



Chairman's Address – 2012 AGM

I am pleased to be able to report on the result achieved in 2012 as it was a significant improvement on the previous year. The after tax profit of \$8 million was an increase of 79% on the prior year. Importantly, this level of increase in profit translated to the same increase in earnings per share (EPS). This is the third year in a row that the Company has been able to increase EPS and as a result the board was able to declare a total fully franked dividend payment in the year of 5 cents per share.

The performance of the individual divisions has been covered by the Managing Director in his section of the Annual Report. It is not my intention to review that report here today. Any questions in relation to the annual report can be address when we review the financial statements later in the meeting.

In relation to the 2012FY some of the key achievements during the year were:

- Increase in Group revenue by 18% to \$280.5 million as a result of higher levels of activity in both the construction and mining services markets.
- Positive cashflow from operations of \$15.5 million
- A \$3.2 million increase in cash to \$8.2 million at year end
- Implementation of fully integrated ISO compliant system for managing the Group's SQE
- Increased awareness and focus in ensuring the safety and welfare of our employees which resulted in improved outcomes across the Group. In particular ROCK achieving a reduction in TRI to lowest level since 2010 and lowest level of LTIs since 2009
- The securing and successful completion of the company's first international dam upgrade project
- A return to profitability by Meridian Concrete

The new financial year presents several challenges to the Group as a slowdown is definitely occurring in our key market sectors. The momentum gained over the last few years is at risk as difficult trading conditions are forecast to continue for the majority of the FY 2013 year. Opportunities in mining services have reduced as the effect of both lower commodity prices and weaker demand flows through into production requirements. Existing contracted work has been reduced in value by \$16 million in the past three months as a result of changes to production schedules or cancellations of ongoing contracts. While some of the assets employed on these contracts have been redeployed the changes have negatively impacted our profitability. Work in hand at the end of October for mining services was \$94 million of which \$84 million is for term drilling contracts. As a result of the reduction in work load an extensive review of our mining services business has been undertaken. Rationalisation of costs in right sizing the business to the current contracts in hand has resulted in savings of \$4.7 million on an annualised basis. The majority of the benefit from these savings won't be felt until the second half of the year.



Our most recently awarded drilling contract for BGC at the Arrium South Middleback Ranges project in Whyalla has kicked off in the second quarter this year and is well underway. This contract's initial term is three years and is our first drilling contract in South Australia. Despite the current difficult trading conditions we believe that opportunities will continue to come ROCK's way. ROCK is well known in the resource sector as a client focused quality operator that provides a diverse range of services. Our radar division continues to grow as the market becomes more aware of the benefits to safety and mine production that this technology brings. We have ongoing rental contracts across Australia and internationally in Indonesia and PNG.

Conditions in the general construction industry in Australia have tightened over the last six months. Overall we would expect these conditions to continue into the new calendar year with an upturn in activity towards the end of the financial year. In our construction operations we are seeing mixed levels of opportunities. Total work in hand for our construction operations at the end of October was \$85 million. We had a solid first quarter with the majority of divisions performing in line with budget expectations. The visibility of future levels of activity for our construction divisions is becoming increasingly difficult to assess as clients delay making commitments and tender periods increase creating greater competition.

Our post tensioning division is forecast to have increased sales this year on the back of solid growth in NSW and South Australia. Construction activity in Adelaide is very busy at present and the company is involved in most of the major projects underway. Works currently being completed include the launching and post tensioning works at Seaford bridge, provision of materials, management and workforce for the pier and transverse deck post tensioning at the Superway project as well as the reo fixing and post tensioning works at the Adelaide Oval and Royal Adelaide Hospital.

The result achieved by our concrete services division Meridian Concrete Australia was a substantial improvement on the prior year.

Construction activity in Perth is quiet at present and this is not only affecting our PT operations in this State but also the opportunities for our infrastructure division. Our infrastructure division had a very successful prior financial year which included gaining accreditation to the Rio Tinto procurement program due to the successful completion of construction of a bridge at Warrambo.

We continue to see solid enquiries for the Company's remedial services division with a number of significant projects in the pipeline. As noted previously though, with market conditions tightening many clients are delaying expenditure decisions. We expect this situation to result in a weaker second and third quarter but an improving environment in the last quarter of the financial year as decisions on projects ultimately get made.

The services provided to the construction industry by the Group are able to be employed on a diverse range of projects and it is this broad capability that is helping to maintain revenue in the current environment. At any point in time the company for example will be working on the



Structural Systems

construction of shopping centres, hospitals, high rise residential buildings, bridges, tanks and in the case this year a dam upgrade in Sudan.

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

Robert Freedman
Chairman