financial year will vest in the 2010 financial year. The 2009 financial year short term incentive will be assessed by the Nomination and Remuneration Committee based on achievement of personal goals and satisfaction of specified performance criteria set for the 2009 financial year.

Directors' Report (continued)

Remuneration report (continued)

Options granted as compensation – audited

Details on options over ordinary shares in the Company that were granted as compensation to key management and details on options that vested during the reporting period are as follows:

Table 2 Compensation Options : Granted and vested during 2008 and 2009 (Consolidated)

	Granted		Terms and Conditions for each Grant				Vested	
	No.	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	First Exercise Date	Last Exercise	No.	%
Executives								
Simon Buchhorn	166,667	28 November 2007	0.21	1.15	28 November 2008	28 November 2012	166,667	100%
Simon Buchhorn	166,667	28 November 2007	0.22	1.15	28 November 2009	28 November 2013	-	-
Simon Buchhorn	166,666	28 November 2007	0.23	1.15	28 November 2010	28 November 2014	-	-
Stephen Fewster	166,667	4 March 2008	0.21	1.15	4 March 2009	4-March 2013	93,334	56%
Stephen Fewster	166,667	4 March 2008	0.22	1.15	4 March 2010	4-March 2014	-	-
Stephen Fewster	166,666	4 March 2008	0.23	1.15	4 March 2011	4-March 2015	-	-
Stephen Pearce	500,000	29 April 2009	0.23	1.15	26 November 2009	26 November 2013	-	-
Stephen Pearce	500,000	29 April 2009	0.24	1.15	26 November 2010	26 November 2014	-	-
Stephen Pearce	500,000	29 April 2009	0.26	1.15	26 November 2011	26 November 2015	-	-
	2,500,000						**260,001**	**78%**

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients. All options expire on the earlier of the expiry date or termination of the individual's employment. The options are exercisable for four years after vesting date. In addition to a continuing employment service condition, the vesting is conditional upon the following conditions:

1. The Options will vest and only become exercisable in accordance with the following tranches:

   (a) one third of the Options will vest on the first anniversary after the grant date subject to the operation of the Threshold TSR Performance Hurdles;

   (b) one third of the Options will vest on the second anniversary after the grant date subject to the operation of the Threshold TSR Performance Hurdles; and

   (c) one third of the Options will vest on the third anniversary after the grant date subject to the operation of the Threshold TSR Performance Hurdles.

The Threshold TSR Performance Hurdles (and thus the level of vesting) for each of the three tranches will be measured separately at each of the above vesting dates. Therefore the level of vesting for any one tranche is independent of the other two tranches.

"TSR" means the Total Shareholder Return for a particular company for a 12 month period which is calculated as follows:

(closing share price of the applicable company's shares on the ASX on the last day of the 12 month period minus opening share price of that company's shares on the ASX on the first day of the 12 month period plus any dividends declared per share during the 12 month period) divided by (the opening share price of the applicable company's shares on the ASX on the first day of the 12 month period).

"Comparative TSR" means the TSR of the following companies provided that any of the following companies whose shares are not quoted on the ASX for the relevant 12 month period will not be included:

Remuneration report (continued)

Ausenco Ltd	Mac Services Ltd	Ammtec Ltd	Clough Ltd
Worley Parsons Ltd	Lycopodium Ltd	Mermaid Marine Ltd	Coote Industrial Ltd
Monadelphous Ltd	Sedgmen Ltd	Coffey Ltd	Nomad Ltd
Campbell Brothers Ltd	Fleetwood Ltd	Cardno Ltd	VDM Group Ltd
GRD Ltd			

"Threshold TSR Performance Hurdles" means as follows:

(i) No Options will vest unless the percentile ranking of the Company's TSR for the relevant 12 month period as against the Comparative TSRs for the relevant 12 month period is at or above the 50th percentile;

(ii) If the Company's TSR for the relevant 12 month period as against Comparative TSRs is:

a) at the 50th percentile, then 50% of the Options will vest;
b) between the 51st and 74th percentile then for each percentile over the 50th, an additional 2% of the Options will vest; and
c) at or above the 75th percentile then 100% of the Options will vest.

2. Any Options that do not vest and become exercisable in accordance with the vesting conditions in will automatically lapse.

3. Subject to any variation of the Rules, the exercise period in respect of each Option commences on the date that the Options vest in accordance with the above conditions, and ends on the fourth anniversary of the commencement of the exercise period in respect of that Option ("Exercise Period").

4. Any Option that is not exercised before the end of the Exercise Period will automatically lapse.

5. A Share acquired as a result of the exercise of an Option must not be sold, transferred or otherwise dealt with if doing so would result in a breach of the Listing Rules, the ASTC Settlement Rules or the terms of any restriction agreement with the Company.

6. All Shares allotted on exercise of Options will rank pari passu in all respects with other fully paid ordinary shares in the Company then on issue.

The following inputs were used to determine the value of Mr Pearce's options.

	Tranche 1	Tranche 2	Tranche 3
Underlying share price	$0.84	$0.84	$0.84
Exercise price of options	$1.15	$1.15	$1.15
Risk-free rate	3.4%	3.4%	3.4%
Volatility factor	60% to 80%	60% to 80%	60% to 80%
Dividend yield	5%	5%	5%
Legal duration	4.6 years	5.6 years	6.6 years
Effective life	2.6 years	3.6 years	4.6 years

During the 2009 financial year Mr Buchhorn and Mr Fewster had options that met the continuous service vesting condition. At the vesting these options were tested against the Threshold TSR Performance Hurdles. On the 28 November 2008 the Company's TSR was in the 75th percentile and therefore 100% of Mr Buchhorn's 28 November 2007 options vested. On the 4 March 2009 the Company's TSR was in the 56th percentile and therefore 62% of Mr Fewster's 4 March 2009 options vested. The remaining 38% of Mr Fewster's 4 March 2009 options will be cancelled.

For details on the options, please refer to note 27.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.
There were no forfeitures during the period.

The maximum grant, which will be payable assuming the service and performance criteria is met, is equal to the number of options multiplied by the fair value at the grant date. The minimum grant payable assuming that service and performance are not met is zero.

Corporate Governance Statement

Corporate Governance Statement

The Board of Directors of Southern Cross Electrical Engineering Limited ("SCEE" or "the Company") is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of SCEE on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Group's compliance with the Corporate Governance Council's Recommendations.

	Recommendation Comply	Comply Yes / No	Explanation
Principle 1 – Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved for the board and those delegated to senior management and disclose those functions.	Yes	Page 27
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Pages 17 - 19
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	Pages 25 - 29
Principle 2 – Structure the board to add value			
2.1	A majority of the Board should be independent directors.	No	Page 27
2.2	The chairperson should be an independent director.	No	Page 27
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	Page 27
2.4	The Board should establish a nomination committee.	Yes	Page 29
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 28
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	Pages 25 - 29
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees and disclose the policy or a summary of that policy.	Yes	Page 28
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	Yes	Page 28
4.2	Structure the audit committee so that it consists of: • only non-executive directors; • a majority of independent directors; • an independent chairperson, who is not chairperson of the Board; • at least three members.	Yes	Page 28
4.3	The audit committee should have a formal charter.	Yes	Website
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Pages 25 - 29

Corporate Governance Statement (continued)

	Recommendation Comply	Comply Yes / No	Explanation
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Pages 25 - 29
Principle 6 – Respect the rights of shareholders			
6.1	Design and disclose a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Yes	Website
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Pages 25 - 29
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 28
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risk.	Yes	Page 28
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 259A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 29
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Pages 25 - 29
Principle 8 – Remuneration fairly and responsibly			
8.1	The Board should establish a remuneration committee.	Yes	Page 29
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Pages 17 - 19
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Pages 25 - 29

SCEE's corporate governance practices were in place throughout the year ended 30 June 2009, unless otherwise stated. SCEE complies in all material respects with the Council's best practice recommendations.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by SCEE refer to our website:

www.scee.com.au

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Board Functions

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board. The responsibility for the operation and administration of the company is delegated, by the Board, to the Managing Director and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:

- Audit and Risk Management Committee; and
- Nomination and Remuneration Committee.

The roles and responsibilities of these committees are discussed throughout this Corporate Governance Statement.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budgets – via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored;
- reporting to shareholders.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on pages 10 and 11. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, Mr J Cooper and Mr D Fargher are considered to be independent directors. There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The Board believes that while the Chairman is not independent, the composition of the Board with its combined skills and capability, best serve the interests of the shareholders. The term in office held by each director in office at the date of this report is as follows:

Director	Term in office (Years)	Role
Gianfranco Tomasi	31	Non-Executive Director
Stephen Pearce	1	Managing Director
Brian Carman	21	Non-Executive Director
John Cooper	2	Non-Executive Director
Douglas Fargher	2	Non-Executive Director

Corporate Governance Statement (continued)

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the Nomination and Remuneration Committee conducted performance evaluations of the executive team and the Board undertook performance evaluations of its performance.

These evaluations involved an assessment of each Board member's and key executive's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of SCEE.

Trading Policy

Under the company's Share Trading Policy, a director, executive or other employee must not trade in any securities of the company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities. A Director or Executive is not allowed to deal in Securities of the Company as a matter of course in the following periods:

- from balance date to the release of annual or half yearly results;
- within the period of 1 month prior to the issue of a prospectus; and
- where there is in existence price sensitive information that has not been disclosed because of an ASX Listing Rule exception.

Directors and Executives should wait at least 2 hours after the relevant release before dealing in Securities so that the market has had time to absorb the information.

Before commencing to trade, a director, executive or other employee must first notify the company secretary of their intention to do so. The notification must state that the proposed purchase or sale is not as a result of access to, or being in possession of, price sensitive information that is not currently in the public domain. As required by the ASX Listing Rules, the company notifies the ASX of any transaction conducted by the directors in the securities of the company.

Audit and Risk Management Committee

The Board has an Audit and Risk Management Committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity.

This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for the establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Management Committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Risk Management Committee are non-executive directors.

The members of the audit committee during the year were:

J Cooper (Chairman)
D Fargher
B Carman

Qualifications of audit committee members

J. Cooper has over 31 years experience in the management of risks associated with the industry in which we operate.

D. Fargher has over 38 years experience in the management of risks associated with the construction industry.

B. Carman has significant experience in the management of SCEE having served as the managing director of SCEE for 19 years.

