

Structural Systems Limited
ABN 57 006 413 574

APPENDIX 4E

PRELIMINARY FINAL REPORT
30 JUNE 2014

ISSUED - 27 August 2014



Structural Systems

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This preliminary final report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A

RESULTS FOR ANNOUNCEMENT TO THE MARKET

			Amount \$'000
Revenue from ordinary activities	Down 18%	to	223,125
Profit from ordinary activities before income tax expense	Down 35%	to	2,105
Net profit from ordinary activities after tax (before outside equity interests)	Down 61%	to	1,267
Net profit for the period attributable to members	Down 61%	to	1,267

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend record date:	19 September 2014	
Final dividend payable:	17 October 2014	1.5 cents
Interim dividend paid:	11 April 2014	2.5 cents

Annual General Meeting Details

Date	Wednesday, 19 November 2014
Time	10:30am
Place	River Room, Royal Perth Yacht Club, Australia II Drive, Crawley WA 6009

Brief explanation of revenue and profit

Please refer to Commentary on Results on pages 3 to 4 of this report.

Current reporting period: Financial year ended 30th June 2014
 Previous corresponding period: Financial year ended 30th June 2013

Information on audit

The accounts are currently being audited.

The information contained in this report is to be read in conjunction with the last annual report and any announcement to the market by Structural Systems during this period.

Review of Operations

Structural Systems Limited (the “Group” or “Company”) reported a net profit before tax for the year ended 30 June 2014 of \$2.1 million, down 35% on the prior corresponding period. Market conditions continued to be very competitive throughout the year as contractors aggressively bid the limited opportunities that were available. In addition, mine owners deferred awarding new contracts in markets where fluctuating commodity prices continue to discourage long term production decisions.

Total revenue for the Group was \$223.1 million, down 18% on the prior corresponding period. Whilst this is a decrease in turnover of \$48.0 million, the majority of this reduction is due to the sale of the Meridian Concrete in early September 2013.

The Civil works division had a strong performance completing a number of profitable projects having a record year with revenue increasing 209% on 2013 to \$48.9 million. However, the market conditions for this sector continue to be competitive and challenging.

Post-tensioning related activities fell 5% to \$61.6 million.

The Group reported strong cash flows from operations, generating \$28.5 million for the year, up \$15.2 million on the prior year. Total cash increased by \$15.6 million to \$22.8 million at the end of the financial year. During the year \$2.8 million was returned to shareholders in the form of fully franked dividends.

Given the strong cash position of the Group the Board has resolved to pay a final dividend of 1.5 cents per share fully franked, payable on 17 October 2014. This brings the total dividends declared for the 2014 financial year to 4.0 cents per share fully franked.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the group was \$13.9 million (June 2013: \$15.8 million).

Basic and diluted earnings from continuing operations were 2.0 cents per share (June 2013: 5.1 cents).

The Group’s balance sheet has strengthened with no net debt at balance date. Gross debt decreased 32% from \$19.9 million to \$13.6 million at year end. Borrowings comprise only hire purchase contracts, utilised primarily for equipment used by the ROCK Mining Services business’ drill and blast activities.

Work in hand at 30 June 2014 for the Group was \$143.0 million. This compares to \$179.5 million at 30 June 2013 and \$155.0 million at 31 December 2013. The two primary areas of reduction are the Civil division (down \$13.8 million) and the ROCK Mining Services business (down \$13.6 million).

Mining Services

ROCK Australia Mining & Civil (“ROCK”) recorded revenue of \$85.3 million down 12% on the \$96.6 million for the prior corresponding period.

ROCK continued on from its strong financial results achieved in the second half of FY 13 making \$6.4 million profit before tax, up 60% year on year. This was due to strong performance on a number of projects completed in FY 2014.

At the end of the financial year ROCK had work in hand of \$77.5 million with a number of term contracts in hand.

Construction

Revenue from Construction decreased 24% to \$136.3 million (June 2013: \$179.9 million), however, excluding Meridian, increased 19% to \$132.6 million year on year. Profit increased on the same basis, up 14% to \$5.4 million.

The consumables manufacturing business, Refobar Australia, built on strong growth from FY 2013, and grew revenue 8% to \$10.8 million.

Whilst the Civil works division performed strongly in FY 2014 both locally and internationally, the division faces a challenging period ahead maintaining the FY 2014 workload.

The Remedial business had a difficult year with both a reduction in revenue and closing out some difficult projects in FY 2014.

Tax

The income tax expense for the year is greater than 30% of NPBT primarily as a result of non-deductible expenses incurred associated with international operations.

