

Structural Systems Limited  
ABN 57 006 413 574

# APPENDIX 4E

PRELIMINARY FINAL REPORT  
30 JUNE 2011

ISSUED 30 AUGUST 2011



**Structural** Systems

## CONTENTS

RESULTS FOR ANNOUNCEMENT TO THE MARKET	2
COMMENTARY ON RESULTS	3
INCOME STATEMENT	7
STATEMENT OF COMPREHENSIVE INCOME	8
STATEMENT OF FINANCIAL POSITION	9
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
STATEMENT OF CASH FLOWS	11
NOTES TO THE PRELIMINARY FINAL REPORT	12

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 6%	to	237,139
Profit (loss) from ordinary activities before income tax expense	Up 30%	to	11,865
Net profit (loss) from ordinary activities after tax (before outside equity interests)	Up 3%	to	9,510
Net profit (loss) for the period attributable to members	Up 37%	to	4,472

Dividends (distributions)		Amount per security	Franked amount per security
Final dividend record date:	23 September 2011		
Final dividend declared and payable:	18 November 2011	2.5 cents	2.5 cents
Interim dividend paid:	13 May 2011	1.5 cents	1.5 cents

### Annual General Meeting Details

Date	24 November 2011
Time	3:00pm
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 6 of this report. Items discussed above referring to ordinary activities exclude the loss from the discontinued operation of \$5,038,000 (2010: \$5,985,000).

Current reporting period: Financial year ended 30<sup>th</sup> June 2011  
 Previous corresponding period: Financial year ended 30<sup>th</sup> June 2010

### 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.*

## COMMENTARY ON THE RESULTS

### Trading

The Group's profit before tax from continuing operations increased 30.0% in 2011 to \$11.9 million on revenue of \$237.12 million. The after tax profit from continuing operations was up 2.8% to \$9.51 million dollars. The effective income tax rate increased as a result of a reduction in the benefits received under the Federal Government's Research & Development Tax Concession program. In line with the company's increased focus on ROCK Australia's (ROCK) drilling business, depreciation expense increased by \$1.44 million to \$9.16 million.

Statutory NPAT (including losses from discontinued operations of \$5.04 million) for the year was up 36.7% to \$4.47 million. The Group's performance was once again adversely impacted by costs incurred in completing projects associated with the discontinued formwork operation and a poor result from our concrete services operation Meridian Concrete. As previously advised, works at the Eastern Treatment Plant are yet to be finalised. This is the only project left from the discontinued operations that remains to be completed.

### Debt

At balance date, the Group's net debt was \$8.20 million representing an increase of \$2.53 million on the prior year. This debt is solely attributable to Hire Purchase funding of capital assets, primarily associated with ROCK. Net debt to equity at 30 June 2011 was 11.4%. Despite the increase in Hire Purchase debt the Group's finance costs fell by 0.83% as the cash position improved throughout the year.

### Working capital

Receivables fell by \$10.8 million to \$54.6 million and payables reduced by \$14.0 million to \$34.6 million due largely to the cessation of activities of the formwork division. Cashflow from operations was \$12.7 million for the year. The Group's improved liquidity is further reflected in the quick ratio of 1.24 up from 1.18 in 2010.

### Earnings per share

Earnings per share from all operations increased 32.1% to 7.0 cents in 2011. Continuing operations did not achieve the same levels of earnings growth, down 0.2 of a cent per share despite the relevant earnings increasing and there being no change in shares on issue in the period.

### Dividends

The Directors' resolved to declare a fully franked final dividend of 2.5 cents for the year. Record date for determining entitlement is 23 September 2011 and the dividend is payable on 18 November 2011.

### **Work in hand**

The balance of work-in-hand (WIH) at the end of June 2011 was \$207 million, up slightly on the prior year. ROCK had a record WIH balance of \$113 million with seven term drill and blast contracts underway that extend past the 2012 financial year end.

Overall construction WIH was \$94 million, down 10% on 2010. The main reason for the reduction was a decrease in activity in the Middle East and the completion of the Fiona Stanley project in Perth which was by historical standards a large project for our Western Australian division.

An overview of the performance of various business segments is discussed below.

