



2011 Financial Year Overview

- The Group reported an after tax profit from continuing and discontinued operations of \$4.47 million. This result is a 37% improvement on the \$3.27 million reported for the prior year.
- Losses from the Group's concrete services company Meridian Concrete Australia significantly affected the result reported for continuing operations. Pre tax losses from Meridian totalled \$6.43 million. EBITDA from continuing operations increased by 25% to \$22.1 million. After tax losses from discontinued operations were \$5.04 million compared to \$5.99 million for the prior year.
- Total revenue from continuing operations decreased by 6% to \$237.14 million.

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.
- Some of ROCK's major client with whom we have term contracts to provide drilling and blasting services include BHP Billiton, CST Minerals, Newcrest Mining, Barrick Gold, Fortescue Metals Group (FMG) and Consolidated Minerals. In July we commenced work on the Saraji Coal mine for the BHP Billiton Mitsubishi Alliance (BMA) which is ROCK's first drilling project in the coal sector.
- ROCK continues to experience strong demand for package service works and this segment accounted for 25% of revenue. These types of work include any combination of drilling, blasting, geotechnical works and environmental services. In the mining sector, some of the major projects undertaken 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.
- An area where we are seeing increasing demand is for the sale, hire and technical support of movement and survey radar units. Revenue from these activities increased during the year and accounted for 9% of revenue.
- 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**

Our construction division includes activities within the Infrastructure, Building, Remedial and Concrete services market. Revenue from these activities decreased by 16% to \$154.28 million. The principal reason for this reduction was lower volumes in both the Concrete Services division and from activities in the Middle East. In both of these instances the reduction in volumes was due to the Company determining that the risk profiles required adjustment and that reducing the level of activity being undertaken would assist in reducing the ongoing risk. Outside of these two divisions overall construction revenue for the rest of the divisions increased by 11% to \$105.92 million.

- **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 and 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 \$20 million package of works on the at the \$2 billion Fiona Stanley Hospital Project in Perth are close to completion. These works will be completed 9 months ahead of program and the project was a very successful one for the Group.

- **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 and inappropriate risk management 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.

- **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.



Discontinued operations

Pre tax losses from discontinued operations were \$7.37 million. These losses were incurred in completing outstanding works and finalising contract values in relation to our formwork division which was sold in late 2009. As advised in the annual report the completion of works at the Eastern Treatment Plant are ongoing. This is a complex and difficult project and management is doing everything possible to finalise this matter. Given the passage on time that has past since the sale of the formwork business the directors have decided effective 1 July 2011 all costs for this project will be included within continuing operations.

Quality Safety and Environment

The welfare and safety of our people is our fundamental priority. With over 800 employees involved in a diverse range of projects throughout Australia and internationally it was identified that the existing management systems for the Group's QSE and HR activities needed to be updated to deliver a more consistent approach across the Group. In May 2011, Integrum was selected as the provider for this updated risk management system. The system is web based and will be the central location for Quality, Safety & Environmental (QSE) functions such as risk management, inductions, in-house training, audits, safe work method statements, incident reports and statistical reporting. In addition the system will support other functions such as employee development, performance appraisal, E-Learning and document libraries amongst other features. The company has ensured sufficient resources by implementing a dedicated project team, with specialist employees selected from within the group. This is a major undertaking and will be delivered in three stages during 2012 year

The 2011 year saw positive results from the QSE strategies implemented. Some of the key achievements being:

- Structural Systems Middle East achieved a significant milestone of working fifty two consecutive weeks without incurring a job related lost time accident or injury. This significant milestone is attributed to the cooperation and determination of all Structural Systems Middle East employees. Operating in three countries the company and employees have demonstrated an allegiance to create and maintain a safe workplace. These great results were underpinned by the introduction of documented work procedures, providing the necessary safety equipment, and keeping the work force informed by implementing training and continuous improvement strategies.
- ROCK Australia has experienced an overall decline in injury rates for the six months to June 2011. During the year, ROCK employed a new Quality, Safety & Environment Manager, with nineteen years experience in the Western Australian Mining Industry and significant experience in training and business improvement. With the increase in the number of projects ROCK has ongoing in the eastern states of Australia the decision was made to supplement ROCK's QSE management team with the creation of QSE Coordinator (West) and QSE Coordinator (East) positions. These two roles will oversee QSE activities on all ROCK projects across the country.
- The first quarter of 2011 saw the launch of RockSafe; ROCK Australia's safety promotion program which will drive a positive improvement in safety culture and a zero harm philosophy.
- Structural Systems (Western) Pty Ltd gained accreditation under the Australian Government Building and Construction OHS Accreditation Scheme.
- Structural Systems (Southern) Pty Ltd and Meridian Concrete Australia Pty Ltd achieved accreditation to the Australian Safety Standard AS/NZS 4801:2001.



Outlook

As noted in our annual report returning Meridian to profitability is a key objective for the 2012 year. While, the forecast result from this division for the 2012 year is still below what the Board would view as acceptable in the longer term it is a substantial improvement on the prior year's result. The improved result is reflective of the efforts of the current employees involved in this business and their desire for Meridian to be a success and a positive contributor to the Group.

The future prospects for our Mining Services division ROCK Australia are strong. ROCK entered the 2012 financial year with record work in hand, the largest number of people employed and greatest geographical spread of its projects. ROCK's East Coast operations continue to expand and now represent a significant part of its order book. This year ROCK secured its first drilling project in the coal sector. These works complement drilling and blasting services already provided to Gold, Iron Ore, Nickel and Copper projects. During 25 years of operations ROCK has developed a reputation within the resources sector for providing quality services to its Clients. ROCK's client list is an enviable one and is a snap shot of the blue chip companies involved in the Australian mining sector. The recruitment and retention of quality personnel within the mining sector represents one of ROCK's greatest challenges. In addressing this issue ROCK has increased the annual intake of apprentices and has created the Green to Gold operator training program. Additionally, ROCK has directly recruited skilled personnel from overseas to supplement its workforce.

With the successful completion of the Wellington Dam Upgrade project during the year our Infrastructure Division maintained its position as the leader in dam anchoring technology and services. This year will see the division's increasing focus on Mining infrastructure work. In August we secured the package for the construction of the Bridge & Arch structures which are part of Rio Tinto Iron Ore's Warrambo expansion project in the Pilbara. With an established presence now in the region we are confident of securing further work for clients within the resource sector.

Outside of the resource sector Infrastructure is currently working on the construction of two major bridge projects in South Australia as well as a bridge upgrade project in Perth.

Our building operations continue to perform well in difficult markets. Structural Systems remains a market leader in the provision of post tensioning and related services. As the founding activity of the Group this division continues to remain a core part of the Group and we continue to maintain our dominate market share.

The Group's Remedial division had a good year in 2011 and is forecasting an increased result for this year. Demand is strong for its services particularly in the Infrastructure sector.

The balance of work-in-hand for the Group at the end of the first quarter was \$182million which is in line with budget expectations.

The Company is forecasting a Net Profit Before Tax (NPBT) for the six months ended 31 December 2011 in the range of \$6.5 million to \$7.0 million.

Finally I would like to thank our shareholders for their continued support and all of the Groups employees for their contributions throughout the year.

David Perry
Managing Director