MARKET UPDATE - 3 JUNE 2005

2005 FORECAST

Structural Systems Ltd (STS) is likely to record a net profit before tax (NPBT) of $2.9 million for the 12 months ended 30 June 2005. Group revenue is expected to be in excess of $100 million for the same period.

Both the Australian and the partly owned International businesses have performed well during the year with profits from the International businesses forecast to account for approximately 20% of the group pre tax result. STS actively participates in the management of these businesses in addition to supplying goods and engineering services.

Despite some tightening in the Australian construction sector the company is confident that the return to profitability established this year will continue in the 2005/06 year. The overseas businesses are now well established in their regions and are benefiting from the volume of business available in both the UK and UAE markets.

There is significant scope for further growth Internationally and this has been demonstrated by the UK business winning a A$12 million order for the post tensioning of five LNG tanks in Wales.

Rock Engineering (Rock) is performing strongly in a buoyant Australian resource sector. It is now established on the East Coast of Australia with the ground support contract at the Cadia mine in New South Wales. Significant opportunities exist within this market for further expansion.

ADOPTION OF AASB 1047 – STRUCTURAL SYSTEMS LTD

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

Structural Systems management, along with its auditors, are assessing the significance of these changes and preparing for their implementation.

The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

- Impairment of Assets

  The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

- Goodwill on Consolidation
  Under the proposed changes to the IAS 22: Business Combinations, goodwill is to be capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is to be prohibited. Current accounting policy of the entity is to amortise goodwill on a straight line basis over the period of 20 years.

- Non-current Investments
  Under the pending AASB: 139: Financial Instruments: Recognition and Measurement, financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains or losses may be recognised either in income or directly to equity. Current accounting policy is to measure non-current investments at cost, with an annual review by directors to ensure that the carrying amounts are not in excess of the recoverable value of the instrument.

- Income Tax
  Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

- Derivative Financial Instruments
  The economic entity does not currently recognise derivative financial instruments in the financial statements. Pending AASB 139: Financial Instruments: Recognition and Measurement will require a change to the method of accounting for derivative financial instruments and hedging activities so that they are recorded in the financial statements.

This information is provided further to a request by the ASIC as a result of the disclosure being omitted in the half year report. This information is unchanged from that provided in the Company's annual accounts for the period to 30 June 2004.

By order of the Board

David Perry
Company Secretary
Released : 3rd June 2005