### **Mining**

ROCK revenue increased by 8% to \$82.60 million and represents 35% of the Group's revenue for the year. Production drilling and blasting remained the dominant activity and accounted for 55% of ROCK revenue. The major clients of ROCK with term contracts to provide drilling and blasting services include BHP Billiton, CST Mining Group, Newcrest Mining, Barrick Gold, Fortescue Metals Group (FMG) and Consolidated Minerals. In the third quarter of the financial year new work was secured at Christmas Creek Mine for FMG. ROCK has continued to expand in the Eastern states of Australia and was recently awarded the contract for overburden drilling at the Saraji Coal mine for the BHP Billiton Mitsubishi Alliance (BMA).

ROCK continues to experience strong demand for package service works and this segment accounted for 25% of revenue. Package services include any combination of drilling, blasting, geotechnical works and environmental services. In the mining sector, some of the major projects undertaken which utilised the combined package service include the pit rehabilitation works at Mount Gibson's Koolan Island project, pit wall steepening works at BHP Billiton Mount Keith Operations and ground control systems at Newmont Boddington Gold Mine. The package services offering was also in demand in the civil sector and a key project completed during the year was the Kuranda rockfall protection works for Queensland Rail.

Geotechnical services provided to the mining sector accounted for 11% of revenue. Some of the geotechnical projects undertaken during the year include KCGM Super Pit ground support works, portal works for Western Areas at Spotted Quoll mine and underground work for AngloGold Ashanti at Sunrise Dam.

Revenue from the sale and hire of radar units increased during the year and accounted for 9% of revenue. ROCK has ongoing radar service support contracts throughout Australia and Asia.

In the field of innovation, the patented ROCK MESH<sup>TM</sup> system (for mechanised underground mesh installation) gained further traction with successful projects and trials underway in Australia and overseas. ROCK has partnered with an international organisation for the global market for this product and currently has development projects in South Africa and Sweden.

Open pit mining continues to be the largest source of revenue for ROCK with 80% from works performed in open pit mines with the balance from mine infrastructure and civil projects. ROCK is involved in gold, copper, nickel, iron ore and coal projects with gold the major market sector providing 34% of revenue.

## Construction

- **Infrastructure**

The Infrastructure division had another successful year with the completion of the Tinaroo Falls Dam Project in Queensland. This project was undertaken directly for the client SunWater was part of a larger dam upgrade program. The \$11 million project was completed ahead of the program schedule.

On the basis of our reputation and track record in the dam upgrade market we were invited to be part of the Alliance for the Wellington Dam Strengthening Project in Western Australia. This project is almost complete and is well ahead of program and under budget. The project has already won a number of safety awards and has been a success for all stakeholders in the Alliance.

Our Western Australian operation is close to completing a \$20 million package of works on the \$2 billion Fiona Stanley Hospital Project in Perth. The structural frame of the main hospital building is expected to be completed 9 months ahead of program and has been a successful project for the Group.

Looking forward to next year it is expected that bridge works will form a significant part of the order book. Two major bridge projects in Adelaide have been won - the Seaford Rail Bridge (a 1.2km long incrementally launched bridge) and the Adelaide Urban Superway project.

- **Building**

Post-tensioning works were the dominant activity in our building division with profitable results reported for all business units. Revenue was down 4% on last year primarily due to bad weather in the eastern states and the patchy building market.

Revenue from our building products manufacturer Refobar fell by 3% in the year to \$5.1 million, however profitability improved due to lower costs of production and better efficiency.

- **Concrete Services**

Revenue from Concrete Services (Meridian Concrete) fell by 39% to \$56.13 million. Due to poor tendering practices in the prior year this business incurred a significant loss of \$6.43 million before tax for the year under review. The Company made a decision in late 2010 to reduce activity in this market sector until costs and performance were brought under control by a restructured management team. The second half loss of \$1.4 million was higher than previous guidance due to the effect of inclement weather and the protracted finalisation of older projects. This business is budgeted to return to profitability in the 2012 FY year.

- **Middle East**

During the year our activities in the Middle East were deliberately scaled back and this resulted in revenue declining by 47% to \$7.81 million. The business remained profitable despite the lower revenue. Our approach in the gulf region will continue to be conservative. Construction of cryogenic storage tanks for clients in the petrochemical market was the dominant activity for the operation during the year.

- **Remedial**

Revenue from remedial activities increased by 38% to \$15.27 million. During the year the remedial division was involved in a number of the major infrastructure projects in Victoria and these works were the primary driver of the increased volumes. Our NSW operation secured its largest building repair project with works commencing in the last quarter of the financial year.