Risk

The Board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The company's process of risk management and internal compliance and control includes:

- establishing the company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and measuring risks that might impact upon the achievement of the company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls;

- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an annual assessment of the effectiveness of risk management and internal compliance and control. To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

  – effectiveness and efficiency in the use of the company's resources;
  – compliance with applicable laws and regulations; and
  – preparation of reliable published financial information.

For details on the number of meetings of the Audit and Risk Management Committee held during the year and the attendees at those meetings, refer to page 9 of the Directors' Report.

Managing Director and CFO Certification

The Managing Director and Chief Financial Officer have provided a written statement to the Board that:

- their views provided on the company's and consolidated entity's financial reports are founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and

- that the company's and consolidated entity's risk management and internal compliance and control systems are operating effectively in all material respects.

Nomination and Remuneration Committee

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Nomination and Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;

- attraction of quality management to the Company; and

- performance incentives which allow executives to share the rewards of the success of SCEE.

For full discussion of the company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report.

In relation to the issuing of options, discretion is exercised by the Board, having regard to the overall performance of SCEE and the performance of the individual during the period. The SCEE Senior Management Long Term Incentive Plan rules have been approved by shareholders.

There is no scheme to provide retirement benefits, other than statutory superannuation, to directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive team. The Board has established a remuneration committee, comprising three non-executive directors including two independent directors. Members of the Nomination and Remuneration Committee throughout the year were:

B Carman (Chairman)
D Fargher
J Cooper

The committee is also responsible for ensuring that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director.

For details of directors' attendance at meetings of the Nomination and Remuneration Committee, refer to page 14 of the Directors' Report.

Signed in accordance with a resolution of the directors.

Gianfranco Tomasi
Director
17th August 2009

Financial Statements

In terms of financial results it is pleasing to report Revenue growth for 2009 of 19% to $100.3m.

Balance Sheet

As at 30 June 2009

	Note	Consolidated		Company	
		2009 $	2008 $	2009 $	2008 $
Assets					
Current Assets					
Cash and cash equivalents	14	**31,305,768**	25,689,555	**30,586,511**	25,154,287
Trade and other receivables	15	**9,770,452**	10,817,972	**9,801,714**	8,559,165
Inventories	16	**893,165**	365,513	**764,622**	-
Construction work in progress	17	**329,258**	1,571,837	**329,258**	-
Derivatives	23	**-**	612,827	**-**	612,827
Prepayments	18	**-**	1,114,683	**-**	1,114,683
Total Current Assets		**42,298,643**	40,172,387	**41,482,105**	35,440,962
Non-Current Assets					
Other receivables	15	**-**	172,672	**-**	172,672
Property, plant and equipment	20	**7,505,358**	6,562,716	**6,945,582**	5,975,507
Deferred tax assets	12	**1,603,847**	750,510	**1,603,847**	1,222,061
Total Non-current Assets		**9,109,205**	7,485,898	**8,549,429**	7,370,240
Total Assets		**51,407,848**	47,658,285	**50,031,534**	42,811,202
Liabilities					
Current Liabilities					
Trade and other payables	21	**6,696,521**	8,135,750	**6,179,231**	6,871,583
Loans and borrowings	24	**293,809**	821,932	**293,809**	821,933
Employee Benefits	22	**1,720,390**	2,074,944	**1,720,390**	1,567,906
Current tax payable		**1,327,383**	2,530,207	**936,674**	1,605,759
Total Current Liabilities		**10,038,103**	13,562,833	**9,130,102**	10,867,181
Non-Current Liabilities					
Loans and borrowings	24	**61,609**	325,105	**61,609**	325,105
Employee Benefits	22	**70,578**	70,978	**70,578**	70,978
Trade and other payables	21	**-**	396,782	**-**	396,782
Total Non-Current Liabilities		**132,187**	792,865	**132,187**	792,865
Total Liabilities		**10,107,669**	14,355,698	**9,262,289**	11,660,046
Net Assets		**41,237,558**	33,302,587	**40,769,243**	31,151,156
Equity					
Contributed Equity	25	**19,777,237**	19,792,706	**19,777,237**	19,792,706
Reserves		**(361,716)**	174,337	**181,235**	70,152
Retained earnings		**21,822,037**	13,335,544	**20,810,771**	11,288,298
Total equity attributable to equity holders of the Company		**41,237,558**	33,302,587	**40,769,243**	31,151,156
Total Equity		**41,237,558**	33,302,587	**40,769,243**	31,151,156

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

As at 30 June 2009

Consolidated

	Share Capital	Translation reserve	Options Reserve	Retained earnings	Total	Minority Interest	Total equity
Balance at 1 July 2007	750,002	60,957	-	11,779,761	12,590,720	241,649	12,832,369
Profit for the period	-	-	-	11,312,261	11,312,261	-	11,312,261
Issue of ordinary shares	19,042,704	-	-	-	19,042,704	-	19,042,704
Dividends to equity holders	-	-	-	(9,756,478)	(9,756,478)	-	(9,756,478)
Foreign currency translation	-	36,866	-	-	36,866	-	36,866
Acquisition of minority interest	-	-	-	-	-	(241,649)	(241,649)
Cost of share based payments	-	-	76,514	-	76,514	-	76,514
Balance at 30 June 2008	**19,792,706**	**97,823**	**76,514**	**13,335,544**	**33,302,587**	**-**	**33,302,587**
Balance at 1 July 2008	19,792,706	97,823	76,514	13,335,544	33,302,587	-	33,302,587
Profit for the period	-	-	-	15,464,156	15,464,156	-	15,464,156
Increase to issue costs	(15,469)	-	-	-	(15,469)	-	(15,469)
Dividends to equity holders	-	-	-	(7,200,000)	(7,200,000)	-	(7,200,000)
Foreign currency translation	-	(669,228)	-	-	(669,228)	-	(669,228)
Peru earnings reserve reclassified to equity	-	-	-	222,337	222,337	-	222,337
Cost of share based payments	-	-	133,175	-	133,175	-	133,175
Balance at 30 June 2009	**19,777,237**	**(571,405)**	**209,689**	**21,822,037**	**41,237,558**	**-**	**41,237,558**

Company

	Share Capital	Translation reserve	Options Reserve	Retained earnings	Total
Balance at 1 July 2007	750,002	-	-	10,981,917	11,731,919
Profit for the period	-	-	-	10,062,859	10,062,859
Issue of ordinary shares	19,042,704	-	-	-	19,042,704
Dividends to equity holders	-	-	-	(9,756,478)	(9,756,478)
Foreign currency translation	-	(6,362)	-	-	(6,362)
Cost of share based payments	**-**	**-**	**76,514**	**-**	**76,514**
Balance at 30 June 2008	19,792,706	(6,362)	76,514	11,288,298	31,151,156
Balance at 1 July 2008	19,792,706	(6,362)	76,514	11,288,298	31,151,156
Profit for the period	-	-	-	16,722,473	16,722,473
Increase to issue costs	(15,469)	-	-	-	(15,469)
Dividends to equity holders	-	-	-	(7,200,000)	(7,200,000)
Foreign currency translation		(22,092)		(22,092)	(22,092)
Cost of share based payments	-	-	133,175	-	133,175
Balance at 30 June 2009	**19,777,237**	**(28,454)**	**209,689**	**20,810,771**	**40,769,243**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Income Statement

For the year ended 30 June 2009

	Note	Consolidated		Company	
		2009 $	2008 $	2009 $	2008 $
Contract Revenue	6	**100,321,904**	84,173,883	**95,172,288**	68,231,413
Contract expenses		**(63,757,970)**	(56,757,292)	**(62,127,012)**	(45,369,053)
Gross profit		**36,563,934**	27,416,591	**33,035,276**	22,862,360
Other income	7	**406,680**	175,637	**429,738**	18,381
Employee benefits expenses	9	**(6,386,594)**	(4,604,556)	**(6,274,721)**	(4,604,556)
Occupancy expenses		**(535,375)**	(528,544)	**(535,375)**	(528,544)
Administration expenses		**(2,385,942)**	(1,548,473)	**(1,893,189)**	(809,971)
Australian Stock Exchange listing expenses		**0**	(3,684,403)	**0**	(3,684,403)
Other expenses	8	**(738,704)**	(1,019,688)	**(738,704)**	(1,019,688)
Depreciation expense	11	**(1,141,972)**	(1,130,563)	**(1,114,540)**	(1,043,634)
Results from operations		**25,782,027**	15,076,001	**22,908,485**	11,189,945
Finance income		**1,220,251**	832,360	**4,202,903**	2,348,886
Finance expenses		**(4,839,426)**	270,230	**(4,430,296)**	204,297
Net finance expense	10	**(3,619,175)**	1,102,590	**(227,393)**	2,553,183
Profit before income tax		**22,162,852**	16,178,591	**22,681,092**	13,743,128
Income tax expense	12	**(6,698,696)**	(4,866,330)	**(5,958,620)**	(3,680,269)
Profit after income tax		**15,464,156**	11,312,261	**16,722,473**	10,062,859
Attributable to:					
Members of the parent		**15,464,156**	11,312,261	**16,722,473**	10,062,859
Earnings per share:					
Basic earnings per share	13	**12.89**	10.11		
Diluted earnings per share	13	**12.89**	10.07		

The above income statements should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the year ended 30 June 2009

	Note	Consolidated		Company	
		2008 $	2007 $	2008 $	2007 $
Cash flows from operating activities					
Cash receipts from customers		**97,274,228**	92,112,032	**90,234,088**	76,623,135
Cash paid to suppliers and employees		**(73,786,153)**	(76,713,977)	**(72,362,074)**	(64,451,929)
Interest received		**1,220,251**	832,360	**1,217,743**	830,811
Interest paid		**(250,915)**	(838,884)	**(218,271)**	(355,630)
Income taxes paid		**(8,754,856)**	(5,515,672)	**(7,009,491)**	(5,515,672)
Net cash from operating activities	26	**15,702,555**	9,875,859	**11,861,995**	7,130,715
Cash flows from investing activities					
Proceeds from sale of assets		**114,458**	152,108	**114,458**	152,108
Acquisition of property, plant and equipment		**(2,084,614)**	(2,079,668)	**(2,084,614)**	(1,480,061)
Net cash from (used in) investing activities		**(1,970,156)**	(1,927,560)	**(1,970,156)**	(1,327,953)
Cash flows from financing activities					
Proceeds from issue of share capital (net of costs)	25	**(15,469)**	19,042,704	**(15,469)**	19,042,704
Proceeds from borrowings		**-**	-	**-**	-
Repayment of borrowings		**(791,619)**	(724,131)	**(791,619)**	(491,844)
Dividends received		**-**	-	**2,985,160**	1,518,075
Dividends paid	25	**(7,200,000)**	(9,756,478)	**(7,200,000)**	(9,756,478)
Net cash from (used in) financing activities		**(8,007,088)**	8,562,095	**(5,021,928)**	10,312,457
Net increase in cash and cash equivalents		**6,054,569**	16,510,394	**4,869,911**	16,115,219
Cash and cash equivalents at 1 July		**25,689,555**	9,179,161	**25,154,287**	9,039,068
Effect of exchange rate fluctuations on cash held		**(109,098)**	-	**562,313**	-
Cash and cash equivalents at 30 June	**14**	**31,305,768**	25,689,555	**30,586,511**	25,154,287

The above cash flow statements should be read in conjunction with the accompanying notes.

