

**12 November 2004**

**STRUCTURAL SYSTEMS LIMITED**  
**ANNUAL GENERAL MEETING**

**Chairman's Address:**

The year to 30<sup>th</sup> June resulted in a loss of \$ 8.589 Million, as advised previously these losses were incurred in the half to December 03 and were the result of the finalization of unprofitable Contracts in our Formwork and Fire Service Operations and the restructuring or closing of these operations.

Shareholders will have noted that the company recorded a modest profit in the six months ended June 30, 2004. I am pleased to inform the meeting that this improving trend has continued into the current financial year with the company recording an unaudited before tax profit of \$516K for the three months ended 30 September 2004. Baring any downturn in economic conditions, your Directors believe that this trend should continue throughout the full financial year.

Your Managing Director, Robert Freedman, will provide you with a more detailed overview of the year to date and the future later in the meeting.

During the year a capital raising of \$ 5.2 Million was completed by way of a convertible note issue. The opportunity to participate was offered to all existing shareholders.

In May, Mr. Ian Fraser agreed to join our Board as an independent Director and Chairman of the Audit Committee.

Mr. Fraser is an experienced executive and director. He has held senior management roles in major companies including Managing Director of Clyde Industries Ltd, Managing Director Australian Chemical Holdings Ltd and Managing Director TNT Australia Pty Ltd. Mr. Fraser has significant International experience having lived and worked in South East Asia and the USA. He currently holds several directorships including Chairman of Forest Place Group Ltd and Chairman Hudson Timber Products Limited.

On behalf of my fellow Board members we welcome Ian to the Board and the valuable experience he brings. Today I have pleasure in advising that Mr. Don MacKenzie has been appointed as an independent member of the Audit Committee. Mr. MacKenzie is a Chartered Accountant and experienced company director. The appointment of Mr. McKenzie means that the Audit Committee is comprised solely of independent members. I welcome Don to that role.

I will now pass you over to Robert Freedman for the "Operational Review"

### **Managing Directors Operational Overview:**

2004 was a year of two parts for the Structural Systems Group as we took action to resolve the past problems once and for all and to consolidate and grow the core businesses. While these problems have always been confined to two business units the impact has been significant on the overall business. The loss incurred this year is a consequence of an ill-fated expansion several years ago into areas that the Company, in hindsight, did not have the required systems or skills in place to deliver profitable outcomes.

With a determination to restructure the business so that a return to profitability in the years ahead would be more certain, 2004 saw a focus on completing Total Fire Protection's remaining contracts and finalizing commercial arrangements. When this business was closed a write-off of the carrying value of goodwill was required.

The formwork division was restructured and reduced in size. During the period under review, a commercial dispute in relation to the valuation of works completed on a major project was settled and this resulted in a significant write off. All loss making projects dating from prior to the restructure are now completed and commercially finalised. While the Company will still undertake structure packages that include formwork, the volume of this type of work is now at a level that the Board considers appropriate given its risk and potential returns to the group.

With these businesses now behind us, Management is now able to focus on the core businesses of post tensioning, remedial, mining and ground support, specialist engineering and structure package contracts both in Australia and Overseas.

All current divisions are trading profitably and you will see from the Divisional Review that demand for our products and services remain strong.

### **Structural Systems – Western Division**

Due to limited opportunities in the Western building and civil markets the volume of work undertaken in 03/04 by the Western Division was historically low. However, strong levels of tendering activity in the past six months have led to a number of significant projects being won and we now have a strong order book for the 2005 financial year.

This division commenced a number of maintenance contracts in the second half of financial year 2004 and this type of work is complementary to our existing remedial division.

Significant contracts in hand are:

Midland Gate Shopping Centre

Guildford Bridge Maintenance

Darwin LNG Tank

Mt Henry Bridge Duplication as part of Southern Metro Rail Project.

### **Structural Systems – Northern Division**

Structural Systems (Northern) produced another solid to June 2004.

Our presence in Queensland is now well established and profitable.