For further information please contact:

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Dated: 30 August 2011

## INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$'000	2010 \$'000
<b>Revenue</b>	1	237,139	253,585
Total revenue		<b>237,139</b>	<b>253,585</b>
Construction and servicing costs		(204,149)	(226,568)
Depreciation and amortisation expense		(9,158)	(7,717)
Finance costs		(1,074)	(1,083)
Other expenses		(10,893)	(9,087)
<b>Profit before income tax expense</b>		<b>11,865</b>	<b>9,130</b>
Income tax (expense) / benefit		(2,355)	125
<b>Profit for the year from continuing operations</b>		<b>9,510</b>	<b>9,255</b>
<b>Discontinued operation</b>			
Loss for the year from discontinued operation		(5,038)	(5,985)
<b>Profit for the year</b>		<b>4,472</b>	<b>3,270</b>
Profit attributable to non-controlling entities		-	-
<b>Profit attributable to members of the parent entity</b>		<b>4,472</b>	<b>3,270</b>
<b>Continuing and discontinuing operations</b>			
Basic earnings per share		7.0 cents	5.3 cents
Diluted earnings per share		7.0 cents	5.3 cents
<b>Continuing operations</b>			
Basic earnings per share		14.9 cents	15.1 cents
Diluted earnings per share		14.9 cents	15.1 cents
Weighted average number of shares outstanding during the period used in the calculation of earnings per share ('000)		63,884	61,441

The accompanying notes form part of these financial statements

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$'000	2010 \$'000
<b>Profit for the period</b>		<b>4,472</b>	<b>3,270</b>
<b>Other comprehensive income</b>			
Exchange differences arising on translation of foreign operations		(1,111)	(77)
Other comprehensive income for the period (net of tax)		(1,111)	(77)
<b>Total comprehensive income for the period attributable to owners of the parent entity</b>		<b>3,361</b>	<b>3,193</b>

The accompanying notes form part of these financial statements



## STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$'000	2010 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	6a)	4,928	2,936
Trade and other receivables	3	54,682	65,477
Inventories		10,750	13,523
Other current assets		130	258
<b>Total current assets</b>		<b>70,490</b>	<b>82,194</b>
<b>Non current assets</b>			
Property, plant and equipment		32,814	28,577
Intangible assets		20,439	20,439
Deferred tax assets		5,295	6,009
Other		13	188
<b>Total non-current assets</b>		<b>58,561</b>	<b>55,213</b>
<b>Total assets</b>		<b>129,051</b>	<b>137,407</b>
<b>Current liabilities</b>			
Trade and other payables	4	34,598	48,640
Financial liabilities		8,311	4,795
Short term provisions		5,258	4,735
<b>Total current liabilities</b>		<b>48,167</b>	<b>58,170</b>
<b>Non-current liabilities</b>			
Trade and other payables		-	7
Financial liabilities		4,820	3,814
Deferred tax liability		3,007	3,291
Long term provisions		1,224	1,219
<b>Total non-current liabilities</b>		<b>9,051</b>	<b>8,331</b>
<b>Total liabilities</b>		<b>57,218</b>	<b>66,501</b>
<b>Net assets</b>		<b>71,833</b>	<b>70,906</b>
<b>Equity</b>			
Issued capital	5	41,056	41,056
Reserves		2,446	3,557
Retained earnings		28,331	26,293
<b>Total equity</b>		<b>71,833</b>	<b>70,906</b>

The accompanying notes form part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Share Capital Ordinary \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Capital Profits Reserve \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
<b>Balance at 1 July 2009</b>		<b>30,010</b>	<b>23,023</b>	<b>3,751</b>	<b>265</b>	<b>(382)</b>	<b>56,667</b>
Profit attributable to members of parent entity		-	3,270	-	-	-	3,270
Translation adjustment on controlled foreign entities' financial statements		-	-	-	-	(77)	(77)
<b>Total comprehensive income</b>		<b>-</b>	<b>3,270</b>	<b>-</b>	<b>-</b>	<b>(77)</b>	<b>(3,193)</b>
Shares issued during the year		11,046	-	-	-	-	11,046
<b>Balance at 30 June 2010</b>		<b>41,056</b>	<b>26,293</b>	<b>3,751</b>	<b>265</b>	<b>(459)</b>	<b>70,906</b>
Profit attributable to members of parent entity		-	4,472	-	-	-	4,472
Translation adjustment on controlled foreign entities' financial statements		-	-	-	-	(1,111)	(1,111)
<b>Total comprehensive income</b>		<b>-</b>	<b>4,472</b>	<b>-</b>	<b>-</b>	<b>(1,111)</b>	<b>3,361</b>
Dividends paid or provided for		-	(2,434)	-	-	-	(2,434)
<b>Balance at 30 June 2011</b>		<b>41,056</b>	<b>28,331</b>	<b>3,751</b>	<b>265</b>	<b>(1,570)</b>	<b>71,833</b>