Notes to the Financial Report

For the year ending 30 June 2009

Notes to the Financial Report

For the year ending 30 June 2009 (continued)

1. Reporting entity

The financial report of Southern Cross Electrical Engineering Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 17 August 2009. The consolidated financial statements of the Company as at and for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

Southern Cross Electrical Engineering Limited (the parent) is a company incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

The address of the Company's registered office is 41 Macedonia Street Naval Base, Western Australia.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value; and
- Share-based payment arrangements are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

(i) *Functional and presentation currency*

Both the functional and presentation currency of Southern Cross Electrical Engineering Limited and its Australian subsidiaries are Australian dollars ($).

The functional currency in Tanzanian subsidiary is United States dollar and Neuvos soles for the Peruvian subsidiary. The overseas functional currencies are translated to presentation currency (see below).

(ii) *Transactions and balances*

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

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

(iii) *Translation of Group Companies functional currency to presentation currency*

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

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following areas:

- Note 28 – measurement of share based payments;
- Notes 22 and 30 – employee benefits and contingencies; and
- Note 23 – valuation of financial instruments.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(ii) *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investments to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investee or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(b) Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges which are recognised directly in equity.

(ii) *Foreign operations*

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

Foreign currency differences are recognised directly in equity in a foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

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

(c) Financial instruments

(i) *Recognition and initial measurement*

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Notes to the Financial Report

For the year ending 30 June 2009 (continued)

(c) Financial instruments (continued)

(i) *Recognition and initial measurement (continued)*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(m).

Classification and subsequent measurement

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) *Derivative financial instruments*

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. These derivatives are recognised initially at fair value through the profit and loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value and changes therein are accounted for through the profit and loss.

(iii) *Share capital*

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends are recognised as a liability in the period in which they are declared.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) *Subsequent costs*

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

(iii) *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

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

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

Land and buildings	40 years
Leasehold improvements	6 – 38 years
Plant and equipment	2 – 10 years
Motor vehicles	2 – 10 years
Office furniture and fittings	2 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the net present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Group's balance sheet.

(f) Inventories

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

(g) Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see note 3(k)(i)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade and other receivables in the balance sheet.
If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

(h) Impairment

(i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.
An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) *Non-financial assets*

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

(i) Employee benefits

(i) *Long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AAA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations.

Notes to the Financial Report

For the year ending 30 June 2009 (continued)

(i) Employee benefits (continued)

(ii) *Termination benefits*

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

(iii) *Short-term benefits*

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

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

(iv) *Share-based payment transactions*

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

(j) Provisions

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

(k) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) *Construction contracts*

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss is recognised immediately in profit or loss.

(ii) *Services*

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

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

(l) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income and changes in the fair value of financial assets at fair value through profit or loss.

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Finance expenses comprise interest expense on borrowings, bank charges and lease payments. All borrowing costs are recognised in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

(n) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority.

In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

(p) Earnings per share

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

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's geographical segments. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

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

(r) Financial guarantees

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

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For the year ending 30 June 2009 (continued)

(r) Financial guarantees (continued)

- the amount of obligation under the contract, as determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount recognised initially less cumulative amortisation recognised in accordance with revenue recognition policies.

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

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

(s) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied preparing this financial report:

- Revised AASB 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Revised AASB 3, which becomes mandatory for the Group's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statement.

- Amended AASB 127 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have a significant impact on the consolidated financial statements.

- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require a change in the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 5).

- Revised AASB 101 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners.

  Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.

- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group.

  In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Group's 30 June 2010 financial statements.

- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from The Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.

- AASB 2008-7 Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements.

  The amendments become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amendments.

- AASB 2008-8 Amendments to Australian Accounting Standard - Eligible Hedged Items clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments become mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

- AI 15 Agreements for the Construction of Real Estate provides guidance on the accounting for agreements for the construction of real estate by the seller under AASB 111 Construction Contracts or AASB 118 Revenue and the timing of revenue recognition. AI 15 will become mandatory for the Group's 30 June 2010 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the Interpretation.

- AI 16 Hedges of a Net Investment in a Foreign Operation clarifies that net investment hedging can only be applied when the net assets of the foreign operation are recognised in the entity's consolidated financial statements. AI 16 will become mandatory for the Group's 30 June 2010 financial statements.

  The Group has not yet determined the potential effect of the Interpretation.

- AI 17 Distributions of Non-Cash Assets to Owners provides guidance in respect of measuring the value of distributions of non-cash assets to owners. AI 17 will become mandatory for the Group's 30 June 2010 consolidated financial statements. The Group has not yet determined the potential effect of the Interpretation.

- AI 18 Transfers of Assets from Customers provides guidance on the accounting for contributions from customers in the form of transfers of property, plant and equipment (or cash to acquire or construct it). AI 18 will become mandatory for the Group's 30 June 2010 consolidated financial statements. The Group has not yet determined the potential effect of the Interpretation.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) *Property, plant and equipment*

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(ii) *Inventories*

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iii) *Trade and other receivables*

The fair value of trade and other receivables, excluding construction work in progress, but including service concession receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

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For the year ending 30 June 2009 (continued)

(iv) *Derivatives*

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

(v) *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(vi) *Share-based payment transactions*

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

5. Segment reporting

Business segments

The Group provides large scale specialised electrical, control and instrumentation installation and testing services ("E & I Services") for major construction projects in Australia, and throughout the world. Due to the Group operating in only one business segment its primary segment reporting format is geographical segments.

Geographical segments

The Group provides E & I Services on a worldwide basis, but operates in two principal geographical areas, Australia and South America. In South America, business development, project management, human resources and procurement is managed from an office in Peru.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The following table presents revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2009 and 30 June 2008.

	Australia		South America		Eliminations		Consolidation	
	2009	2008	2009	2008	2009	2008	2009	2008
External revenues	95,200,140	65,264,599	5,562,999	18,909,284	(441,235)	-	100,321,904	84,173,883
Intersegment revenue	-	-	-	-	-	-	-	-
Segment revenue	**95,200,140**	**65,264,599**	**5,562,999**	**18,909,284**	**(441,235)**	**-**	**100,321,904**	**84,173,883**
Segment result	23,407,961	11,641,001	2,374,066	6,062,188	-	-	25,782,027	16,185,115
Net finance costs							(3,619,175)	(6,524)
Income tax expense							(6,698,696)	(4,866,330)
Profit (loss) for the period							15,464,156	11,312,261
Segment assets	48,529,328	42,060,692	1,288,883	4,847,083	(14,210)	-	49,804,001	46,907,775
Unallocated assets	-	-	-	-	-	-	1,603,847	750,510
Total assets	**48,529,328**	**42,060,692**	**1,288,883**	**4,847,083**	**(14,210)**	**-**	**51,407,848**	**47,658,285**
							-	-
Segment liabilities	(9,523,445)	(11,949,507)	(584,224)	(2,406,191)	-	-	(10,107,669)	(14,355,698)
Unallocated liabilities	-	-	-		-	-	-	-
Total liabilities	**(9,523,445)**	**(11,949,507)**	**(584,224)**	**(2,406,191)**	**-**	**-**	**(10,107,669)**	**(14,355,698)**
Capital expenditure	(2,084,614)	(1,480,061)	-	(599,607)	-	-	(2,084,614)	(2,079,668)
Depreciation	(1,114,540)	(1,043,634)	(27,432)	(86,929)	-	-	(1,141,972)	(1,130,563)

6. Revenue

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Contract revenue	**100,321,904**	84,173,883	**95,172,288**	68,231,413
	100,321,904	84,173,883	**95,172,288**	68,231,413

7. Other income

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Other	**435,101**	255,091	**458,159**	97,835
Net gain/(loss) on sale of non-current assets	**(28,421)**	(79,454)	**(28,421)**	(79,454)
	406,680	175,637	**429,738**	18,381

8. Other expenses

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Repairs and maintenance	**(220,166)**	(126,503)	**(220,166)**	(126,503)
Motor vehicles	**(489,476)**	(583,962)	**(489,476)**	(583,962)
Other	**(29,062)**	(309,223)	**(29,062)**	(309,223)
	(738,704)	(1,019,688)	**(738,704)**	(1,019,688)

9. Employee benefits expense

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Remuneration, bonuses and on-costs	**(5,770,612)**	(4,219,427)	**(5,658,739)**	(4,219,427)
Amounts provided for employee entitlements	**(482,807)**	(308,615)	**(482,807)**	(308,615)
Share based payments expense	**(133,175)**	(76,514)	**(133,175)**	(76,514)
	(6,386,594)	(4,604,556)	**(6,274,721)**	(4,604,556)

