

Financial Overview

The Company has changed its balance date from June to December resulting in an 18 month period ended 31 December 2000. This is the first full report following the Merger in June 1999 with Cockburn Cement and the acquisition of the remaining 49% of Adelaide Brighton Cement.

Net profit after tax and abnormal items for the 18 month period ended 31 December 2000 was \$35.9 million, which compares to a loss of \$37.9 million for the 12 months ended 30 June 1999. Free cash flow generated since the Merger amounts to \$77 million and net debt has reduced by \$65 million.

The change in the Company as a result of the Merger, and the change in year-end, complicates analysis of our performance. To address this, we have set out opposite an unaudited supplementary proforma statement for the years ended 31 December 2000 and 31 December 1999.

Proforma Consolidated Results

The Company achieved a significant improvement in net profit after tax and abnormals for the 12 months to 31 December 2000 with a result of \$29.1 million compared to the prior year's loss of \$25.3 million. This was mainly due to:

- The full year effect of the July 1999 acquisition of Cockburn Cement and the 49% of Adelaide Brighton Cement Limited not previously owned;
- Benefits arising following the Merger;
- The absence of abnormal loss items; and
- The absence of a tax charge, as prior year losses can be utilised.

Offsetting the improvements was the combined effect of volume losses and price suppression caused by imports. These are estimated to have cost the Company \$35 million in lost earnings in the last 12 months. This is an estimated increase of \$20 million over the previous corresponding year.

Sales

Sales revenue increased by 6%. This is a combination of the inclusion of Cockburn Cement for a full year, offset by the combined effect of import losses and a lower cement market. Underlying cement sales volumes are down by 8.5% with lime volumes stable.

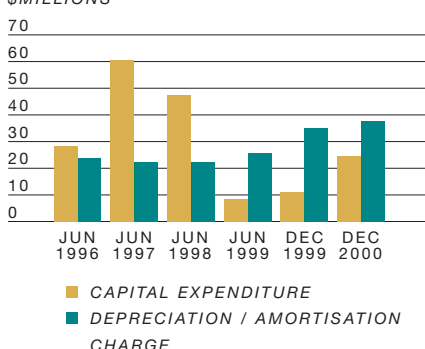
Cash Flow

Free cash flow (ie. cash surplus after capital expenditure available for dividend and debt repayment) of \$44 million for the year ended 31 December 2000 remains high relative to reported earnings owing to the goodwill amortisation and the high depreciation charges. Capital expenditure at \$24.7 million was below the depreciation charge for the year of \$31.3 million. Goodwill amortisation was \$8.2 million.

The Company's market capitalisation is approximately 4.5 times cash flow compared with a market average of nine times for comparable companies.

The sale of non-core businesses and other assets realised \$6.2 million. An amount of \$1.8 million has been received in respect of an insurance claim.

DEPRECIATION EXPECTED TO CONTINUE TO EXCEED CAPITAL EXPENDITURE

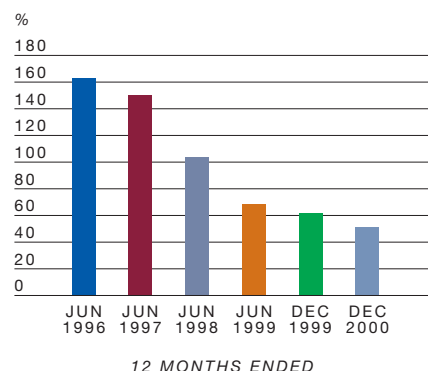


Debt and Gearing

Cash on hand increased by \$9.2 million and borrowings reduced \$28 million for an improvement in net debt of \$37 million. Gearing (on a net debt to equity basis) reduced to 51.8% at December 2000, from 62.4% the prior year.

The debt structure of the Group has also greatly improved following the refinancing in June 2000 whereby a single loan facility negotiated with RMC Group p.l.c. replaced a complicated funding structure involving cross guarantees and negative pledge undertakings to a range of banks. Financial instruments are used, in conjunction with this facility, to achieve a maturity profile in accordance with Board approved guidelines. The refinancing arrangements achieved estimated cost savings of over \$500 000 a year.

GEARING: NET DEBT TO OWN EQUITY



Gross debt at year-end was \$259.9 million of which \$204.9 million was drawn down under the RMC facility, and is payable by June 2005. The remaining \$55 million is in convertible notes. The Company's unutilised and available corporate funding facilities at year-end were \$176 million.

