

Structural Systems Limited
ABN 57 006 413 574

APPENDIX 4E

PRELIMINARY FINAL REPORT
30 JUNE 2013

ISSUED - 28 August 2013



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 3% to	271,172
Profit from ordinary activities before income tax expense	Down 68% to	3,220
Net profit from ordinary activities after tax (before outside equity interests)	Down 60% to	3,218
Net profit for the period attributable to members	Down 60% to	3,218

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend record date:	20 September 2013	
Final dividend declared and payable:	18 October 2013	2.0 cents
Interim dividend paid:	17 May 2013	2.0 cents

Annual General Meeting Details

Date	28 November 2013
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 30 th June 2013
Previous corresponding period:	Financial year ended 30 th June 2012

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

Review of Operations

Structural Systems Limited (the “Group” or “Company”) reported a net profit after tax for the year ended 30 June 2013 of \$3.22 million, down 60% on the prior corresponding period. Market conditions in the Australian resource sectors were difficult throughout the year as mine owners and operators dealt with fluctuating commodity prices whilst implementing cost reduction strategies within their supply chain. The construction sector was similarly difficult as the number and size of projects available reduced. Total revenue for the Group was \$271 million, down 3.3% on the corresponding prior period. With the exception of post-tensioning related activities all other construction businesses recorded lower revenue during the year. Profitability was not able to be maintained at the same levels as last year due to reduced volumes, increased competition, low available margins, and the high cost base that currently exists in the construction industry.

While these difficult trading conditions limited opportunities for growth, the Group was still able to report strong cash flow from operations generating \$13.3 million during the year. Overall cash decreased by \$1.1 million to \$7.2 million at the end of the financial year. During the year \$407k was spent buying shares on market for cancellation under the share buy-back and \$3.2 million on dividends.

Given the strong cash position of the Group the Board has resolved to pay a final dividend of 2.0 cents per share fully franked, payable on 18 October 2013. This brings the total dividends declared for the 2013 financial year to 4 cents per share fully franked.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the group were \$15.8 million (June 2012: \$23.2 million).

Basic and diluted earnings from continuing operations were 5.1 cents per share (June 2012: 12.5 cents).

Gross debt decreased from \$20.6 million to \$19.9 million. The financial position of the group remains strong with a net debt to equity ratio of 16.7% which was similar to the prior year of 16.1%. All borrowings are hire purchase contracts primarily for equipment used by ROCK in drill and blast activities.

Work in hand at 30 June 2013 for the Group was \$180 million. This compares to \$197 million at 30 June 2012 and \$169 million at 31 December 2012. The main cause of the reduction was the Group’s Victorian based concrete service division (Meridian Concrete) where activities were scaled back during the period. Pleasingly work in hand for the Civil division increased by \$17.3 million on the prior period with the securing of several new contracts just prior to the end of the financial year.

Mining Services

ROCK Australia Mining & Civil (“ROCK”) recorded revenue of \$96.6 million down 2% on the \$98.8 million for the prior corresponding period. ROCK had a significantly stronger second half of the financial year with an increase in profit of \$3.8 million compared to the first half.

During the first half of the financial year ROCK had a number of contracts cancelled and also experienced reductions to the scope of work on some term contracts. In response to this changing environment a number of initiatives designed to lower operating costs and improve profitability were implemented. The effects of these strategies, implemented late in 2012, and the ongoing monitoring of the business’ cost base has resulted in a consistently profitable last seven months of the financial year despite the resource sector remaining a tough trading environment.

At the end of the financial year ROCK had work in hand of \$91 million with 11 term drilling projects under contract.

Construction

Revenue from Construction decreased by 2.7% to \$180 million (June 2012: \$185 million) despite increased activity in post-tensioning. Revenue from post-tensioning related activities increased by \$19.0 million to \$82.3 million primarily due to increased construction in NSW. Revenue from other construction activities including civil and infrastructure works, remedial and concrete services all fell in the period.

The manufacturing division, Refobar Australia, increased products offered during the year and now provides the full range of post-tensioning hardware to the industry. As a result, sales increased by 41% to \$9.9 million for the year.

The difficult trading environment led to several of the construction division's clients going into insolvency during the year resulting in bad debts of \$546k.

Revenue from concrete services fell by \$12.9 million to \$67.3 million as the operation was scaled back due to difficult trading conditions in the Victorian construction sector.

The Civil division had a strong first half but a difficult last six months due to lower volumes. As a result of the slower second half, revenue for this division was down by \$7.2 million on the prior year. This situation improved towards the end of the financial year and the division was successful in securing a number of new projects and enters the new financial year with a strong order book. The division added to an already impressive track record in dam infrastructure work with the first overseas dam anchoring project in the Sudan completed during the year.