10. Finance income and expense

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Interest income on bank deposits	**1,220,251**	832,360	**1,217,743**	830,811
Dividends received from wholly owned subsidiaries	**-**	-	**2,985,160**	1,518,075
Finance income	**1,220,251**	832,360	**4,202,903**	2,348,886
Interest expense	**(36,569)**	(483,408)	**(25,531)**	(154)
Finance charges payable under hire purchase contracts	**(53,860)**	(115,244)	**(53,860)**	(115,244)
Bank charges	**(160,486)**	(240,232)	**(138,880)**	(240,232)
Foreign exchange gain (loss)	**(913,697)**	496,287	**(537,210)**	(52,900)
Realised loss on derivatives	**(3,674,815)**	612,827	**(3,674,815)**	612,827
Finance expense	**(4,839,426)**	270,230	**(4,430,296)**	204,297
Net finance income and expense	**(3,619,175)**	1,102,590	**(227,393)**	2,553,183

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For the year ending 30 June 2009 (continued)

11. Depreciation expense

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Buildings	**(16,784)**	-	**(16,784)**	-
Leasehold improvements	**(29,641)**	(29,284)	**(29,641)**	(29,284)
Plant and equipment	**(467,823)**	(511,618)	**(440,391)**	(424,689)
Motor vehicles	**(501,854)**	(524,135)	**(501,854)**	(524,135)
Office furniture and equipment	**(125,870)**	(65,526)	**(125,870)**	(65,526)
	(1,141,972)	(1,130,563)	**(1,114,540)**	(1,043,634)

12. Income tax expense

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
(a) Income Statement				
Current tax expense				
Current period	**7,552,034**	5,023,182	**6,340,407**	4,108,095
	7,552,034	5,023,182	**6,340,407**	4,108,095
Deferred tax expense				
Origination and reversal of temporary differences	**(853,338)**	(156,852)	**(381,787)**	(427,826)
Income tax expense reported in the income statement	**6,698,696**	4,866,330	**5,958,620**	3,680,269
(b) Amounts charged or credited directly to equity				
Expenses relating to initial public offering	**(4,641)**	(302,304)	**(4,641)**	(302,304)
Income tax expense reported in equity	**(4,641)**	(302,304)	**(4,641)**	(302,304)

Numerical reconciliation between tax expense and pre-tax accounting profit

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Accounting profit before income tax	**22,162,852**	16,178,591	**22,681,092**	13,743,128
Income tax using the Company's domestic tax rate of 30% (2008: 30%)	**6,648,856**	4,853,577	**6,804,328**	4,122,938
Tax effect of permanent differences	**49,404**	31,328	**(846,144)**	(424,094)
Foreign tax credits	**-**	(18,575)	**-**	(18,575)
Effect of different tax rate applicable to Denver branch of 35% (2008: 35%)	**436**	-	**436**	-
Income tax expense reported in the income statement	**6,698,696**	4,866,330	**5,958,620**	3,680,269
The applicable effective tax rates are:	**30.2%**	30.1%	**26.3%**	26.8%

The decrease in the weighted average effective company tax rate for 2008 is a result of receiving dividends from a wholly owned subsidiary.

12. Income tax expense (continued)

Deferred Tax Assets and Liabilities

	Consolidated					
	Balance Sheet		Income Statement		Equity	
	2009	2008	2009	2008	2009	2008
Deferred tax liabilities						
Forward contracts	-	(167,978)	**(167,978)**	167,978	-	-
Retentions	**(22,776)**	(179,435)	**(156,659)**	165,143	-	-
Work in progress	**(98,777)**	(471,551)	**(372,774)**	270,975	-	-
Property, plant and equipment	**(10,544)**	(45,314)	**(34,770)**	344	-	-
	(132,097)	(864,278)	**(732,181)**	604,440	-	-
Deferred tax assets						
Accruals	**230,451**	18,000	**(212,451)**	(18,000)	-	-
Employee benefits	**537,290**	491,666	**(45,624)**	59,526	-	-
Unrealised foreign exchange losses	**1,826**	-	**(1,826)**	-	-	-
Sundry debtors	**96,185**	-	**(96,185)**	-	-	-
Future IPO related tax benefits (Income statement)	**643,464**	857,951	**214,487**	(857,951)	-	-
Future IPO related tax benefits (movement in equity)	**226,728**	302,304	**75,576**	-	-	(302,304)
Disposals	-	(55,133)	**(55,133)**	55,133	-	-
	1,735,944	1,614,788	**(121,156)**	(761,292)	-	(302,304)
Net deferred tax assets	**1,603,847**	750,510	**(853,337)**	(56,852)		

Deferred Tax Assets and Liabilities

	Parent					
	Balance Sheet		Income Statement		Equity	
	2009	2008	2009	2008	2009	2008
Deferred tax liabilities						
Work in progress	**(98,777)**	-	**98,777**	-	-	-
Forward contracts	-	(167,978)	**(167,978)**	167,978	-	-
Retentions	**(22,776)**	(179,435)	**(156,659)**	165,143	-	-
Property, plant and equipment	**(10,544)**	(45,314)	**(34,770)**	344	-	-
	(132,097)	(392,727)	**(260,630)**	333,465	-	-
Deferred tax assets						
Accruals	**230,451**	18,000	**(212,451)**	(18,000)	-	-
Employee benefits	**537,290**	491,666	**(45,624)**	59,526	-	-
Bank accounts	**1,826**	-	**(1,826)**	-	-	-
Sundry debtors	**96,185**	-	**(96,185)**	-	-	-
Future IPO related tax benefits (Income statement)	**643,464**	857,951	**214,487**	(857,951)	-	-
Future IPO related tax benefits (movement in equity)	**226,728**	302,304	**75,576**	-	-	(302,304)
Disposals	-	(55,133)	**(55,133)**	55,133	-	-
	1,735,944	1,614,788	**(121,156)**	(761,292)	-	(302,304)
Net tax asset	**1,603,847**	1,222,061	**(381,786)**	(437,827)		

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For the year ending 30 June 2009 (continued)

13. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2009 was based on the profit attributable to ordinary shareholders of $15,464,156 (2008: $11,312,261) and a weighted average number of ordinary shares outstanding of 120,000,000 (2008: 111,857,923), calculated as follows:

Profit attributable to ordinary shareholders

	Consolidated	
	2009	2008
Profit for the period	**15,464,156**	11,312,261

Weighted average number of ordinary shares

		Consolidated	
	Note	2009	2008
Issued ordinary shares at 1 July	25	**120,000,000**	750,002
Effective new balance resulting from share split	25	-	100,000,000
Effect of 20,000,000 shares issued on 26 November 2007	25	-	11,857,923
Weighted average number of ordinary shares at 30 June		**120,000,000**	111,857,923

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2009 was based on profit attributable to ordinary shareholders of $15,464,156 (2008: $11,312,261) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 120,000,000 (2008: 112,315,574), calculated as follows:

Profit attributable to ordinary shareholders (diluted)

	Consolidated	
	2009	2008
Profit for the period	**15,464,156**	11,312,261

Weighted average number of ordinary shares (diluted)

		Consolidated	
	Note	2009	2008
Weighted average number of ordinary shares for basic earnings per share	25	**120,000,000**	111,857,923
Effect of dilution:			
Share options on issue	25	-	457,650
Weighted average number of ordinary shares at 30 June		**120,000,000**	112,315,573

Options on issue are not considered dilutive in 2009 as their exercise price is higher than the average market price.

14. Cash and cash equivalents

	Consolidated		Company	
	2009	2008	2009	2008
Bank balances	**10,324,075**	4,354,120	**9,604,818**	3,818,852
Short term deposits	**20,981,693**	21,335,435	**20,981,693**	21,335,435
Cash and cash equivalents in the statement of cash flows	**31,305,768**	25,689,555	**30,586,511**	25,154,287

The effective interest rate on short-term bank deposits was 4.3% (2008: 7.25%); these deposits are all on call.

15. Trade and other receivables

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Current				
Trade receivables (a)	**9,694,529**	10,219,854	**9,723,648**	7,946,837
Retentions (b)	**75,923**	598,118	**75,923**	598,118
Wholly owned subsidiary	**-**	-	**2,143**	14,210
	9,770,452	10,817,972	**9,801,714**	8,559,165
Non-current				
Other related parties	**-**	172,672	**-**	172,672

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss has not been recognised due to the collection record of the counterparties the Group transacts with.

(b) Retentions

Retentions relate to amounts withheld by clients under the terms of the Group's construction agreements. These are remitted by the client upon completion of the contracted works.

16. Inventories

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Raw materials and consumables – at cost	**893,165**	365,513	**764,622**	-
	893,165	365,513	**764,622**	-

17. Construction work in progress

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Costs incurred to date	**32,547,044**	14,303,174	**32,547,044**	-
Recognised profit	**12,788,343**	6,177,947	**12,788,343**	-
Progress billings	**(45,006,129)**	(18,909,284)	**(45,006,129)**	-
Amounts due from customers	**329,258**	1,571,837	**329,258**	-
Retentions on construction work in progress	**-**	-	**-**	-
Progress billings receivable on construction contracts in progress – at cost	**329,258**	1,571,837	**329,258**	-

Work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost. Cost includes all expenditure related directly to specific projects.

18. Prepayments

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Prepayments	**-**	1,114,683	**-**	1,114,683
	-	1,114,683	**-**	1,114,683

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For the year ending 30 June 2009 (continued)

19. Investments in subsidiaries

The consolidated financial statements include the financial statements of Southern Cross Electrical Engineering Ltd and the subsidiaries listed in the following table.

	Country of Incorporation	Equity Interest (%)	
		2009	2008
Cruz Del Sur Ingenieria Electra (Peru) S.A Ltd	Peru	100	100
Southern Cross Electrical Engineering (WA) Pty Ltd	Australia	100	100
SCEE Tanzania Ltd	Tanzania	100	100
SCEE Ghana Ltd	Ghana	100	100

Gianfranco Tomasi (1%) and David Tomasi (1%) sold their respective shares in Cruz Del Sur Ingenieria Electra (Peru) S.A. Limited to Southern Cross Electrical Engineering (WA) Pty Ltd at their historical cost. Southern Cross Electrical Engineering (WA) Pty Ltd was incorporated on 4 October 2007 and is a 100% subsidiary of Southern Cross Electrical Engineering Limited. Southern Cross Electrical Engineering Limited therefore, indirectly acquired the remaining 2% of Cruz Del Sur Ingenieria Electra (Peru) S.A. Limited during the year ended 30 June 2008 for $2.

