

MANAGING DIRECTOR'S REPORT

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The year in review was one of significant positive change for the Company and its staff. The emphasis on efficiency together with selective market positioning and an ongoing focus on costs has resulted in the improvement to SSL's performance.

2005 saw the Group return to profitability after a disappointing result for the previous year. Revenue was up 36% on last year as management was able to focus on opportunities available to the Group.

The Group was able to capitalize on the buoyant Australian mining sector which lead to increased revenues and profitability for Rock Engineering. The Company acquired the 10% minority share holding in Rock on 1st July 2005 to achieve full ownership of the business.

Our international businesses in the UK and the Middle East continue to develop and grow. During the year the Company gained control over the UAE business it is involved in this region. The consolidation of this business contributed to the increased revenue of the Group for the year.

An improved cash flow during the year enabled the Group to supplement its operational earnings with interest received. The improvement in cash flow also led to a reduction in interest expense.

Rock Engineering

Rock continues to benefit from the increased activity in the mining sector and recorded excellent revenue and profit growth in the 2005 year. The available opportunities in the business's traditional market of ground support have been supplemented in recent years by specialized drilling activities such as presplit and depressurisation. The drilling capacity was expanded further during the year by the purchase of an additional three drill rigs. The business secured the surface drilling contract at Cadia in New South Wales in 2004. This is the first significant contract outside of Western Australia for the business in recent years. We are currently pursuing strong opportunities in New Guinea and Indonesia.

Northern Division

This division continues to be a significant contributor to the overall Group's result. Although some tightening has occurred in the post-tensioning markets during the year the division is well established throughout NSW, ACT and QLD. This gives the division good coverage to draw upon opportunities across a broad range of market sectors and geographical locations. In November 2004, a remedial division was established in NSW.

Western Division

This divisions' work load increased significantly this year on the back of securing a number of projects towards the end of last financial year. The division undertook a variety of large projects in the year from shopping center works to the post-tensioning of a major LNG tank in Darwin to the construction and refurbishment of several bridges in Perth and country WA.

Southern Division

Post-tensioning and reo-fixing activities increased from the prior year. During the year the business undertook subcontract works in relation to the construction of three bridges. Works are about to commence on the recently secured Albury – Wadonga National Highway Bridge. Opportunities in the Victorian remedial division were limited throughout the year.

Structural Systems Joint Venture – Middle East

2005 saw a continuation of the high level of construction activity experienced in the UAE over the last two years. The business however continues to operate from a low risk position, yet managed to significantly increase its revenue and profit during the year. Repeat business with known clients is a key part of the strategy of this business and these works contributed the majority of revenue in the year. The business undertook a diverse range of building and bridge projects within the UAE and completed its first project in Bahrain. Full ownership of this division will see an injection of financial and technical support from Australia to capitalize on current opportunities.

Structural Systems Joint Venture – United Kingdom

This business has shown strong revenue and profit growth in the last two years. Projects were undertaken throughout the UK and Ireland. In order to meet the demand in the north of England the Company opened offices in Manchester and Edinburgh during the year. The acceptance of post-tensioning as a construction alternative continues to grow in the UK. This coupled with robust conditions in most market sectors has meant significant opportunities are available. During the year the business secured the contract for the post-tensioning of five LNG tanks in Wales. At approximately A\$12 million this is the largest single post-tensioning contract in the company's history.

We have been advised last week that our UK operation has been awarded the Sword of Honour for best practice in OH&S. This award is given to only 40 companies world wide each year by the British Safety Council.

Future Growth

This will come predominantly from four main areas.

1. Expansion of mining services on the back of massive expenditure by BHP and Rio Tinto in particular.
2. Geographic growth of our core businesses into other overseas territories, i.e. Vietnam and the US.
3. Acquisitions into core businesses supply lines, which enables us to source more economically our base products used within the franchise group in contracting together with overseas sales to our affiliates and external users.
4. Development of a new division of Civil Engineering in Australia to accommodate the substantial growth in infrastructure spending over the next five years. This new division with a recently recruited General Manager will commence in January 2006.

Shareholders should be aware that the Company has recently updated its website. I would encourage you to have a look at the site.

Any feed back would be greatly appreciated. The website address is
www.structuralsystems.com.au

On behalf of the Board I would like to take this opportunity to thank the entire Structural Systems team for their dedication and continued support in achieving a remarkable turn around in the Company's performance.

Yours faithfully,

Robert.W.Freedman
Managing Director