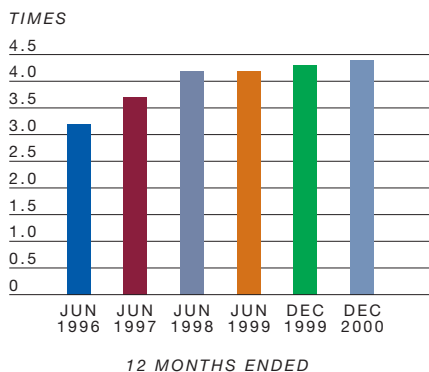
Abnormal Items

Net abnormal items for the year ended December 2000 amount to \$nil. This compares to an abnormal loss of \$49.1 million for the corresponding previous period, as shown on facing page.

Interest Costs

Net interest cover on earnings before depreciation, amortisation of goodwill, interest and tax (EBITDA) basis has improved marginally 4.4 times from 4.3 times the prior period.

INTEREST COVER (EBITDA BASIS)



Interest hedging profile

\$ millions	Dec 2000	Dec 1999
Net external debt	227.7	264.8
Less: convertible notes	55.0	58.2
	172.7	206.6
Debt hedged (\$)	135.0	110.0
Debt hedged (%)	78%	53%

The Company maintains a hedged interest rate position based on the forecast core debt expected to be in place three years forward. Policy benchmark and discretionary limits have been set and are regularly monitored by the Board.

The average interest rate for debt (excluding convertible notes) at the year-end was 6.82% with 78% of net borrowings, excluding convertible notes, hedged with an average maturity of 1.6 years.

Effect of depletion adjustment on profit after tax pre abnormals

\$ millions	12 months to		6 months ended	
	Dec 2000	Dec 2000	Jun 2000	Dec 1999
As determined/reported prior to adjustment	24.0	9.2	14.8	14.9
Depreciation/depletion adjustment	5.1	2.6	2.5	2.5*
As restated	29.1	11.8	17.3	17.4

* For comparative purposes only. This amount has not been adjusted back to profits.

Abnormal items included in the latest results

(after tax and outside equity interests)

\$ millions	Dec 2000	Dec 1999
Rationalisation and restructuring	(0.3)	(36.0)
Write back/down of investments	1.0	(4.4)
Discontinued operations	-	(9.8)
One off project costs	(2.7)	-
Other	-	(1.1)
Other receipts	2.0	2.2
	-	(49.1)

Convertible Notes

In December 1991 the Company issued approximately 29 million convertible notes each with a face value of \$2.00 and an 11% coupon. In August 2000 the Company announced an on market buyback of its convertible notes and also indicated its intention to redeem the notes at the earliest opportunity being December 2001. As at 31 December 2000 the Company had acquired 1.6 million notes at an average cost of \$2.08 and an estimated annualised saving of \$100 000.

Taxation

Significant carried forward tax losses are currently available to offset against present and future taxable income. The Company continues to utilise these losses in a consistent and prudent manner. The new consolidation tax regime, as proposed by the Ralph Report, is expected to commence from 1 July 2001 and may limit the rate of utilisation of current losses.

Review of Depreciation and Depletion Policy

The results include a net \$5.1 million benefit arising from a review undertaken of Group depreciation and depletion policies. This change of policy will also affect future years.

A detailed review of the remaining economic lives of major plant and machinery was undertaken with assistance from RMC Group p.l.c. This review

concluded that, taking into account the significant cyclical maintenance programmes in place, the remaining economic lives were longer than those presently adopted. Directors have decided to incorporate the revised assessment with effect from January 2000 and accordingly there has been a reduction in the depreciation charge for the year of \$6.3 million.

The Company's current policy relating to the amortisation of limestone reserves states that where a value is placed on limestone reserves, this value is amortised if the remaining life is less than 40 years. This has been revised in line with the RMC Group p.l.c.'s policy so that, where a value is placed on limestone reserves, this value is now amortised over the life of the asset on a unit-of-production basis with a maximum life of 50 years. This has resulted in an additional amortisation charge of \$1.2 million.

Results restated for these changes, for each of the six months periods covered by this report, are as shown adjacent.

Dividend

A fully franked interim dividend totalling \$7.1 million was paid to shareholders in October 2000. A final dividend of 1.5 cents per share fully franked is payable on 24 April 2001 to shareholders registered on 3 April 2001. This brings dividends declared in the reporting period to 3.0 cents per share fully franked.

It is anticipated that the availability of credits in the future, arising from dividends from an associated Company, will only allow franking of approximately 20% until such time as the Company returns to a tax-paying situation.

Research and Development Syndicate

The wind up of the Mastermind Research and Development syndicate established in 1996 occurred in December 2000. This reduced current assets (being the secured deposits under the Research and Development Syndication Agreement) and current liabilities (being the put option available to the investor) by \$19.5 million.