We anticipated the decline in the residential markets in NSW division and moved our focus to the retail, commercial, and industrial sectors. These sectors now represent a significant portion of our existing order book.

The Remedial and Civil Engineering businesses are growing steadily and plans to expand these sectors in the coming year are well underway.

With high levels of work in hand for the coming year Northern division is expected to continue to be a significant contributor to the Group's results.

Significant contracts in hand are:  
Woolworths Support Office, Bella Vista, NSW  
Space Apartments, QLD  
Sky City Business Park, Bella Vista, NSW  
Darling Park Stage 3, Sydney, NSW  
Form 302 Victoria Park, NSW

### **Structural Systems – Southern Division**

The strategy in Victoria for financial year 2004 was to complete the existing loss making formwork projects, finalise any commercial disputes and restructure the business such that it could produce acceptable results in the future. This was achieved with all Fastform projects completed and commercially finalised.

Overall activity in Victoria reduced in the year as the structures package division was scaled down to a more manageable level. This business is now operating profitably. The reduction in volumes in the structure packages division and a softening of the high rise residential market led to reduced post tension and reo fixing activities in the first half of 2004. Opportunities in other market sectors such as retail and civil have increased in the second half and continue into the current year.

The remedial division produced a result in line with expectations. Activity during the year was mainly in traditional areas of high rise building façade repair. Other opportunities have increased in the civil engineering and building retrofitting markets.

Significant contracts in hand are:  
Foxtel Building Moonee Ponds  
Southern Cross Redevelopment  
Freshwater Commercial Building Slipform  
South Melbourne Market Rooftop Repair  
Digital Harbour Docklands  
Market Square Development  
Highpoint Shopping Centre

### **Rock Engineering**

Increased activity in the mining sector saw an improved performance from Rock Engineering. The business took advantage of this climate to expand its activities into a number of new areas and increase the client base.

Contributing to the increased volumes was an expansion on our existing drilling capability, increased market presence in Queensland and the addition of specialised slope protection systems for mining and civil works. These sectors are expected to continue to provide good opportunities for further growth. The core business remains strong and the Board believes it has favourable prospects for the financial year 30 June 2005.

Significant contracts in hand are:

Argyle Diamond Mine – ground support works, WA  
Cadia Valley Operations – surface drilling works, NSW  
Kalgoorlie Super Pit Gold Mine – ground support works, WA  
Kanowna Belle Gold Mine – ground support works, WA  
Airlie Beach – slope protection system, QLD

### **Structural Systems Joint Venture – Middle East**

General construction activity in the UAE continues at high levels. However, with a large number of post tensioning contractors operating in the region projects are keenly sought and margins are tight.. With the completion during the financial year 2004 of the Burjaman Shopping Centre project the joint venture has been restructured to reduce its operating cost base. This has enabled the business to continue to secure profitable projects from a low risk position.

The recent winning of a number of projects, including the Lake Terrace Tower in Dubai, means that a significant portion of the 2005 revenue has already being secured.

Significant contracts in hand are:

North Manama Bridges, Bahrain  
Interchange 4 Bridge Works  
44 Storey Lake Terrace  
Cargo Village Access Road Bridges

### **Structural Systems Joint Venture – United Kingdom**

The United Kingdom Joint Venture has been in operation for two years. It is now well established as a design and construction post tensioning contractor in the UK and Ireland. The business currently has in hand a number of major contracts which underpin the operation and has recently commenced other projects in Manchester and the North of England. The client base for the joint venture has expanded over the last twelve months and it is expected that this should lead to further opportunities in the future.

Significant contracts in hand are:

Havering Hospital Romford  
White City Carparks London  
Salford Quays Manchester  
Quinn Silos Ireland

### **Summary**

The group's core businesses remain profitable with high levels of work in hand and strong forecasts. The decline in high rise residential work will be taken up by increased retail, commercial and infrastructure opportunities.

The closure of loss making divisions has allowed management to focus on the growth of our Company.

A return to profitability is the key to restoring investors faith in Structural Systems.