

MANAGING DIRECTOR'S REPORT 2007

"While a record profit result was achieved in 2007, a key focus of the year was about establishing a higher benchmark platform for future years."

Review of Operations

The improved performance of the Group in 2006 continued in 2007 with a record profit of \$12.3M being reported for the year. This coincided with the 20th anniversary of the Company listing on the ASX.

The Group is benefiting from the diverse range of services it offers as well as the geographical spread of its operations.

The level of activity within the construction, civil and resource market sectors both in Australia and overseas provided the Company the opportunity to significantly grow the business in the 2007 year. Revenue grew to \$141.239 million, an increase of 35% on the prior year and a record result for the Group.

The growth in revenue in the 2007 financial year was achieved without detriment to the key profitability ratios and the Company was able to improve its return on sales from 5.1% to 6.2%. Consequently NPAT of \$8.824 million was a record result for the Company. This was a \$3.479 million increase on the record \$5.345 million NPAT the Company achieved in the 2006 year. Basic earnings per share grew by 39% to 21.2 cents per share.

In summary the Company is in the best shape it has ever been and is well placed to continue performing strongly in the coming years.

The Group continued its focus on infrastructure works during the year and successfully completed works in a variety of infrastructure sectors including water recycling, dam upgrade works, LNG and LPG tank construction, bridge launching and structure works related to road systems. Major expansion of existing and new shopping centres and retail facilities throughout Australia occurred during the 2007 year. These works featured heavily throughout the Group's operations.

The welfare and safety of the Group's employees remains our highest priority and is a key driver in our ongoing success. The Group continues to identify and introduce new ways to improve its safety performance. The 2007 year saw continued improvements in the Group's OH&S performance and awareness. As a result workers compensation rates across the Group were reduced in the 2007 year. Several companies are significant employers of on-site labour and these insurance premium savings are having a material beneficial effect to the profit performance of the Company.

During the 2007 year, Rock Engineering was certified to ISO 9001:2000 Quality Management and re-certified to AS/NZS 4801 Safety Management Systems. Rock Engineering's safety performance during the 2007 year of being lost time injury free and having no workers compensation claims for workplace injuries was a highlight for the Group.

The Company took advantage of its strong operating cashflow during the year and used its internal funds to make re-investments to assist future profitability and growth. Just under 50% of the company's operating cashflow was re-invested in the business and used to fund acquisitions and to acquire plant and equipment.

The Board has a strategy of growth based on expansion of the existing services the Group provides and increased its presence geographically both within Australia and overseas. This strategy also includes selective acquisitions. The Company acquired post-tensioning manufacturing company Refobar Australia on 1 July 2006.

Mining

Rock Engineering increased its earnings before tax in 2007 from \$1.698 million to \$1.805 million on revenue of \$24.602 million (2006 \$18.781 million). While the growth of Rock's drilling capability continues to be the main contributor to the increase in revenue, works related to civil and mine infrastructure continue to grow year on year. Rock provides services to gold, nickel, iron and diamond miners, and the exposure to these commodities continues to provide strong opportunities for growth with our exposure to gold prices at a 27 year high. Forecast for FY08 will see a substantial increase in revenue through:

- Koolan Island Project
- Movement and Survey Radar
- Increased Blasting Services
- New High Reach drilling rig
- Expansion of Geotechnical Division
- East Coast Civil Market penetration
- Potential acquisitions
- 100% retention of key staff

Construction

Revenue from construction related activities within Australia increased by 33% to \$104.517 million in the 2007 year. Earnings from these activities increased by 125.6% to \$8.38 million. Most divisions within the construction discipline of the Group experienced revenue growth during the period. Generally, the construction market place in Australia operated at historically high levels. The Group's continued focus on infrastructure and civil projects contributed to the positive earnings growth during the period.

Similar to the 2006 year post-tensioning accounted for approximately 50% of the group's construction revenues within Australia. Revenue from manufacturing and sale of post-tensioning componentry was \$6.9 million for the 2007 year.

Revenue from structure package related works continued its growth in 2007 and this division grew by 75% to \$40.944 million. This division also undertook its first major civil infrastructure project during the 2007 year. At balance date the company was completing or had completed the structure package works for four major shopping center expansions in Victoria.

International

"Developing our international business does a lot for the Company, it gives our people a broader horizon to ensure we remain at the forefront of technology and be successful on the world stage."

Middle East

Revenue from operations in the Middle East increased by 8% to \$7.76 million for the 2007 year.

Profit contribution for the year was \$716K, a decrease of 14.8% on the prior year. During the year the division incurred costs related to the investigation and establishment of expansion opportunities in the surrounding countries in the gulf region. Although no revenue had been booked for works outside of the UAE a contract for post-tensioning works to Zallaq Bridge in Bahrain was secured for 2008 and an Agency Agreement signed in Qatar.

United Kingdom

While activity was somewhat reduced in the first six months of trading in the 2007 year the UK operation enters 2008 with a record order book of £10.8M of work in hand and with a buoyant construction market coupled with our increased capacity we are well placed to capitalise on new opportunities.

The Remedial division with an expected turnover of £2M has become a significant contributor to the operation and has managed in its 18 months of operation to secure a number of key clients including BAA.

The Ireland operation has just secured a €1M D&C contract for a major Retail / Residential complex in Dublin and is well placed to secure more work from a number of major tenders.

SSL UK has once again been awarded the British Safety Council's top 5 star rating for safety and continues to maintain its enviable safety record.

Strategy for Growth

The company remains committed to diversifying and growing the products and services it provides. The civil infrastructure market sector is a key part of the growth strategy for the construction divisions. The track record of the company demonstrates its capacity to undertake complex engineering and construction projects in the infrastructure sectors. As public and private investment continues to grow in this market the Board is of the view that substantial opportunities exist in the future.

Rock Engineering has secured significant forward contracts and a greater level of capacity than any prior year. During the year the company structured its growing business such that the forward opportunities are able to be well managed and the excellent reputation it enjoys for safety and QA is maintained.

The company is preparing to leverage off its existing off-shore operations to continue expansion plans in the Middle East and Europe during financial year 2008.

Work in hand including the Company's share of international operations at the end of June 2007 was in excess of \$100 million.

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.
- Integration of the recently acquired Meridian Concrete into the Group.

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

Robert W Freedman
Managing Director