20. Property, plant and equipment

	Consolidated					
	Land and Buildings	Leasehold Improvements	Plant and equipment	Motor Vehicles	Office Furniture and Equipment	Total
Cost or deemed cost						
Balance at 1 July 2007	916,321	1,113,266	3,957,255	3,745,804	419,403	10,152,049
Additions	-	-	1,490,592	1,004,069	84,167	2,578,828
Disposals	-	-	-	(580,486)	(6,026)	(586,512)
Balance at 30 June 2008	916,321	1,113,266	5,447,847	4,169,387	497,544	12,144,365
Balance at 1 July 2008	916,321	1,113,266	5,447,847	4,169,387	497,544	12,144,365
Additions	-	978,295	123,470	735,924	391,477	2,229,166
Disposals	-	-	-	(332,645)	(1,870)	(334,515)
Balance at 30 June 2009	916,321	2,091,561	5,571,317	4,572,666	887,151	14,039,016
Depreciation and impairment losses						
Balance at 1 July 2007	-	(279,813)	(2,171,495)	(1,892,610)	(121,867)	(4,465,785)
Depreciation for the year	-	(29,284)	(511,618)	(524,135)	(65,526)	(1,130,563)
Disposals	-	-	-	394,643	6,026	400,669
Balance at 30 June 2008	-	(309,097)	(3,069,083)	(2,022,102)	(181,367)	(5,581,649)
Balance at 1 July 2008	-	(309,097)	(3,069,083)	(2,022,102)	(181,367)	(5,581,649)
Depreciation for the year	(16,784)	(29,641)	(440,391)	(501,854)	(153,302)	(1,141,972)
Disposals	-	-	-	189,761	202	189,963
Balance at 30 June 2009	(16,784)	(338,738)	(3,509,474)	(2,334,195)	(334,467)	(6,533,658)
Carrying amounts						
At 1 July 2007	916,321	833,453	1,785,760	1,853,194	297,536	5,686,264
At 30 June 2008	916,321	804,169	2,378,764	2,147,285	316,177	6,562,716
At 1 July 2008	916,321	804,169	2,378,764	2,147,285	316,177	6,562,716
At 30 June 2009	899,537	1,752,823	2,061,843	2,238,471	552,684	7,505,358

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For the year ending 30 June 2009 (continued)

20. Property, plant and equipment (continued)

	Company					
	Land and Buildings	Leasehold Improvements	Plant and equipment	Motor Vehicles	Office Furniture and Equipment	Total
Cost or deemed cost						
Balance at 1 July 2007	671,375	1,113,266	3,858,699	3,745,804	419,403	9,808,547
Additions	-	-	510,962	1,004,069	84,167	1,599,198
Disposals	-	-	(30,000)	(580,486)	(6,026)	(616,512)
Balance at 30 June 2008	671,375	1,113,266	4,339,661	4,169,387	497,544	10,791,233
Balance at 1 July 2008	671,375	1,113,266	4,339,661	4,169,387	497,544	10,791,233
Additions	-	978,295	123,471	735,924	391,477	2,229,167
Disposals	-	-	-	(332,645)	(1,870)	(334,515)
Balance at 30 June 2009	671,375	2,091,561	4,463,132	4,572,666	887,151	12,685,885
Depreciation and impairment losses						
Balance at 1 July 2007	-	(279,813)	(1,668,431)	(1,997,921)	(250,650)	(4,196,815)
Depreciation for the year	-	(29,284)	(424,689)	(524,135)	(65,526)	(1,043,634)
Disposals	-	-	24,054	394,643	6,026	424,723
Balance at 30 June 2008	-	(309,097)	(2,069,066)	(2,127,413)	(310,150)	(4,815,726)
Balance at 1 July 2008	-	(309,097)	(2,069,066)	(2,127,413)	(310,150)	(4,815,726)
Depreciation for the year	(16,784)	(29,641)	(440,391)	(501,854)	(125,870)	(1,114,540)
Disposals	-	-	-	189,761	202	189,963
Balance at 30 June 2009	(16,784)	(338,738)	(2,509,457)	(2,439,506)	(435,818)	(5,740,303)
Carrying amounts						
At 1 July 2007	671,375	833,453	2,190,268	1,747,883	168,753	5,611,732
At 30 June 2008	671,375	804,169	2,270,595	2,041,974	187,394	5,975,507
At 1 July 2008	671,375	804,169	2,270,595	2,041,974	187,394	5,975,507
At 30 June 2009	654,591	1,752,823	1,953,675	2,133,160	451,333	6,945,582

21. Trade and other payables

	Consolidated		Company	
	2009	2008	2009	2008
Current				
Trade payables	**3,625,066**	5,922,034	**3,107,776**	4,657,867
Accrued expenses	**2,000,102**	1,742,527	**2,000,102**	1,742,527
Other creditors	**372,734**	473,005	**372,734**	473,005
Goods and services tax payable/(receivable)	**698,619**	(1,816)	**698,619**	(1,816)
	6,696,521	8,135,750	**6,179,231**	6,871,583
Non-current				
Other creditors	-	396,782	-	396,782
	-	396,782	-	396,782

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.
The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.
Other long term creditors are expected to be settled within 12 – 18 months.

22. Employee Benefits

	Consolidated		Company	
	2009	2008	2009	2008
Current				
Annual leave	**1,123,743**	1,454,967	**1,123,743**	947,929
Long service leave	**596,647**	619,977	**596,647**	619,977
	1,720,390	2,074,944	**1,720,390**	1,567,906
Non-current				
Long service leave	**70,578**	70,978	**70,578**	70,978

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in note 3 to this report.

23. Financial instruments

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

Notes to the Financial Report

For the year ending 30 June 2009 (continued)

23. Financial instruments (continued)

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Management Committee oversees how management monitors risk and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. For the Company it also arises from Group's receivables due from customers.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2009	**2008**
Cash	**31,305,768**	25,689,555
Trade receivables	**9,770,452**	10,817,972
Forward exchange contracts	**-**	612,827

The Company's maximum exposure to credit risk at the reporting date was $30,586,511 (2008: $25,154,287) for cash, $9,801,714 (2008: $8,559,165) for trade receivables and $nil (2008: $612,827) for forward exchange contracts, totalling $40,388,225 (2008: $34,326,279).

Trade and other receivables

The Company's and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 64 percent (2008: 82 percent) of the Group's trade receivables are attributable to transactions with two major customers. Geographically, the concentration of credit risk is within Australia and industry wise the concentration is within the mining industry.

When entering into new customer contracts for service, the Group only enters into contracts with reputable companies. Management monitors the Group's exposure on a monthly basis.

75 percent (2008: 100 percent) of the Group's current customers have been transacting with the Group for several years, and losses have occurred infrequently if at all. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, aging profile, maturity and existence of previous financial difficulties.
The Group does not require collateral in respect of trade and other receivables.

The Company and Group have not established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables as it not considered necessary based on the payment history of their client base.

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2009	**2008**
Australia	**9,770,452**	8,731,837
South America	**-**	2,258,807
Other regions	**-**	-
	9,770,452	10,990,644

23. Financial instruments (continued)

The Company's maximum exposure to credit risk for receivables at the reporting date by geographic region was $11,936,186 (2008: $8,731,837) for Australia, $nil (2007: $2,258,807) for South America and $nil (2008: $nil) for other regions.

Impairment losses

At 30 June 2009 the Company had receivables past due of $2,072,753 (2008: nil) which has been subsequently received. The aging of the Group's trade receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
	2009	2009	2008	2008
Not past due	**6,570,178**	**-**	7,826,965	-
Past due 0-30 days	**1,127,521**	**-**	836,088	-
Past due 30-60 days	**1,933,042**	**-**	2,284,649	-
Past due 90 days and over	**139,711**	**-**	42,942	-
More than one year	**-**	**-**	-	-
	9,770,452	**-**	10,990,644	-

Based on historic default rates, the Group believes no impairment allowance is necessary in respect of trade receivables as the customers have a good credit history with the Group. There was no renegotiation in credit terms during the period.

Liquidity risk

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

The Group uses project costing to assess the cash flows required for each project currently underway and entered into. Management monitors cash flow using rolling forecasts and annual budgets that are monitored at a Board level on a monthly basis.

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

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For the year ending 30 June 2009 (continued)

23. Financial instruments (continued)

Consolidated
30 June 2009

	Effective rate	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Non-derivative financial assets								
Cash and cash equivalents	4.3%	31,305,768	31,305,768	31,305,768	-	-	-	-
Trade and other receivables		9,770,452	9,770,452	9,770,452	-	-	-	-
Construction work in progress	-	329,258	329,258	329,258	-	-	-	-
		41,405,478	41,405,478	41,405,478	-	-	-	-
Non-derivative financial liabilities								
Finance lease liabilities	7.9%	355,418	371,508	183,026	126,873	46,708	14,901	-
Trade and other payables	-	6,696,521	6,696,521	6,696,521	-	-	-	-
		7,051,939	7,068,029	6,879,547	126,873	46,708	14,901	-

30 June 2008

	Effective rate	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Non-derivative financial assets								
Cash and cash equivalents	7.25%	25,689,555	25,689,555	25,689,555	-	-	-	-
Trade and other receivables	-	10,990,644	10,990,644	10,219,854	-	770,790	-	-
Construction work in progress	-	1,571,837	1,571,837	1,571,837	-	-	-	-
		38,252,036	38,252,036	37,481,246	-	770,790	-	-
Non-derivative financial liabilities								
Finance lease liabilities	8.5%	1,147,037	1,220,503	475,382	405,543	301,384	38,194	-
Trade and other payables	-	8,532,532	8,532,532	8,532,532	-	-	-	-
		9,679,569	9,753,035	9,007,914	405,543	301,384	38,194	-

23. Financial instruments (continued)

Company
30 June 2009

	Effective Rate	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Non-derivative financial assets								
Cash and cash equivalents	4.3%	30,586,511	30,586,511	30,586,511	-	-	-	-
Trade and other receivables	-	9,801,714	9,801,714	9,801,714	-	-	-	-
		40,388,225	40,388,225	40,388,225	-	-	-	-
Non-derivative financial liabilities								
Finance lease liabilities	7.9%	355,418	371,508	183,026	126,873	46,708	14,901	-
Trade and other payables	-	6,179,231	6,179,231	6,179,230	-	-	-	-
		6,534,649	6,550,739	6,362,256	126,873	46,704	14,901	-

30 June 2008

	Effective Rate	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Non-derivative financial assets								
Cash and cash equivalents	7.25%	25,154,287	25,154,287	25,154,287	-	-	-	-
Trade and other receivables	-	8,731,837	8,731,837	8,133,719	-	598,118	-	-
		33,886,124	33,886,124	33,288,006	-	598,118	-	-
Non-derivative financial liabilities								
Finance lease liabilities	8.5%	1,147,037	1,220,503	475,382	405,543	301,384	38,194	-
Trade and other payables	-	7,268,365	7,268,365	6,871,583	-	396,782	-	-
		8,415,402	8,488,868	7,346,965	405,543	698,166	38,194	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit and Risk Management Committee.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency in which they are measured. The Group has exposures to the United States dollar (USD) and Peru nuevo sol (PEN).