A reconciliation of the tax expense can be found in Note 3 of the attached financial statements.

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Dated: 27 August 2014

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
Revenue	1	223,125	271,172
Construction and servicing costs		(198,879)	(244,025)
Depreciation expense		(10,545)	(11,011)
Finance costs		(1,248)	(1,557)
Other expenses		(10,348)	(11,359)
Profit before income tax expense		2,105	3,220
Income tax expense	3	(838)	(2)
Profit attributable to members of the parent entity		1,267	3,218

Earnings per share for profit attributable to the ordinary equity holders of the company

Basic and diluted earnings per share	2.0 cents	5.1 cents
Weighted average number of shares outstanding during the period used in the calculation of basic and diluted earnings per share ('000)	62,959	63,186

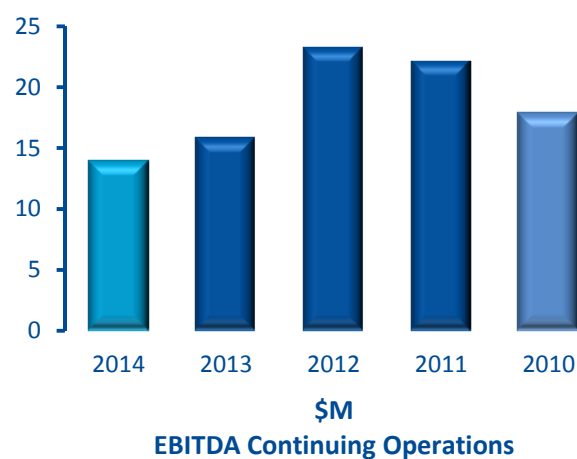
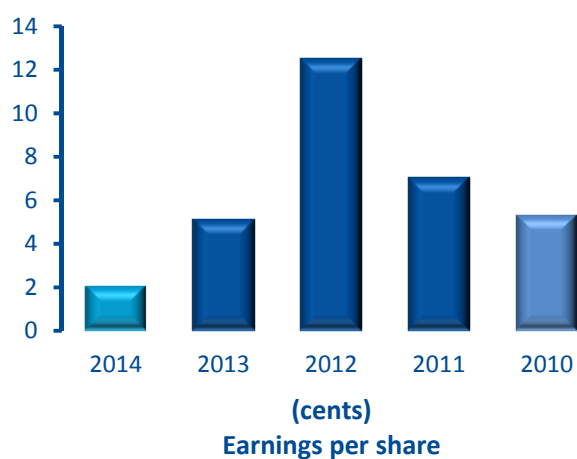
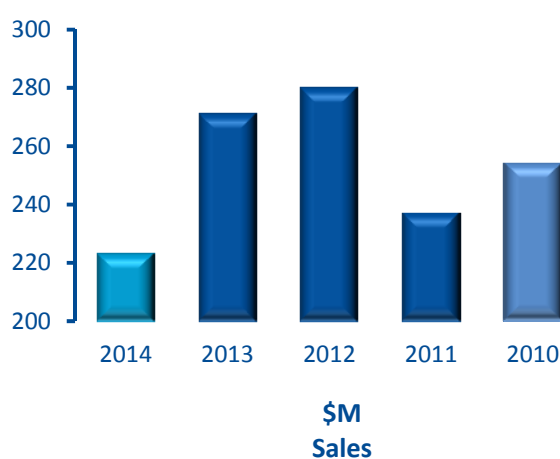
The accompanying notes form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
Profit for the year		1,267	3,218
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		(40)	245
Other comprehensive income for the period (net of tax)		(40)	245
Total comprehensive income for the period attributable to owners of the parent entity		1,227	3,463

KEY PERFORMANCE INDICATORS FOR THE 12 MONTH PERIODS TO 30 JUNE



The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	7a)	22,770	7,146
Trade and other receivables	4	33,084	57,611
Inventories		12,444	13,918
Other current assets		101	177
Current tax assets		-	52
Total current assets		68,399	78,904
Non current assets			
Property, plant and equipment		30,366	36,890
Intangible assets		19,439	19,439
Deferred tax assets		5,393	4,036
Other		-	9
Total non-current assets		55,198	60,374
Total assets		123,597	139,278
Current liabilities			
Trade and other payables	5	23,833	34,930
Financial liabilities		7,611	8,696
Current tax liability		1,120	-
Short term provisions		7,050	5,262
Total current liabilities		39,614	48,888
Non-current liabilities			
Trade and other payables		20	64
Financial liabilities		5,999	11,217
Deferred tax liability		1,350	1,445
Long term provisions		1,811	1,255
Total non-current liabilities		9,180	13,981
Total liabilities		48,794	62,869
Net assets		74,803	76,409
Equity			
Issued capital	6	40,477	40,477
Reserves		685	725
Retained earnings		33,641	35,207
Total equity		74,803	76,409