The accompanying notes form part of these financial statements

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		268,002	311,455
Cash payments in the course of operations		(255,860)	(297,959)
Dividend received		-	-
Interest received		115	39
Finance costs		(1,074)	(1,067)
Income tax (paid) refunded		958	3,619
<b>Net cash provided by (used in) operating activities</b>	6b)	<b>12,141</b>	<b>16,087</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of discontinued operations		1,555	1,089
Payments for property, plant and equipment		(3,068)	(2,717)
Proceeds from sale of property, plant and equipment		240	115
Payment of deferred consideration for:			
– Meridian Concrete (Australia) Pty Ltd		-	(2,255)
– Refobar Australia Pty Ltd		-	(170)
– BBR Structural Systems		-	(269)
<b>Net cash provided by (used in) investing activities</b>		<b>(1,273)</b>	<b>(4,207)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	11,046
Repayment of borrowings		(5,888)	(17,729)
Dividends paid by parent entity		(2,434)	-
<b>Net cash used in financing activities</b>		<b>(8,322)</b>	<b>(6,683)</b>
<b>Net increase (decrease) in cash and cash equivalents held</b>		<b>2,546</b>	<b>5,197</b>
Effect of exchange rates on cash and cash equivalent holdings		(554)	(77)
Cash and cash equivalents at beginning of financial year		2,936	(2,184)
<b>Cash at end of financial year</b>	6a)	<b>4,928</b>	<b>2,936</b>

The accompanying notes form part of these financial statements

## NOTES TO THE PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

### 1. Revenue

	2011 \$'000	2010 \$'000
<b>Operating activities</b>		
Rendering of services	229,539	247,202
Sale of goods	6,840	5,379
Interest	115	39
Other revenue	488	909
<b>Non-operating activities</b>		
Gain on disposal of property, plant and equipment	157	56
<b>Total revenue</b>	<b>237,139</b>	<b>253,585</b>

### 2. Profit for the year

	2011 \$'000	2010 \$'000
Profit before income tax is arrived at after charging the following items:		
Depreciation and amortization of:		
– Buildings	83	64
– Plant and equipment	9,075	7,653
Bad and doubtful debts expense / (recovered)	466	11
Interest paid and due and payable:		
– Other persons	220	421
– Finance charges on assets under hire purchase	853	662
Rental – operating leases	1,424	1,115

### 3. Trade and other receivables (current)

	2011 \$'000	2010 \$'000
Trade debtors	53,898	61,708
Provision for impairment of receivables	(417)	(428)
Current income tax receivable	-	724
Other debtors and deposits	1,201	3,473
	<b>54,682</b>	<b>65,477</b>

Notes to the preliminary final report continued

**4. Trade and other payables**

	2011 \$'000	2010 \$'000
Trade payables	16,620	23,960
Sundry payables and accruals	10,540	10,492
Contract billings in advance – due to customers for contract works	7,438	14,188
	<b>34,598</b>	<b>48,640</b>

**5. Issued capital**

	2011 \$'000	2010 \$'000
Issued and paid up capital	41,056	41,056
– 63,884,474 fully paid ordinary shares 2011		
– 63,884,474 fully paid ordinary shares 2010		
Movements during the period		
Balance at the beginning of the financial year	41,056	30,010
Share options exercised / cancelled during the period	-	-
Issued through share capital placement		
Gross proceeds	-	11,499
Cost of equity	-	(453)
	<b>41,056</b>	<b>41,056</b>