During the period, the Group has hedged its foreign currency exposure in respect of specific transactions that occurred. The Group has used forward exchange contracts to hedge its currency risk, with all contracts having a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity. These contracts were accounted for as derivatives with the fair value movement recognised in the income statement.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Notes to the Financial Report

For the year ending 30 June 2009 (continued)

23. Financial instruments (continued)

As at balance date the details of the outstanding forward exchange contracts are:

	Consolidated Group			
	Contract Value		Average Rate	
	2009	2008	2009	2008
Sell USD				
Settlement				
Less than 6 months	-	9,000,000	-	0.9195
6 months to 1 year	-	3,900,000	-	0.9195

	Company			
	Contract Value		Average Rate	
	2009	2008	2009	2008
Sell USD				
Settlement				
Less than 6 months	-	9,000,000	-	0.9195
6 months to 1 year	-	3,900,000	-	0.9195

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	USD	USD
	30 June 2009	30 June 2008
Cash	**3,715,832**	2,554,120
Trade receivables	**3,619,397**	6,048,140
Trade and other payables	**(522,368)**	(2,406,190)
Gross balance sheet exposure	**6,812,861**	6,196,070
Forward exchange contracts	-	13,416,537
Net exposure	**6,812,861**	19,612,607

The Company's exposure to USD risk was as follows, based on notional amounts:

	AUD	AUD
	30 June 2009	30 June 2008
Cash	**3,187,760**	2,018,852
Trade receivables	**3,619,397**	1,526,381
Trade and other payables	**(5,077)**	-
Gross balance sheet exposure	**6,802,080**	3,545,233

23. Financial instruments (continued)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2009	2008	2009	2008
USD:AUD	**0.75**	0.90	**0.80**	0.96

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Consolidated			
	Profit or loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
30 June 2009				
USD	**(618,371)**	**755,787**	**(980)**	**1,198**
30 June 2008				
USD	(563,279)	688,452	-	-

	Company			
	Profit or loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
30 June 2009				
USD	**(618,371)**	**755,787**	**-**	**-**
30 June 2008				
USD	(322,294)	393,915	-	-

Interest rate risk

The Group's borrowings are not directly exposed to interest rate risk due to the interest bearing liabilities being fixed-rate contracts.

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Consolidated Carrying amount		Company Carrying amount	
	2009	2008	2009	2008
Fixed rate instruments				
Financial liabilities	(355,418)	(1,147,037)	(355,418)	(1,147,037)
Variable rate instruments				
Financial assets	31,305,768	25,689,555	30,586,511	25,154,287

Notes to the Financial Report

For the year ending 30 June 2009 (continued)

23. Financial instruments (continued)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (forward exchange contracts) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2009				
Variable rate instruments	**313,058**	**(313,058)**	**-**	**-**
Cash flow sensitivity (net)	**313,058**	**(313,058)**	**-**	**-**
30 June 2008				
Variable rate instruments	256,986	(256,986)	-	-
Cash flow sensitivity (net)	256,986	(256,986)	-	-

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities equates to the carrying values shown in the balance sheets.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are the weighted average effective interest rate applicable during the period, and were as follows:

	2009	2008
Cash	**4.3%**	7.25%
Trade receivables	**n/a**	n/a
Forward exchange contracts	**n/a**	n/a
Finance lease liabilities	**7.9%**	8.5%
Trade and other payables	**n/a**	n/a

23. Financial instruments (continued)

Other Price Risk

The Group is not directly exposed to any other price risk.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors has not implemented a formal capital management policy however they have implemented a dividend policy.

The Group intends to distribute to shareholders approximately 50% of net profit after tax in the form of fully franked dividends, subject to general business and financial conditions, the Group's taxation position, its working capital and future capital expenditure requirements, the availability of sufficient franking credits and any other factors the Board considers relevant.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Financial Report

For the year ending 30 June 2009 (continued)

24. Loans and borrowings

This note provides information about the contractual terms of the Company's and Group's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the Company's and Group's exposure to interest rate, liquidity and risk, see note 23.

	Consolidated		Company	
	2009	2008	2009	2008
Current liabilities				
Obligations under finance leases and hire purchase contracts	**293,809**	821,932	**293,809**	821,933
	293,809	821,932	**293,809**	821,933
Non-current liabilities				
Obligations under finance leases and hire purchase contracts	**61,609**	325,105	**61,609**	325,105
	61,609	325,105	**61,609**	325,105

The above hire purchase liabilities are carried in the accounts at their carrying value and are secured over the assets that are subject to the hire purchase agreement.

25. Capital and reserves

Share capital

		Consolidated and Company			
		2009		2008	
	Note	Number	$	Number	$
Ordinary shares					
Issued and fully paid		**120,000,000**	19,777,237	**120,000,000**	19,792,706
Movements in shares on issue					
Balance at the beginning of the financial year		**120,000,000**	19,792,706	**750,002**	750,002
Conversion of ordinary shares	(i)	**-**	-	**99,249,998**	-
Shares issued as part of initial public offering	(ii)	**-**	-	**20,000,000**	20,000,000
Cost of capital raising	(iii)	**-**	(15,469)	**-**	(957,296)
Balance at the end of the financial year		**120,000,000**	19,777,237	**120,000,000**	19,792,706

(i) There was a conversion of 750,002 shares to 100,000,000 shares in accordance with a Members' resolution.
(ii) The Company issued 20,000,000 shares on 26th November 2007 as part of the initial listing of the Company's securities on the Australian Stock Exchange.
(iii) Additional GST charged on the initial ASX listing during 2009.

The Company does not have authorised capital or par value in respect of its issued shares.
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Option reserve

The option reserve records the value of share based payments provided to employees.

25. Capital and reserves (continued)

Acquisitions of minority interests

During the year ended 30 June 2008 the Group acquired an additional 2 percent interest in Cruz Del Sur Ingenieria Electra (Peru) S.A Ltd from Frank Tomasi (1%) and David Tomasi (1%) for their historical cost in the company ($2), increasing its ownership from 98 to 100 percent.

Dividends

Dividends recognised in the current year by the Group are:

	Cents per share	Total amount	Franked	Date of payment
2009				
Final 2008 ordinary	4.0	4,800,000	Franked	26 September 2008
Interim 2009 ordinary	2.0	2,400,000	Franked	3 April 2009
Total amount		7,200,000		
2008				
Interim 2008 ordinary	5.06	5,056,478	Franked	31 October 2007
Interim 2008 ordinary	2.3	2,300,000	Franked	21 November 2007
Interim 2008 ordinary	2.0	2,400,000	Franked	21 March 2008
Total amount		9,756,478		

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

After 30 June 2009 the following dividends were proposed by the directors for 2009. The dividends have not been provided for. The declaration and subsequent payment of dividends has no income tax consequences.

	Cents per share	Total amount	Franked	Date of payment
Final 2009 ordinary	4.5	5,400,000	Franked	2 October 2009

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2009 and will be recognised in subsequent financial reports.

	Company	
	2009	2008
Franking account balance	5,982,694	3,337,300

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities; and
(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. Subsequent to the balance sheet date the Company made a tax instalment payment and proposed a 4.5 cents per share dividend which is not recognised as a liability. The impact of these two items on the franking account is to reduce the balance to $4,777,501.

Notes to the Financial Report

For the year ending 30 June 2009 (continued)

26. Reconciliation of cash flows from operating activities

	Consolidated		Company	
	2009	2008	2009	2008
Cash flows from operating activities				
Profit for the period	**15,464,156**	11,312,261	**16,722,473**	10,062,859
Adjustments for:				
Depreciation	**1,141,972**	1,130,563	**1,114,540**	1,043,634
(Gain)/Loss on sale of property, plant and equipment	**(86,037)**	(79,454)	**(86,037)**	(79,454)
Equity-settled share-based payment transactions	**133,715**	76,514	**133,715**	76,514
Net (gain)/loss on foreign exchange	**-**	36,866	**-**	(6,362)
Dividend income classified as investing cash flow	**-**	-	**(2,985,160)**	(1,518,075)
(Increase)/decrease in assets				
Change in trade and other receivables	**1,047,520**	931,919	**(1,242,549)**	2,091,935
Change in work in progress	**1,242,579**	(903,249)	**(329,258)**	-
Change in inventories	**(527,651)**	(365,512)	**(764,621)**	-
Change in derivatives	**-**	(612,827)	**-**	(612,827)
Other receivables	**172,672**	-	**172,672**	-
Change in prepayments	**1,114,683**	(1,114,683)	**1,114,683**	(1,114,683)
Increase/(decrease) in liabilities				
Change in trade and other payables	**(1,589,399)**	(195,812)	**(1,089,135)**	(779,001)
Change in provisions and employee benefits	**(354,954)**	308,615	**152,084**	(198,423)
Change in income tax payable	**(1,202,824)**	(190,185)	**(669,085)**	(1,105,271)
Change in deferred income tax	**(853,337)**	(459,157)	**(381,787)**	(730,131)
Net cash from operating activities	**15,702,555**	9,875,859	**11,861,995**	7,130,715

27. Related parties

Details of Key Management Personnel

Directors		
Gianfranco Tomasi	Chairman (non-executive)	
Stephen Pearce	Managing Director	Appointed 18th August 2008
Brian Carman	Director (non-executive)	
John Cooper	Director (non-executive)	
Douglas Fargher	Director (non-executive)	
Executives		
Simon Buchhorn	Chief Operating Officer	
Stephen Fewster	Chief Financial Officer/Company Secretary	
Gerard Moody	General Manager Business Development	Appointed 2nd February 2009
Philip Dawson	General Manager Corporate Services	Appointed 28th April 2009

There were no other changes of key management people after reporting date and before the date the financial report was authorised for issue.