The Remedial division had low volumes of work in hand throughout the year as clients delayed expenditure decisions. Revenue was down \$3.3 million on the prior year.

Tax

The income tax expense for the year is lower than might be expected for two reasons. The main reason being two years' R&D Tax concessions (2011 and 2012) booked this financial year, and to a lesser extent, timing differences caused by movements in provisions.

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

Outlook

In line with normal practice the Company will update shareholders on the outlook for 2013-14 at the Annual General Meeting in November.

For further information please contact:

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Dated: 28 August 2013

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Revenue	1	271,172	280,478
Construction and servicing costs		(244,025)	(245,191)
Depreciation expense		(11,011)	(10,931)
Finance costs		(1,557)	(1,551)
Impairment of property, plant and equipment		-	(71)
Other expenses		(11,359)	(12,037)
Profit before income tax expense		3,220	10,697
Income tax expense	3	(2)	(2,701)
Profit for the year		3,218	7,996
Profit attributable to non-controlling entities		-	-
Profit attributable to members of the parent entity		3,218	7,996
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic and diluted earnings per share		5.1 cents	12.5 cents
Weighted average number of shares outstanding during the period used in the calculation of basic and diluted earnings per share ('000)		63,186	63,876

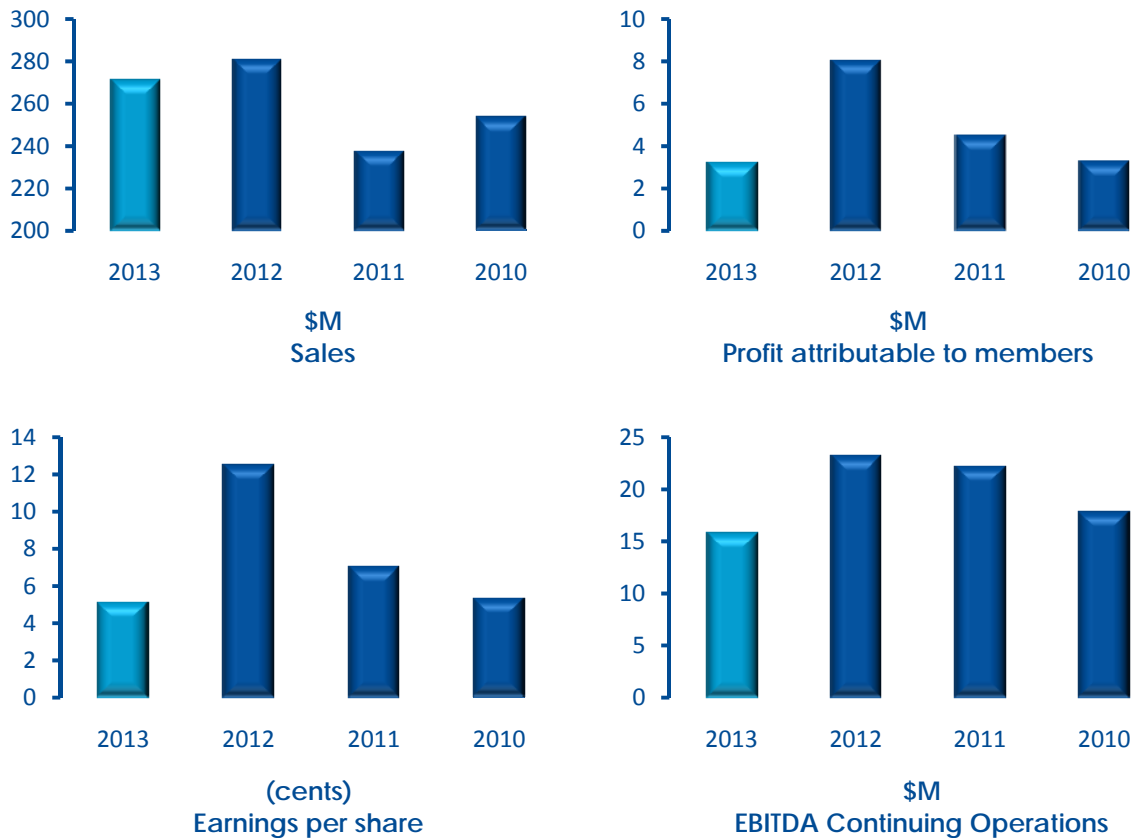
The accompanying notes form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Profit for the year		3,218	7,996
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain (loss) on revaluation of property		-	(741)
Deferred tax liability adjustment on revaluation of property		-	255
		-	(486)
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		245	215
Other comprehensive income for the period (net of tax)		245	(271)
Total comprehensive income for the period attributable to owners of the parent entity		3,463	7,725