Notes to the preliminary final report continued

**6. Notes to statement of cash flows**

	2011 \$'000	2010 \$'000
<b>a) Components of cash and cash equivalents</b>		
Cash on hand	27	28
Cash at bank	4,901	2,908
	<b>4,928</b>	<b>2,936</b>
<b>b) Reconciliation of cash flow from operations with profit after income tax</b>		
Profit for the year	4,472	3,270
Non-cash flows in profit		
Depreciation and amortisation	9,158	7,717
Bad debts written off	474	-
Provision for impairment of receivables	(9)	11
Impairment loss in investment	175	-
Net (profit) loss on sale of property, plant and equipment	(157)	(56)
Net (profit) loss on sale of non-current investment	-	-
Change in operating assets and liabilities		
• (Increase) decrease in trade and other receivables	7,766	4,383
• (Increase) decrease in inventories	2,773	4,910
• (Increase) decrease in prepayments	129	33
• (Decrease) increase in trade and other payables	(14,318)	(539)
• (Decrease) increase in provisions	528	(1,589)
• (Decrease) increase in income tax payable	724	-
• (Decrease) increase in deferred tax liabilities	(285)	1,029
• (Increase) decrease in deferred tax assets	711	(3,082)
<b>Net cash inflow from operating activities</b>	<b>12,141</b>	<b>16,087</b>
<b>c) Non cash financing and investing activities</b>		
Plant and equipment acquired under finance leases, lease purchase or vendor finance	10,410	4,548

Notes to the preliminary final report continued

**7. Dividends**

	Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividends
<b>Final dividend</b>				
Current year 2011	18 November 2011	2.5 cents	2.5 cents	0 cents
Previous year 2010	22 October 2010	2.5 cents	2.5 cents	0 cents
<b>Interim dividend</b>				
Current year 2011	13 May 2011	1.5 cents	1.5 cents	0 cents
Previous year 2010	None paid	0 cents	0 cents	0 cents

Total dividend per security (interim plus final)	Current year	4.0 cents
	Previous year	2.5 cents

**8. NTA backing**

	2011 \$'000	2010 \$'000
Net tangible asset backing per ordinary security	80.4 cents	79.0 cents

**9. Contingent liabilities**

As at the date of this report, the Group had no significant contingent liabilities.

## Notes to the preliminary final report continued

## 10. Segment reporting

	Construction		Mining		Consolidated Group (Continuing Operations)	
	30/06/11 \$'000	30/06/10 \$'000	30/06/11 \$'000	30/06/10 \$'000	30/06/11 \$'000	30/06/10 \$'000
<b>Primary Reporting – Business Segments</b>						
<b>Revenue</b>						
External sales	153,790	182,263	82,589	70,318	236,379	252,581
Other sales	488	874	-	47	488	921
<b>Total sales revenue</b>	<b>154,278</b>	<b>183,137</b>	<b>82,589</b>	<b>70,365</b>	<b>236,867</b>	<b>253,502</b>
Unallocated revenue					272	83
<b>Total revenue</b>					<b>237,139</b>	<b>253,585</b>
<b>Results</b>						
Segment result	4,755	4,747	7,110	4,383	11,865	9,130
Income tax benefit / (expense)					(2,355)	125
<b>Profit after income tax</b>					<b>9,510</b>	<b>9,255</b>
<b>Assets</b>						
Segment assets	85,651	100,538	43,400	36,869	129,051	137,407
<b>Total assets</b>					<b>129,051</b>	<b>137,407</b>
<b>Liabilities</b>						
Segment liabilities	37,161	51,992	20,057	14,509	57,218	66,501
<b>Total assets</b>					<b>57,218</b>	<b>66,501</b>
<b>Other</b>						
Acquisitions of non-current segment assets (incl. HP and leases)	1,577	1,564	11,967	5,705	13,544	7,269
Depreciation and amortisation of segment assets	1,764	1,922	7,394	5,795	9,158	7,717

	Australia		United Arab Emirates		Consolidated Group	
	30/06/11 \$'000	30/06/10 \$'000	30/06/11 \$'000	30/06/10 \$'000	30/06/11 \$'000	30/06/10 \$'000
<b>Revenue and assets by geographical region (excluding discontinued operations)</b>						
Segment revenues for external customers	229,360	238,985	7,779	14,600	237,139	253,585
Carrying amount of segment assets	121,993	127,759	7,058	9,648	129,051	137,407
Acquisition of non-current segment assets	13,544	7,269	-	-	13,544	7,269