Key management personnel compensation

The key management personnel compensation is as follows:

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Short-term employee benefits	**1,474,493**	988,814	**1,474,493**	988,814
Post-employment benefits	**125,787**	106,982	**125,787**	106,982
Share-based payments	**133,175**	76,514	**133,175**	76,514
	1,733,455	1,172,310	**1,733,455**	1,172,310

Individual directors and executives compensation disclosures

Information regarding individual directors and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report on pages 17 to 23. Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Other key management personnel transactions

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year. The terms and conditions of the transactions with the related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

			Transactions value year ended 30 June	
		Note	**2009**	**2008**
Other related parties				
F & A Tomasi Superannuation Fund	Rental income	(i)	**185,968**	159,504
Frank Tomasi Family Trust	Rental income	(ii)	**148,038**	30,000
G & A Tomasi	Rental income	(iii)	**125,756**	109,584
Frank Tomasi Family Trust	Rental income	(iv)	**30,670**	17,959

(i) F & A Tomasi Superannuation Fund owns the properties at 41 and 44 Macedonia St, Naval Base WA, which are leased to Southern Cross Electrical Engineering Limited.

Notes to the Financial Report

For the year ending 30 June 2009 (continued)

27. Related parties (continued)

(ii) Frank Tomasi Family Trust owns the properties at 35 Herbert Way, Wickham and the Brooklyn Park camp facilities in Boddington which are leased to Southern Cross Electrical Engineering Limited.
(iii) G & A Tomasi own the properties at Lot 2 Covehill Road Tasmania and 45, 47, 49 & 51 Macedonia Street, Naval Base WA which are leased to Southern Cross Electrical Engineering Limited.
(iv) Frank Tomasi Family Trust owns the property which is leased to the Denver branch of Southern Cross Electrical Engineering Limited.

The lease payments above commenced from December 2007, therefore the amounts disclosed for 2008 are for 7 months.

Gianfranco Tomasi and spouse are sole directors of Frank Tomasi Nominees Pty Ltd and are the sole shareholders. Frank Tomasi Nominees Pty Ltd as trustee for the Frank Tomasi Family Trust is a major shareholder of Southern Cross Electrical Engineering Ltd.

Under the terms of each of the above property leases, the rent payable is subject to an annual review. This review adjusts the annual rent by the movement in the consumer price index. At the completion of every third year the annual rent is subject to a market review.

Options and rights over equity instruments

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

	Held at 1 July 2008	Granted as compensation	Exercised	Cancelled	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
Directors							
Stephen Pearce Managing Director	-	1,500,000	-	-	1,500,000	-	-
Executives							
Simon Buchhorn Chief Operating Officer	500,000	-	-	-	500,000	166,667	166,667
Stephen Fewster Chief Financial Officer	500,000	-	-	(73,333)	426,667	93,334	93,334
	1,000,000	**1,500,000**	**-**	**(73,333)**	**2,426,667**	**260,001**	**260,001**

	Held at 1 July 2007	Granted as compensation	Exercised	Other changes	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
Directors							
Stephen Pearce Managing Director	-	-	-	-	-	-	-
Executives							
Simon Buchhorn Chief Operating Officer	-	500,000	-	-	500,000	-	-
Stephen Fewster Chief Financial Officer	-	500,000	-	-	500,000	-	-
	-	**1,000,000**	**-**	**-**	**1,000,000**	**-**	**-**

27. Related parties (continued)

During the year ended 30 June 2009 the Company's shareholders approved the issue of 1,500,000 employee options to Mr Pearce under the Senior Management Long Term Incentive Plan. The key terms of the options issued are as follows:

- Each option is over 1 unissued share;
- Each option is granted at no cost;
- The exercise price of each option is $1.15, which is payable by the holder on exercise of each vested option;
- The options will vest, and only become exercisable, in three annual tranches commencing from the anniversary date of grant and provided that the Performance Hurdles are achieved; and
- The exercise period for the options will expire on the date 4 years after vesting.

The weighted average fair value of the options granted during the year was $0.24. The price was calculated using the Black-Scholes option model and due to the options having vesting conditions, a Monte Carlo Simulation analysis was performed. The use of a Monte Carlo Simulation model simulates multiple future price projections for both SCEE shares and the shares of the peer group they are tested against. The following inputs were used to determine their value.

	Tranche 1	Tranche 2	Tranche 3
Underlying share price	$0.84	**$0.84**	$0.84
Exercise price of options	$1.15	**$1.15**	$1.15
Risk-free rate	3.4%	**3.4%**	3.4%
Volatility factor	60% to 80%	**60% to 80%**	60% to 80%
Dividend yield	5%	**5%**	5%
Legal duration	4.6 years	**5.6 years**	6.6 years
Effective life	2.6 years	**3.6 years**	4.6 years

Performance Hurdle

The company uses a relative Total Shareholder Return (TSR) as the performance hurdle for the LTI plan. In assessing whether the performance hurdles for each grant have been met, the Group will source independent data from an external adviser, which provides both the Company's TSR growth from the commencement of each grant date and that of the pre-selected peer group. The peer group selected reflects the Group's competitors for capital and talent.

The Group's performance against the hurdle is determined according to the Company's ranking against the peer group TSR growth over the performance period.

- Where the Company is ranked at the 51st percentile (target performance), 50% of the share options will vest;
- Where the Company is ranked at the 75th percentile (target performance), 100% of the share options will vest;
- Where the Company is ranked below the 51st percentile (target performance), the options will lapse;
- For rankings between the 51st and the 75th percentile, a sliding scale will be applied to determine the proportion of share options that vest.

Where a participant ceases employment prior to the vesting of their share options, the share options are forfeited unless cessation of employment is due to termination initiated by the Company or death. In the event of a change of control of the Company, all options that have not lapsed may be exercised.

Notes to the Financial Report

For the year ending 30 June 2009 (continued)

27. Related parties (continued)

Movements in shares

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

	Held at 1 July 2008	Purchases	Received on exercise of options	Sales	Held at 30 June 2009
Directors					
Gianfranco Tomasi	61,200,000	714,844	-	-	61,914,844
Stephen Pearce	-	33,250	-	-	33,250
Brian Carman	1,500,000	370,000	-	-	1,870,000
John Cooper	100,000	-	-	-	100,000
Douglas Fargher	100,000	100,000	-	-	200,000
Executives					
Simon Buchhorn	500,000	100,000	-	-	600,000
Stephen Fewster	-	-	-	-	-
Gerard Moody	-	-	-	-	-
Phil Dawson	-	-	-	-	-

	Held at 1 July 2007	Purchases	Received on exercise of options	Other*	Sales	Held at 30 June 2008
Directors						
Gianfranco Tomasi	750,002	-	-	99,249,998	(38,800,000)	61,200,000
Brian Carman	-	1,500,000	-	-	-	1,500,000
John Cooper	-	100,000	-	-	-	100,000
Douglas Fargher	-	100,000	-	-	-	100,000
Executives						
Simon Buchhorn	-	500,000	-	-	-	500,000
Stephen Fewster	-	-	-	-	-	-

* Conversion of 750,002 ordinary shares into 100,000,000 ordinary shares.

Subsidiaries

Interest-free loans made by the Company to its subsidiary Cruz Del Sur Ingenieria Electra (Peru) S.A Ltd are repayable on demand. At 30 June 2009, the amount owed to the Company was $14,210 (2008: $794,241).

28. Share-based payments

On 30 October 2007 a Senior Management Long Term Incentive Plan that entitles key management personnel and senior employees to purchase shares in the Company was offered to the executives. During the period options were granted to the executives. In accordance with the disclosure contained in the prospectus, the options are exercisable at $1.15.

The terms and conditions of the grants are as follows. All options are to be settled by physical delivery of shares.

Grant date / employees entitled	Number of intruments	Vesting conditions	Contractual life of options
Option grant to Simon Buchhorn on 28 November 2007	166,667	Employed 1 year after grant date and exceed Performance Hurdle	4 years after vesting
Option grant to Simon Buchhorn on 28 November 2007	166,667	Employed 2 years after grant date and exceed Performance Hurdle	4 years after vesting
Option grant to Simon Buchhorn on 28 November 2007	166,666	Employed 3 years after grant date and exceed Performance Hurdle	4 years after vesting
Option grant to Stephen Fewster on 4 March 2008	166,667	Employed 1 year after grant date and exceed Performance Hurdle	4 years after vesting
Option grant to Stephen Fewster on 4 March 2008	166,667	Employed 2 years after grant date and exceed Performance Hurdle	4 years after vesting
Option grant to Stephen Fewster on 4 March 2008	166,666	Employed 3 years after grant date and exceed Performance Hurdle	4 years after vesting
Option grant to Stephen Pearce on 29 April 2009	500,000	Employed 1 year after 26 November 2008 and exceed Performance Hurdle	4 years after vesting
Option grant to Stephen Pearce on 29 April 2009	500,000	Employed 2 years after 26 November 2008 and exceed Performance Hurdle	4 years after vesting
Option grant to Stephen Pearce on 29 April 2009	500,000	Employed 3 years after 26 November 2008 and exceed Performance Hurdle	4 years after vesting
Total share options	2,500,000		

	Weighted average exercise price 2009	Number of Options 2009	Weighted average exercise price 2008	Number of Options 2008
Outstanding at 1 July	$1.15	1,000,000	-	-
Granted during the period	$1.15	1,500,000	$1.15	1,000,000
Cancelled during the period	$1.15	(73,333)	-	-
Outstanding at 30 June	$1.15	2,426,667	$1.15	1,000,000
Exercisable at 30 June	$1.15	260,001	-	-

The options outstanding at 30 June 2009 all have an exercise price of $1.15 and a weighted average contractual life of 6 years. No options were exercised during the year.

