

MANAGING DIRECTOR'S REPORT 2006

"The year was one of continued positive change for the Company, its shareholders and staff."

Review of Operations

The improved performance of the Group in 2005 gained further momentum in 2006 with a record profit of \$7.1M being reported for the year. Focus on cost efficiencies throughout the Group contributed to a 108% increase in operating profit before tax on slightly reduced revenues. Profit contribution from the Company's international businesses increased in the 2006 year.

The Group is benefiting from the diverse range of services it offers as well as the geographical spread of its operations. A key strategic goal for the business is to ensure that all operations contribute positively to the bottom line and this was essentially achieved during the year.

The 2006 year saw further improvement in the OH&S performance for all companies within the Group. The Group's lost time injury frequency rate for this year was a 50% improvement on the prior year.

These improvements in OH&S are resulting in significant savings to the Group in workers compensation premium costs. There were some outstanding achievements in the year with the company's Western Division and Rock Engineering both reporting no lost time injuries.

The Company assumed full ownership of its business interests in the UAE effective from 1 July 2005. Similarly, the acquisition of the minority share of Rock Engineering (Aust) was effective from 1 July 2005 and the Company now has full ownership of this business.

The milestone of 10 years of continuous operation was achieved by the UAE subsidiary in 2006. During the year, the Company acquired the post tensioning franchise rights to Oman, Qatar and Bahrain. We believe that the access to these territories has the potential to provide significant growth opportunities to the Group in the coming years.

The Australian resource sector continues to provide increased opportunities for the Company's mining service business, Rock Engineering (Aust). During the year, the Board approved additional investment in capital equipment expanding its drilling and ground support equipment so as to capitalise on these buoyant markets.

Cable stay works on the Green Bridge project in Brisbane demonstrated the engineering design and delivery capability that exists within the Group. This is the first major civil engineering project the Company has undertaken in some time on the East Coast of Australia. With significant infrastructure investment forecast across Australia the Group is well placed to ensure it wins its share of the available opportunities.

Cash flow from operations was strong throughout the year and enabled the Group to internally fund some of its major capital purchases and minority share acquisitions.

The Group's gearing levels have been significantly reduced over the last twelve months and this will allow greater scope when assessing future expansion opportunities.

As part of the capital management of the Company a share buyback was commenced on 5 June 2006. As at the year end a total of 251,273 shares had been purchased on market for cancellation.

Mining

Rock Engineering contributed earnings before tax of \$1.698 million on revenue of \$18.78 million (2005 \$16.289 million). This business provides services to major global mining companies, resource contractors and emerging mid-tier producers across a diversified commodity range. Recent works and current contracts are performed in the iron ore, nickel, gold, uranium and base metal resource sectors. By offering a complete service package the business has been able to secure a number of contracts combining drilling and ground support activities. The business has leveraged from its ground support capability and now provides rock fall protection and slope stabilization to the civil and infrastructure sectors.

The drilling capacity and capability was expanded during the year with the addition of several surface drill rigs plus the introduction of a custom-designed all-terrain unit to complement the specialised service focus.

The Company acquired the 10% minority share held by management during the year and the business is now 100% owned by the company. Rock Engineering recently achieved certification to AS/NZS ISO 9001:200 Quality Management Systems and is also accredited to AS/NZS 4801:2001 Occupational Health and Safety Management Systems.

Construction

Revenue from construction activities within Australasia was \$85.421 million for the year. Earnings from these activities increased by 241% to \$3.725 million.

The Group increased its focus on civil works during the year and undertook a number of high profile projects during the period.

Post-tensioning continues to be the largest business sector in which the company operates and accounted for approximately 50% of the company's Australasian revenue.

Significant growth was achieved during the year by the remedial business established in NSW in late 2004. Revenue from this business increased from \$865K in 2005 to \$5.3 million for the 2006 year. The group is increasing its focus on remedial projects nationally and the profitable establishment of this business has given the group the ability to undertake major works throughout Australia.

During the year, the structures package division of the Group completed its works at the Southern Cross project in Melbourne. This project was the largest structures package contract undertaken by the division since its restructuring some 2 ½ years ago. The successful completion of these works and the other contracts undertaken during the period confirms that the right risk and reward balance has been achieved. Revenue from this division accounts for approximately 24% of the company's Australasian revenue.

International

Middle East

Revenue from operations in UAE increased by 4% to \$7.19 million for the 2006 year. Earnings increased by 23% to \$840K. The division secured the contract for the post tensioning works for four LPG tanks at Al Ruwais in Abu Dhabi in the period. The majority of these works will be undertaken in the 2007 year.

Work in hand is a combination of civil engineering and building works including residential and commercial high rise. During the year the company acquired its joint venture partner's share of the UAE operation and it is now 100% fully owned by the company.

United Kingdom

The delayed start to the LNG tanks works in Wales had an effect on the result of this division for the 2006 year.

Despite the delay the contribution from the UK operation increased to \$600K for the year (2005 \$150K). Projects were undertaken throughout the UK and Ireland during the year. This division continued its great safety record and was again awarded the 5 star British Safety Council award in 2006.

Strategy for Growth

Group outlook remains strong with demand for core business of Construction and Mining as well as increased demand for our Remedial Engineering services.

The purchase of Refobar provides us with the opportunity to supply contract consumables to our Group as well as increased external opportunities. This further diversification complements the Groups strategic plan.

We are currently looking at expanding our operations into Ireland, Qatar, Bahrain, Oman and during the forthcoming year will commence operations in Canada when we have secured tenders which entail both major structures and LNG facilities.

Our immediate aims are;

- All operations to continue to contribute positively to the groups result
- An increased geographic presence of SSL
- Continued improvement in cost efficiencies and project execution
- Identify acquisition opportunities that are complimentary to our existing businesses.

Share holders should be aware of the Company's updated website www.structuralsystems.com.au and feedback would be appreciated.

On behalf of the Board I would like to thank the Structural Systems Team for their efforts in continuing the remarkable turnaround in the Company's performance. We look forward to the future with confidence.

Robert.W.Freedman
Managing Director