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 2013

	Note	2013 \$'000	2012 \$'000
Current assets			
Cash and cash equivalents	7a)	7,146	8,241
Trade and other receivables	4	57,611	64,017
Inventories		13,918	15,613
Other current assets		177	157
Current tax assets		52	-
Total current assets		78,904	88,028
Non current assets			
Property, plant and equipment		36,890	37,091
Intangible assets		19,439	19,439
Deferred tax assets		4,036	4,964
Other		9	11
Total non-current assets		60,374	61,505
Total assets		139,278	149,533
Current liabilities			
Trade and other payables	5	34,930	40,543
Financial liabilities		8,696	8,391
Current tax liability		-	2,918
Short term provisions		5,262	5,593
Total current liabilities		48,888	57,445
Non-current liabilities			
Trade and other payables		64	5
Financial liabilities		11,217	12,183
Deferred tax liability		1,445	2,203
Long term provisions		1,255	1,186
Total non-current liabilities		13,981	15,577
Total liabilities		62,869	73,022
Net assets		76,409	76,511
Equity			
Issued capital	6	40,477	40,884
Reserves		725	2,175
Retained earnings		35,207	33,452
Total equity		76,409	76,511

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	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 2011	41,056	28,331	3,751	265	(1,570)	71,833
Profit attributable to members of parent entity	-	7,996	-	-	-	7,996
Translation adjustment on controlled foreign entities' financial statements	-	-	-	-	215	215
Loss on revaluation of property	-	-	(741)	-	-	(741)
Deferred tax liability adjustment on revaluation of property	-	-	255	-	-	255
Total comprehensive income	-	7,996	(486)	-	215	7,725
Transactions with owners, in their capacity as owners, and other transfers						
- Shares bought back during the year	(172)	-	-	-	-	(172)
- Dividends paid or provided for	-	(2,875)	-	-	-	(2,875)
- Transfer of prior year revaluation increment to capital profits reserve on sale of freehold property	-	-	(1,430)	1,430	-	-
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

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		303,317	297,003
Cash payments in the course of operations		(285,894)	(280,027)
Interest received		191	128
Finance costs		(1,557)	(1,551)
Income tax (paid) refunded		(2,803)	-
Net cash provided by (used in) operating activities	7b)	13,254	15,553
Cash flows from investing activities			
Proceeds from sale of discontinued operations		165	-
Payments for property, plant and equipment		(3,526)	(4,573)
Proceeds from sale of property, plant and equipment		2,162	3,819
Payment of deferred consideration for:			
– Meridian Concrete (Australia) Pty Ltd		-	(1,000)
Net cash provided by (used in) investing activities		(1,199)	(1,754)
Cash flows from financing activities			
Share buy-back payments		(407)	(172)
Repayment of borrowings		(9,614)	(7,528)
Dividends paid by parent entity		(3,158)	(2,875)
Net cash used in financing activities		(13,179)	(10,575)
Net increase (decrease) in cash and cash equivalents held		(1,124)	3,224
Effect of exchange rates on cash and cash equivalent holdings		29	89
Cash and cash equivalents at beginning of financial year		8,241	4,928
Cash at end of financial year	7a)	7,146	8,241

The accompanying notes form part of these financial statements

NOTES TO THE PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

1. Revenue

	2013 \$'000	2012 \$'000
Operating activities		
Rendering of services	262,394	271,902
Sale of goods	7,289	7,270
Interest	191	128
Other revenue	806	885
Non-operating activities		
Gain on disposal of property, plant and equipment	492	293
Total revenue	271,172	280,478

2. Profit for the year

	2013 \$'000	2012 \$'000
Profit before income tax is arrived at after charging the following items:		
Depreciation and amortization of:		
– Buildings	32	59
– Plant and equipment	10,979	10,872
Bad and doubtful debts expense	215	-
Interest paid and due and payable:		
– Other persons	3	70
– Finance charges on assets under hire purchase	1,554	1,481
Rental – operating leases	1,739	1,588

Notes to the preliminary final report continued

3. Income tax expense

	2013 \$'000	2012 \$'000
The components of income tax expense are as follows:		
Current tax expense	1,436	3,090
Deferred tax (benefit) / expense	(493)	(389)
R&D tax rebates		
– 2011	(411)	-
– 2012	(530)	-
	2	2,701
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% (2012: 30%)		
– Consolidated group	966	3,209
Add (deduct) tax effect of:		
– Increase (decrease) in income tax expense due to non-tax deductible (non-tax assessable) items	17	14
– Non assessable profit on overseas entities	(40)	(80)
R&D tax rebates	(941)	-
Tax losses on capital losses recognised in the current financial year	-	(442)
Income tax expense (benefit) attributable to entity	2	2,701

4. Trade and other receivables (current)

	2013 \$'000	2012 \$'000
Trade debtors	56,192	63,119
Provision for impairment of receivables	(126)	(303)
	56,066	62,816
Other debtors and deposits	1,545	1,201
	57,611	64,017