Notes to the Financial Report

For the year ending 30 June 2009 (continued)

29. Commitments

Leasing commitments

Operating lease commitments – Group as lessee

The Group has entered into commercial property leases. These leases have an average life of 8 years remaining with options to renew at the end of the initial term.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2009 are

	Consolidated		Company	
	2009	2008	2009	2008
Within one year	**272,592**	265,713	**272,592**	265,713
After one but no more than five years	**1,090,368**	1,062,853	**1,090,368**	1,062,853
After more than five years	**902,280**	1,175,993	**902,280**	1,175,993
Total minimum lease payments	**2,265,240**	2,504,559	**2,265,240**	2,504,559

Under the terms of each of the above property leases, the rent payable is subject to an annual review. This review adjusts the annual rent by the movement in the consumer price index. At the completion of every third year the annual rent is subject to a market review.

Finance lease and hire purchase commitments – Group as lessee

The Group has finance lease and hire purchase contracts for various items of plant and equipment. These contracts expire within 1 and 3 years. Ownership of the asset passes to the company on completion of the final payment.

Finance lease and hire purchase commitments of the group are payable as follows:

Consolidated

	Future minimum lease payments 2009	Present value of minimum lease payments 2009	Future minimum lease payments 2008	Present value of minimum lease payments 2008
Less than one year	**309,899**	**309,899**	880,925	880,925
Between one and five years	**61,609**	**61,609**	339,578	339,578
Total minimum lease payments	**371,508**	**371,508**	1,220,503	1,220,503
Less amounts representing finance charges	**(16,090)**	**(16,090)**	(73,465)	(73,465)
Present value of minimum lease payments	**355,418**	**355,418**	1,147,038	1,147,038

Parent

	Future minimum lease payments 2009	Present value of minimum lease payments 2009	Future minimum lease payments 2008	Present value of minimum lease payments 2008
Less than one year	**309,899**	**309,899**	880,925	880,925
Between one and five years	**61,609**	**61,609**	339,578	339,578
Total minimum lease payments	**371,508**	**371,508**	1,220,503	1,220,503
Less amounts representing finance charges	**(16,090)**	**(16,090)**	(73,465)	(73,465)
Present value of minimum lease payments	**355,418**	**355,418**	1,147,038	1,147,038

30. 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.

	Consolidated		Company	
	2009	2008	2009	2008
Bank Guarantees	**6,940,406**	5,661,321	**6,691,897**	5,246,854

Total bank guarantee facilities at 30 June 2009 were $20,248,509 and the unused portion was $13,308,103. This facility is subject to annual review.

31. Subsequent events

Other than the following, there are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

Dividends declared

On 17 August 2009 the Company declared it will pay a 4.5 cents per share fully franked final dividend. This dividend is not recorded as a liability on the balance sheet date.

Business combination

Acquisition of FMC Corporation Pty Ltd

On 1st July 2009 the Group acquired 100% of the ordinary shares in FMC Corporation Pty Ltd ("Hindles"). Hindles provides electrical maintenance and construction services primarily to offshore oil and gas exploration drilling rigs. The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Pre acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Cash and cash equivalents	332,733	-	332,733
Trade and other receivables	923,863	**(539,531)**	384,332
Other current assets	28,222	-	28,222
Property, plant and equipment	159,387	-	159,387
Trade and other payables	(286,384)	-	(286,384)
Loans and borrowings	(61,763)	-	(61,763)
Current tax payable	(134,626)	-	(134,626)
Net identifiable assets and liabilities	**961,432**	**(539,531)**	**421,901**
Goodwill on consideration			4,955,480
Total consideration*			5,377,381
Consideration paid in cash			3,262,675
Cash consideration to be paid on first anniversary			650,000
Cash consideration to be paid on second anniversary			600,000
Cash acquired			(332,733)
Net cash outflow			**4,179,942**

* Includes cash of $3,870,469 and 882,353 shares issued at $0.98 with a market value on the date of issue of $864,706.

Notes to the Financial Report

For the year ending 30 June 2009 (continued)

31. Subsequent events (continued)

The fair value of the net assets acquired has been provisionally determined pending formal valuation. The valuation had not been completed prior to the consolidated financial statements being authorised for issue by the Board of Directors.

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before acquisition. The assets acquired and liabilities and contingent liabilities assumed have been valued at their estimated fair values at the acquisition date (see note 4 for methods used in determining fair values).

The goodwill from the acquisition is attributable mainly to the skills and technical talent of Hindle's work force, and the synergies expected to be achieved from integrating Hindle into the Group's existing electrical and instrumentation business.

The Group has agreed to pay the vendors additional consideration of $200,000 if Hindle's earnings before interest, tax, depreciation and amortisation ("EBITDA") for the 12 months preceding the first anniversary exceeds $1.8 million and additional consideration of $300,000 if Hindle's EBITDA exceeds $2.5 million for the 12 months preceding the second anniversary. At the acquisition date it is considered probable that the additional consideration will become payable and therefore this amount has been included as consideration at the acquisition date.

Acquisition of K.J. Johnson & Co

On 7 August 2009 the Group acquired the assets and liabilities of K.J. Johnson & Co ("KJJ"). KJJ constructs overhead power lines mainly for resource companies. The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Pre acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Inventory	100,000		100,000
Property, plant and equipment	4,776,000		4,776,000
Net identifiable assets and liabilities	**4,876,000**		**4,876,000**
Goodwill on consideration			4,674,000
Total consideration			9,550,000
Consideration paid in cash			9,550,000
Cash acquired			-
Net cash outflow			**9,550,000**

The fair value of the net assets acquired has been provisionally determined pending formal valuation. The valuation had not been completed prior to the consolidated financial statements being authorised for issue by the Board of Directors.

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before acquisition. The assets acquired and liabilities and contingent liabilities assumed have been valued at their estimated fair values at the acquisition date (see note 4 for methods used in determining fair values).

The goodwill from the acquisition is attributable mainly to the skills and technical talent of KJJ's work force, and the synergies expected to be achieved from integrating KJJ into the Group's existing electrical and instrumentation business.

32. Auditors' remuneration

	Consolidated		Company	
	2009	2008	2009	2008
Remuneration of Grant Thornton as the auditor of the parent entity for:				
- Auditing or reviewing the financial report	-	102,299	-	102,299
- Independent Accountant's Report	-	39,500	-	39,500
Remuneration of KPMG Australia as the auditor of the parent entity for:				
- Auditing or reviewing the financial report	**94,000**	-	**94,000**	-
Remuneration of KPMG related practices as auditor of the financial report of a subsidiary	**6,000**	20,800	**6,000**	20,800
	100,000	162,599	**100,000**	162,599

Directors' declaration

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

   a. the financial statements and notes, and the Remuneration report in the Directors' report, set out on pages 11 to 19, are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of the performance, for the financial year ended on that date; and

      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   b. the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a),

   c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the managing director and chief financial officer for the financial year ended 30 June 2009.

This declaration is made in accordance with a resolution of the Board of Directors.

Signed in accordance with a resolution of the directors:

Gianfranco Tomasi
Director
Sydney
17th August 2009

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Southern Cross Electrical Engineering Limited (the company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 32 and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Southern Cross Electrical Engineering Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 19 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Southern Cross Electrical Engineering Limited for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

R Gambitta
Partner

Perth

17 August 2009

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

To: the directors of Southern Cross Electrical Engineering Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

R Gambitta
Partner

Perth

17 August 2009

ASX Additional Information

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 10 August 2009)

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number	Number
Gianfranco Tomasi	61,914,844	51.2%
Acorn Capital	10,644,923	8.8%
Hunter Hall Investment Management Limited	8,000,000	6.6%
Aviva Investors	6,343,443	5.2%

Voting rights

Ordinary shares
Refer to note 25 in the financial statements

Options
There are no voting rights attached to the options.

Distribution of equity security holders

Number of equity security holders

Category	Ordinary shares	Options
1 - 1,000	43	-
1,001 - 5,000	232	-
5,001 - 10,000	172	-
10,000 - 100,000	285	-
100,000 and over	45	3
	777	3

The number of shareholders holding less than a marketable parcel of ordinary shares is 15.

Securities Exchange

The Company is listed on the Australian Securities Exchange. The Home exchange is Perth.

Other information

Southern Cross Electrical Engineering Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

ASX Additional Information (continued)

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
FRANK TOMASI NOMINEES PTY LTD	61,914,844	51.2%
NATIONAL NOMINEES LIMITED	9,954,016	8.2%
COGENT NOMINEES PTY LIMITED	7,459,000	6.2%
J P MORGAN NOMINEES AUSTRALIA LIMITED	6,367,285	5.3%
CITICORP NOMINEES PTY LIMITED <CFS DEVELOPNG COMPANIES A/C>	4,109,699	3.4%
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIIC A/C>	3,468,093	2.9%
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIPOOLED A/C>	2,501,263	2.1%
MR BRIAN CARMAN + MRS MARGARET JENNIFER CARMAN <SUPER FUND A/C>	1,870,000	1.5%
ZERO NOMINEES PTY LTD	1,333,344	1.1%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,003,506	0.8%
MR CRAIG DENIS HINDLE <HINDLE FAMILY A/C>	882,353	0.7%
CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C>	862,622	0.7%
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MLCI A/C>	725,000	0.6%
BOND STREET CUSTODIANS LIMITED <MACQUARIE SMALLER CO'S A/C>	701,174	0.6%
CITICORP NOMINEES PTY LIMITED	655,031	0.5%
MR SIMON BUCHHORN	600,000	0.5%
QUEENSLAND INVESTMENT CORPORATION	570,586	0.5%
MR CASIO DELLA ROCCA	500,000	0.4%
MR NIGEL TAYLOR	500,000	0.4%
ZIZIPHUS PTY LTD	382,000	0.3%
	106,359,816	88.0%

Offices and Officers

Company Secretary

Stephen Fewster

Principal Registered Office
Southern Cross Electrical Engineering Limited
41 Macedonia Street
Naval Base Western Australia 6165

Telephone: +618 9410 1833
Facsimile: +618 9410 2504

Locations of Share Registry

Perth
Computershare Limited
31 Howe Street
Osborne Park Western Australia 6017

Telephone: +618 9323 2000

Notes

Notes

Southern Cross Electrical Engineering Limited
ABN 92 009 307 046
EC 001681

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