Structural Systems

Managing Director's Report 2010

The Group reported an after tax profit from continuing and discontinued operations of $3.27 million. Earnings per share 5.3 cents. Profit before income tax expense from continuing operations decreased by 34% to $9.13 million on revenue of $253.59 million. Earnings were significantly affected by losses from discontinued operations. Losses from discontinued operations were $5.99 million. Outside of the losses from discontinued operations and construction activities in Victoria all other divisions within the Group traded profitably and reported solid results for the 2010 financial year.

Mining & Civil Services

Revenue from activities undertaken by Rock Australia during the year increased by 46% to $70.365 million. ROCK has continued to increase its profile within the Group and has consistently grown its level of revenue since 2002. Production drilling was the dominant single activity undertaken during the year and ROCK has term contracts underway in Queensland, Western Australia and New South Wales. Presently, Rock has 8 term drilling contracts underway with 6 extending past the end of the 2011 financial year.

During the year, Rock saw an increased demand for its combined services package offered to the mining sector. Some of the major projects undertaken include the construction of the primary crusher pockets at the Sino Iron project in Western Australia, pit rehabilitation works at Mount Gibson's Koolan Island project and retaining wall support works for Xstrata at the Cosmos mine site.

Package services were also in demand in the civil sector and major works completed during the year include rock fall protection works at Kepperra and Kuranda in QLD. Package service works accounted for 39% of Rock's revenue.

Revenue from the sale and hire of radar units increased during the year and accounted for 7% of total revenue. Rock has ongoing radar service support contracts throughout Australia and Asia.

Geotechnical services provided to the mining sector accounted for 14% of Rock's revenue. Some of the geotechnical projects undertaken during the year include KCGM Super Pit ground support works and BHP Mount Keith ground support works.

Post-Tensioning

Revenue from Post-Tensioning and related activities decreased by $12.20 million to $89.93 million for the 2010 year. The reduction in volumes were due to a softening in general construction activity in the private sector throughout Australia and the Middle East. The post-tensioning divisions were able to maintain market share during this period and profitability in overall terms from this activity was up on the prior year. The Company has recently opened an office in Adelaide to better service the South Australian market.

Post-tensioning activities in the general construction market were heavily underpinned by Government funded works. Throughout Australia Structural Systems has established a position as the contractor of choice in delivering design and construct solutions to major hospital upgrades and new works undertaken by Government. Significant hospital works during the period include Fiona Stanley Perth , Royal North Shore Sydney, Liverpool, Gold Coast University, Melbourne's Royal Children's and Warrnambool Hospitals.

The Company continued its dominance in dam upgrade works and during the year had three major dam upgrades ongoing concurrently. Due to the company's strong track record in successfully delivering these upgrade works, the Company, at the client's request, has now taken a broader role in dam works including temporary access works, concrete excavation and construction, drilling and permanent anchoring.

Africa

The Company has now been in South Africa in joint venture with Group 5 for two years. To-date key projects completed include its first launched bridge and first cable stay bridge project. A total of nine other bridge projects have been completed during this time.

Middle East

Concerns regarding security of payment and general payment terms resulted in the Company taking a conservative approach to the securing of new work in the Middle East during the 2010 year. This approach combined with a reduction in opportunities due to a significant slow down in overall construction activity in the Gulf region resulted in revenue reducing by 27% to $14.66 million. The appreciation of the Australian dollar during the 2010 year had the effect of reducing profit by 18%.

Construction

The construction division of the Group includes Meridian Concrete, Remedial and specialist services and up until the time of it being sold formwork operations. The formwork operations were sold in October 2009. At the time of the sale there were a number of projects being completed and a number of projects still within defects liability period. The completion of these outstanding works was the cause of the losses from discontinued operations in the year. Opportunities for Meridian were affected by the closure of the formwork division and resultant reduction in structure package works. The Company's remedial and specialist services division in Victoria had a profitable year and an increase in revenue.

Safety

As a significant employer of in the field construction and mining workers the ongoing commitment to ensuring safe work places and maintaining safety awareness is a key part of our ongoing strategy development. During the year the number of OH&S personnel was increased across the Group. All divisions now have dedicated safety advisors and we have introduced a Corporate QSE position to ensure OH&S personnel and system development is consistent across the Group. A key target for the Group is to ensure by end of financial year all onshore divisions are accredited to AS: 4801: 2001. The remaining divisions to achieve accreditation are Structural Systems (Southern) and Meridian Australia. Both in the pre-audit stage of achieving this accreditation.

Outlook

Our future focus is being directed towards the business areas within the Group that have proven track records and consistent earnings. The aim during the year will be to continue to lower exposure to areas we see as having a high risk such as the Victorian construction market and the Middle East and building up the divisions within the Group that have the right risk reward. Mining services and our specialist subcontracting activities have consistently demonstrated profitable returns for the Group.

Work in hand at 30 June 2010 was $202 million. The mix of work is moving away from the large values exposed to the Victorian construction market. The value in hand for ROCK is a record amount and reflective of the term contracts for drilling services it has in hand.

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

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David Perry
Managing Director