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Share Capital Ordinary \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Capital Profits Reserve \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
Balance at 30 June 2012	40,884	33,452	1,835	1,695	(1,355)	76,511
Profit attributable to members of parent entity	-	3,218	-	-	-	3,218
Translation adjustment on controlled foreign entities' financial statements	-	-	-	-	245	245
Total comprehensive income	-	3,218	-	-	245	3,463
Transactions with owners, in their capacity as owners, and other transfers						
- Shares bought back during the year	(407)	-	-	-	-	(407)
- Dividends paid or provided for	-	(3,158)	-	-	-	(3,158)
- Transfer of capital profits to retained earnings	-	1,695	-	(1,695)	-	-
Balance at 30 June 2013	40,477	35,207	1,835	-	(1,110)	76,409
Profit attributable to members of parent entity	-	1,267	-	-	-	1,267
Translation adjustment on controlled foreign entities' financial statements	-	-	-	-	(40)	(40)
Total comprehensive income	-	1,267	-	-	(40)	1,227
Transactions with owners, in their capacity as owners, and other transfers						
- Dividends paid or provided for	-	(2,833)	-	-	-	(2,833)
Balance at 30 June 2014	40,477	33,641	1,835	-	(1,150)	74,803

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		271,851	303,317
Cash payments in the course of operations		(241,468)	(285,894)
Interest received		481	191
Finance costs		(1,248)	(1,557)
Income tax (paid) refunded		(1,117)	(2,803)
Net cash provided by (used in) operating activities	7b)	28,499	13,254
Cash flows from investing activities			
Proceeds from sale of discontinued operations		-	165
Payments for property, plant and equipment		(1,153)	(3,526)
Proceeds from sale of property, plant and equipment		785	2,162
Net cash provided by (used in) investing activities		(368)	(1,199)
Cash flows from financing activities			
Share buy-back payments		-	(407)
Repayment of borrowings		(9,667)	(9,614)
Dividends paid by parent entity		(2,833)	(3,158)
Net cash used in financing activities		(12,500)	(13,179)
Net increase (decrease) in cash and cash equivalents held		15,631	(1,124)
Effect of exchange rates on cash and cash equivalent holdings		(7)	29
Cash and cash equivalents at beginning of financial year		7,146	8,241
Cash at end of financial year	7a)	22,770	7,146

The accompanying notes form part of these financial statements

NOTES TO THE PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

1. Revenue

	2014 \$'000	2013 \$'000
Operating activities		
Rendering of services	213,363	262,394
Sale of goods	8,331	7,289
Interest	481	191
Other revenue	659	806
Non-operating activities		
Gain on disposal of property, plant and equipment	291	492
Total revenue	223,125	271,172

2. Profit for the year

	2014 \$'000	2013 \$'000
Profit before income tax is arrived at after charging the following items:		
Depreciation and amortisation of:		
– Buildings	28	32
– Plant and equipment	10,464	10,929
– Leasehold Improvements	53	50
Bad and doubtful debts expense	857	215
Interest paid and due and payable:		
– Other persons	4	3
– Finance charges on assets under hire purchase	1,245	1,554
Rental – operating leases	1,574	1,739

Notes to the preliminary final report continued

3. Income tax expense

	2014 \$'000	2013 \$'000
The components of income tax expense are as follows:		
Current tax expense	2,418	1,436
Deferred tax (benefit) / expense	(1,592)	(493)
Underprovision in respect of prior years	12	-
R&D tax rebates		
– 2011	-	(411)
– 2012	-	(530)
	838	2
The prima facie tax on profit before income tax from continuing operations is reconciled to the income tax expense / (benefit) provided in the accounts as follows:		
Prima facie tax payable on operating profit at 30% (2013: 30%)		
– Consolidated group	631	966
Add (deduct) tax effect of:		
– Increase (decrease) in income tax expense due to non-tax deductible (non-tax assessable) items	10	17
– (Non-assessable profit) / non-deductible loss on overseas entities	185	(40)
R&D tax rebates	-	(941)
Amount under (over) provided prior years	12	-
Income tax expense (benefit) attributable to entity	838	2

4. Trade and other receivables (current)

	2014 \$'000	2013 \$'000
Trade debtors	32,637	56,192
Provision for impairment of receivables	(826)	(126)
	31,811	56,066
Other debtors and deposits	1,273	1,545
	33,084	57,611

