MANAGING DIRECTOR'S REPORT 2008

"Our most powerful tool in improving performance is to instill a more stimulating culture"

Review of Operations

The improved performance of the Group in 2006 and 2007 continued in 2008 with an outstanding result of $20.7M being reported for the year.

This reflects not only the demand for our products, but more importantly on our operating performance in delivering new volumes and controlling costs.

The level of activity within the construction, civil and resource market sectors both in Australia and overseas provided the Company with the opportunity to significantly grow the business in the 2008 year. Revenue grew to $282 million, an increase of 100% on the prior year and a record result for the Group.

In summary the Company is in the best shape it has ever been and is well placed to continue performing strongly should there be significant tightening in the market as a result of global economic conditions.

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.

The company has the ability to participate in nearly all segments of the construction, civil and engineering markets. This combined with continued strong demand for service companies in the mining and energy resources sector gives the Board great confidence in the future prospects for the company. The acquisition of Meridian in November 2007 has assisted in taking the revenue base for the company to a record level.

Opportunities exist to roll out the construction services currently only offered in Victoria into other states of Australia. As the construction market evolves in Australia to provide a more national approach to the delivery of major infrastructure projects or to meet growth in local markets the company is fielding enquiries to partner with major contractors in the delivery of these projects. The company is well placed to take advantage of the forecast major expenditure in infrastructure works with established presences in the major capital cities of Australia.

The company continues to invest in its future. The benefits of investments made in recent years are clearly demonstrated in the growth in earnings from our capital intensive mining services operation. The prospects for this business have never been stronger with a significant part of its ongoing revenue secured in long term contracts and repeat business with key Clients. The Board is of the view that this business's future growth strategy is now best suited to a complementary acquisition. With the tightening of credit markets and the retreat of private equity in recent times valuations seem to be returning to more realistic levels. The company's gearing level of approximately 30% leaves room for further acquisitions. A number of potential acquisitions are currently being evaluated.

Mining

This business undertakes work in the resource, energy and infrastructure market sectors with its primary activities being engineered, drilling, blasting, geotechnical and environmental services. The 2008 year saw significant growth in revenue and profit with an increase in overseas sales. Profit before tax rose by 78% to $3.216 million for the year. Revenue increased by 59% to $39.1 million. Demand for the business's services is at record levels with opportunities being pursued throughout Australia. During the period the business was able to increase the number of long term contracts in hand and work in hand at June was at record levels. During the year the drilling fleet was expanded by a further seven surface drill rigs.

Construction

The Construction division includes structure packages, formwork, concrete supply and place and remedial activities. Revenue from this segment grew by 282% to $171.528 million, an increase of $126.6 million on the $44.8 million in 2007. Approximately half of this growth in revenue was achieved organically with the balance coming from Meridian. Primarily the Construction business derives its income from operations in the Victorian construction market. This market has been very strong throughout the year. With the acquisition of Meridian the Company is now able to provide the full structure package service in house. The synergies between the Construction operations pre-acquisition and Meridian start at the securing of new work and flow right through to on-site delivery and completion of the works. The Company is confident that further cost savings and efficiency benefits will continue to flow as the integrated model develops.

Earnings from Construction activities increased by 193% to $7.251 million.

Post-Tensioning

Post-tensioning operations remained consistent in Australia this year and returned a good result for the group despite months of inclement weather in both NSW and QLD which have been the dominant markets in recent years. This year saw us commence operations in South Australia and we have successfully completed a number of projects there. Revenue from manufacturing of post-tensioning products was approximately 10% lower in the 2008 year. This decrease was a direct result of the lower levels of activities in NSW and QLD. All post-tensioning divisions contributed to the strong result last year and with all divisions having record levels of work in hand the outlook is for a profitable year ahead despite the current economic downturn.

Middle East

Revenue from activities in the Middle East is expected to grow substantially in the 2009 year. After being well established in the UAE for over ten years the company now have projects underway in Qatar, Bahrain and Abu Dhabi. The levels of construction in these regions shows no signs of slowing down and the opportunities are expected to be significant for many years to come.

Safety

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 2008 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 2008 year. Several companies are significant employers of on-site labour and these insurance premium savings are having a beneficial effect on the profit performance of the Company.

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 sector. As public investment will grow markedly in the near future the Board is of the view that this is a major opportunity for growth.

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 South Africa during financial year 2009.

Work in hand including the Company's share of international operations at the end of June 2008 was in excess of $215 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.
- Obtain maximum benefit from the forthcoming major expenditure on infrastructure projects.

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