

Despite overall economic conditions being difficult throughout the year and the Company posting its 2nd best profit result, it would be fair to say that the executive team were disappointed with the outcome achieved by the Group for the 2009 year.

Some excellent results within the Group have been over shadowed by a very bad result emanating from the company's formwork operations in Victoria. The significance of the loss result from the formwork operation was such that despite record profit results from our Mining Services, Middle East and Civil divisions our overall result decreased by 41% on the prior year to \$8.9 million NPAT.

In light of the recent results from the formwork division and changing market conditions our view became that the risk profile of this activity did not fit within acceptable parameters for our company. While we believe there are signs of improvement in economic activity, trading conditions in general are still tough and as such it is prudent to de-risk the business as much as possible. The returns from the formwork division have not matched the embedded risks in recent times. As such the decision was made that this business was not part of the going forward strategy. As announced earlier this week, this business has been sold with the transaction being finalized on the 27th October.

Lowering the risk level of the business was the deciding factor in the capital management decisions made over the last six months. On the back of increased volumes of work being undertaken by the business over the last two years and the losses in the second half of last financial year from the formwork division, the company's gearing ratios increased to historically high levels. By retaining the profit from the 2009 year and then supplementing our balance sheet with the recently undertaken capital raising the balance sheet has been significantly strengthened.

The remaining businesses within the Group all have proven track records of being profitable and high degrees of certainty in outcome. The diversity of works able to be undertaken and the geographical spread of our remaining operations see the Group well placed to ensure it is successful in winning its share of works in the mining, civil and construction markets. Work in hand at the 30 June was \$139 million. This was down on the previous year's balance by \$76 million. However the Construction division accounted for \$55 million of this difference. We made a conscious decision in the latter part of the financial year to reduce our exposure to this market sector.

Construction

Despite the already mentioned loss result from the formwork operations it was not all bad news from the Company's construction division. The remedial and specialised services operations had a busy and profitable year.

The Meridian concrete business was affected by the decision to lower our exposure to formwork. Formwork is a key component in a structure package offer and with our low level of confidence in this particular element meant that we did not pursue opportunities with the same vigour as we have done in prior years. Our strategy going forward becomes clearer with the sale of the formwork business. Meridian completed its first project outside Victoria for the company with the successful completion of the Mushroom Exchange in Bunbury in Western Australia.

Post Tensioning

The Company's post tensioning division again performed well during the year. Structural Systems is recognised as one of the market leaders in the provision of post tensioning services. The majority of this division's revenue comes from clients with which the company has long standing relationships. It is the strength of these relationships that have enabled the division to continue to grow in the 2009 year. The outlook for post tensioning appears quite positive not only due to its economical advantages but also for its ability to add to the green star rating calculation of a particular building. This division undertakes a very wide variety of projects during any one year and 2009 was no exception.

Middle East

Similar to most of the operating divisions our Middle East business found itself in a very uncertain economic environment during 2009. The business has been in operation for over 11 years and 2009 was one of its most challenging yet. The uncertainty and increased risk in market conditions was taken on board and a new business plan was put into action. Project selection, payment conditions and stock control management became the key issues for this business as this was where we saw the majority of our risk residing. Despite the tough market conditions and a more conservative strategy in relation to securing work the Middle East had a record year in both revenue and profit. Activity levels have decreased in Dubai but with operations well established in other emirates and countries including Abu Dhabi, Sharjah, Ajman, Bahrain and Qatar we have been able to continue to grow the business.

Major Projects Division

The major projects division of the Company provides support to all business units to assist in the securing and delivery of projects that are either large or technically complex in their nature. Civil works were a key part of this division's year. In particular, the division has established a very successful record in the completion of upgrades to dam capacity and load capability throughout Australia. The works at the Catagunya Dam upgrade project which we are currently undertaking in Tasmania involves the installation of the world's largest capacity ground anchors.

This division allows the Company to maintain the required focus on projects that often have long gestation periods and require significant amounts of work during the bidding and tender stage. We have had this division now running for a few years and we believe it has assisted taking SSL into a higher league to capitalise on the opportunities that the Governments "Infrastructure Australia" programme will present.

This capability in the civil and infrastructure markets was recognised overseas and resulted in the Company forming a joint venture relationship with Group Five in South Africa. We now have established an office in Johannesburg. South Africa is similar to Australia in that the level of infrastructure works has increased significantly.

Structural Systems has demonstrated a track record of entering overseas locations on the back of relationships and establishing strong profitable businesses. We believe South Africa offers significant opportunities for the Group in the coming years.

Mining Services

The last few years have seen a significant increase in level of activity undertaken by ROCK and the 2009 year was its best year yet. Despite uncertainty in the resources sector particularly towards the back end of calendar year 2008 and early 2009 ROCK achieved record levels of revenue and profit for the financial year.

ROCK has grown from just under \$8 million revenue for the 2002 year which at the time was 7% of the overall Group's revenue. Last year's result of \$48.09 million represented 15% of total Group revenue. Rock has become significantly more important to the Group and it is also pleasing to see a much greater degree of interaction between this business and the other parts of the company. Rock has a very good understanding of what is required to service our Clients in remote locations and there is increasing demand for the wider services the Group can offer in these locations.

The drilling division within ROCK provides a stable platform of revenue. The majority of rigs are utilised on term contracts and are able to maintain high utilisation rates.

The 2009 year saw ROCK increase its activity in the civil arena with major works being undertaken for rail, road and airport facilities. The year also saw an increase in rockfall protection works in the civil market.

ROCK's Movement and Survey Radar (MSR) system secured several long term contracts during the year for the supply and support of MSR systems within Australia and overseas.

ROCK's technical prowess is demonstrated in the development and patent of a new underground mesh handling and installation system. The ROCK Mesha™ system offers significant benefits in cost, safety and quality over current practices.

Outlook

The strategy going forward for the business is to concentrate on those markets or skills that the Group has a competitive edge. We see growth opportunities in the civil market as our track record in that market sector continues to grow. Additionally, our ability to take our skills into new locations, whether that be, within Australia or overseas certainly increases the opportunities for the Group.

We believe these measures stand us in good stead particularly as the economy continues to improve.

Lastly, I would like to thank the executive team and all the staff and workforce of the Group for their efforts over the last twelve months.

Thank you for your time



David Perry
Managing Director