5. Trade and other payables

	2014 \$'000	2013 \$'000
Trade payables	8,712	17,099
Sundry payables and accruals	11,420	10,913
Contract billings in advance – due to customers for contract works	3,701	6,918
	23,833	34,930

Notes to the preliminary final report continued

6. Issued capital

	2014 \$'000	2013 \$'000
Issued and paid up capital	40,477	40,477
– 62,959,181 fully paid ordinary shares 2014		
– 62,959,181 fully paid ordinary shares 2013		
Movements during the period		
Balance at the beginning of the financial year	40,477	40,884
Shares bought back during the period	-	(407)
	40,477	40,477

7. Notes to statement of cash flows

	2014 \$'000	2013 \$'000
a) Components of cash and cash equivalents		
Cash on hand	26	29
Cash at bank	22,744	7,117
	22,770	7,146
b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year	1,267	3,218
Non-cash flows in profit		
Depreciation	10,545	11,011
Provision for impairment of receivables	857	(177)
Net (profit) loss on sale of property, plant and equipment	(291)	(492)
Change in operating assets and liabilities		
• (Increase) decrease in trade and other receivables	23,638	6,695
• (Increase) decrease in inventories	1,474	1,694
• (Increase) decrease in prepayments	75	(19)
• (Decrease) increase in trade and other payables	(11,129)	(5,613)
• (Decrease) increase in provisions	2,343	(261)
• (Decrease) increase in income tax payable	1,172	(2,970)
• (Decrease) increase in deferred tax liabilities	(95)	(759)
• (Increase) decrease in deferred tax assets	(1,357)	927
Net cash inflow from operating activities	28,499	13,254
c) Non cash financing and investing activities		
Plant and equipment acquired under finance leases, lease purchase or vendor finance	3,364	8,953

Notes to the preliminary final report continued

8. Dividends

	Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividends
Final dividend				
Current year 2014	17 October 2014	1.5 cents	1.5 cents	0 cents
Previous year 2013	18 October 2013	2.0 cents	2.0 cents	0 cents
Interim dividend				
Current year 2014	11 April 2014	2.5 cents	2.5 cents	0 cents
Previous year 2013	17 May 2013	2.0 cents	2.0 cents	0 cents

Total dividend per security (interim plus final)	Current year	4.0 cents
	Previous year	4.0 cents

9. NTA backing

	2014	2013
Net tangible asset backing per ordinary security	87.9 cents	90.5 cents

Notes to the preliminary final report continued

10. Segment reporting

	Construction		Mining Services		Corporate		Consolidated Group	
	30/06/14 \$'000	30/06/13 \$'000	30/06/14 \$'000	30/06/13 \$'000	30/06/14 \$'000	30/06/13 \$'000	30/06/14 \$'000	30/06/13 \$'000
Primary Reporting – Business Segments								
Revenue								
External sales	136,347	173,106	85,347	96,577	-	-	221,694	269,683
Unallocated revenue	899	736	-	408	532	346	1,431	1,489
Total revenue	137,246	173,842	85,347	96,985	532	346	223,125	271,172
Results								
Segment result	904	1,943	6,391	3,991	(5,190)	(2,714)	2,105	3,220
Income tax benefit / (expense)	-	-	-	-	(838)	(2)	(838)	(2)
Profit after income tax	904	1,943	6,391	3,991	(6,028)	(2,716)	1,267	3,218
Assets								
Segment assets	50,251	72,719	40,468	51,738	32,878	14,821	123,597	139,278
Total assets	50,251	72,719	40,468	51,738	32,878	14,821	123,597	139,278
Liabilities								
Segment liabilities	18,254	27,616	25,210	32,024	5,330	3,229	48,794	62,869
Total liabilities	18,254	27,616	25,210	32,024	5,330	3,229	48,794	62,869
Other								
Acquisitions of non-current segment assets (incl. HP and leases)	953	2,654	3,575	9,825	-	-	4,528	12,479
Depreciation of segment assets	2,171	1,427	8,296	9,502	78	82	10,545	11,011
	Australia		United Arab Emirates		Consolidated Group			
	30/06/14 \$'000	30/06/13 \$'000	30/06/14 \$'000	30/06/13 \$'000	30/06/14 \$'000	30/06/13 \$'000	30/06/14 \$'000	30/06/13 \$'000
Revenue and assets by geographical region								
Segment revenues for external customers	218,419	263,441	4,706	7,731	223,125	271,172		
Carrying amount of segment assets	119,469	134,346	4,128	4,932	123,597	139,278		
Acquisition of non-current segment assets	4,495	12,112	33	367	4,528	12,479		