5. Trade and other payables

	2013 \$'000	2012 \$'000
Trade payables	17,099	14,052
Sundry payables and accruals	10,913	10,902
Contract billings in advance – due to customers for contract works	6,918	15,589
	34,930	40,543

Notes to the preliminary final report continued

6. Issued capital

	2013 \$'000	2012 \$'000
Issued and paid up capital	40,477	40,884
– 62,959,181 fully paid ordinary shares 2013		
– 63,645,933 fully paid ordinary shares 2012		
Movements during the period		
Balance at the beginning of the financial year	40,884	41,056
Shares bought back during the period	(407)	(172)
	40,477	40,884

There is currently an on-market share buyback that commenced on the 12th of December 2012 and will continue to the 11th of December 2013. This follows the previous on-market share buyback that commenced on the 12th of December 2011 and ended on the 11th of December 2012.

7. Notes to statement of cash flows

	2013 \$'000	2012 \$'000
a) Components of cash and cash equivalents		
Cash on hand	29	24
Cash at bank	7,117	8,217
	7,146	8,241
b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year	3,218	7,996
Non-cash flows in profit		
Depreciation	11,011	10,931
Provision for impairment of receivables	(177)	(114)
Impairment loss in investment	-	70
Net (profit) loss on sale of property, plant and equipment	(492)	(293)
Change in operating assets and liabilities		
• (Increase) decrease in trade and other receivables	6,695	(9,215)
• (Increase) decrease in inventories	1,694	(4,862)
• (Increase) decrease in prepayments	(19)	(28)
• (Decrease) increase in trade and other payables	(5,613)	8,071
• (Decrease) increase in provisions	(261)	296
• (Decrease) increase in income tax payable	(2,970)	2,918
• (Decrease) increase in deferred tax liabilities	(759)	(548)
• (Increase) decrease in deferred tax assets	927	331
Net cash inflow from operating activities	13,254	15,553
c) Non cash financing and investing activities		
Plant and equipment acquired under finance leases, lease purchase or vendor finance	8,953	14,901

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 2013	18 October 2013	2.0 cents	2.0 cents	0 cents
Previous year 2012	19 October 2012	3.0 cents	3.0 cents	0 cents
Interim dividend				
Current year 2013	17 May 2013	2.0 cents	2.0 cents	0 cents
Previous year 2012	18 May 2012	2.0 cents	2.0 cents	0 cents

Total dividend per security (interim plus final)	Current year	4.0 cents
	Previous year	5.0 cents

9. NTA backing

	2013	2012
Net tangible asset backing per ordinary security	90.5 cents	89.7 cents

Notes to the preliminary final report continued

10. Segment reporting

	Construction		Mining Services		Corporate		Consolidated Group	
	30/06/13 \$'000	30/06/12 \$'000	30/06/13 \$'000	30/06/12 \$'000	30/06/13 \$'000	30/06/12 \$'000	30/06/13 \$'000	30/06/12 \$'000
Primary Reporting – Business Segments								
Revenue								
External sales	173,106	180,408	96,577	98,764	-	-	269,683	279,172
Unallocated revenue	736	783	408	369	346	154	1,489	1,306
Total revenue	173,842	181,191	96,985	99,133	346	154	271,172	280,478
Results								
Segment result	1,943	8,232	3,991	5,320	(2,714)	(2,855)	3,220	10,697
Income tax benefit / (expense)	-	-	-	-	(2)	(2,701)	(2)	(2,701)
Profit after income tax	1,943	8,232	3,991	5,320	(2,716)	(5,556)	3,218	7,996
Assets								
Segment assets	72,719	86,849	51,738	46,275	14,821	16,410	139,278	149,533
Total assets	72,719	86,849	51,738	46,275	14,821	16,410	139,278	149,533
Liabilities								
Segment liabilities	27,616	36,070	32,024	28,985	3,229	7,966	62,869	73,021
Total liabilities	27,616	36,070	32,024	28,985	3,229	7,966	62,869	73,021
Other								
Acquisitions of non-current segment assets (incl. HP and leases)	2,654	2,223	9,825	17,360	-	-	12,479	19,584
Depreciation of segment assets	1,427	2,420	9,502	8,438	82	73	11,011	10,931
	Australia		United Arab Emirates		Consolidated Group			
	30/06/13 \$'000	30/06/12 \$'000	30/06/13 \$'000	30/06/12 \$'000	30/06/13 \$'000	30/06/12 \$'000	30/06/13 \$'000	30/06/12 \$'000
Revenue and assets by geographical region								
Segment revenues for external customers	263,441	274,577	7,731	5,901	271,172	280,478		
Carrying amount of segment assets	134,346	144,738	4,932	4,794	139,278	149,533		
Acquisition of non-current segment assets	12,112	19,538	367	45	12,479	19,583		