SKYDOME®
SKYLIGHT SYSTEMS THAT DON'T COST THE WORLD

Managing Directors Report for AGM 27th November 2009

For the year the Group sustained a pre-tax loss of $1.46 million In compliance with Accounting Standards, and after discussion with our external Auditors, the board decided in the interests of good governance that there was an impairment in the value of goodwill to the value of $632,500 and this was written-off.

Your Directors have also, after seeking advice from our external Auditors, decided that it is appropriate to write-off the value of the future tax benefit of $1,113,774. It should be noted that, as and when future profits allow, this tax benefit can be reinstated.

The operating loss for the Group was $829,306. A significant portion of this related to the extensive restructuring undertaken during the year. As we indicated in the Interim Report, our focus has been to reduce the fixed cost structure of the business. This has largely been achieved and we enter the current financial year with a much lower cost base.

The write-offs and restructuring costs, while substantial, were appropriate but are of a non recurring nature.

Sales in both the domestic and export markets were adversely affected by the global financial crisis. Export sales were down by around 60% on the previous year. While domestic sales were not as badly impacted they were, nevertheless, substantially down on budget. This is still a major concern when today's political uncertainty remains

As we indicated in the Interim Report, activity on the DayRay product is restricted to Research and Development. There remain, however, ongoing costs associated with the product and these costs ($229,170) have contributed to our operating loss. We have currently been unable to resolve the technical issue with DayRay and the likelihood of us achieving this in the foreseeable future appears to be less likely.

Looking to the year ahead we are cautiously optimistic that the domestic building market will begin to improve, albeit probably in the second half of the year. A conservative budget has been set for the year and this combined with the reduction in operating costs will result in a breakeven to small profit for the Group. This is, however, dependant on the domestic building market improving.

The board and management will continue to explore further opportunities to reduce the cost structure of the Group and, in regard to this, we have engaged the services of an external advisor.

Michael Bonello
Managing Director

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