

**ADELAIDE BRIGHTON LTD
AND ITS CONTROLLED ENTITIES
A.C.N. 007 596 018**

**HALF YEAR FINANCIAL STATEMENTS AND REPORTS
31 DECEMBER 1998**

**ADELAIDE BRIGHTON LTD
AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

Directors= Report

The directors present their report together with the consolidated financial statements for the half year ended 31 December 1998 and the auditors review report thereon.

Directors

The directors of the company in office at the date of this report are:

M A Kinnaird AO, BE, Hon FIE Aust, FTS

Age 65

Director since September 1996

Appointed Chairman January 1997

Chairman, Kinhill Pty Ltd

Chairman, United Water International Pty Ltd

Chairman, Pope Electric Motors Pty Ltd

Chairman, Perry Engineering Pty Ltd

Director, National Electricity Market

Management Company Ltd (NEMMCO)

Director, Brown & Root Pty Ltd

R A F England FCA, MAICD

Age 48

Director since December 1994

Chairman, Austrust Limited

Chairman, Executor Trustee Australia Ltd

Deputy Chairman, Healthscope Ltd

Director, Peter Lehmann Wines Ltd

C L Harris BEc, FCPA, FAICD

Age 52

Director since March 1995

Appointed Deputy Chairman February 1998

Chairman, Argo Investments Limited (Group)

Deputy Chairman, Simeon Wines Limited

Director, Bounty Investments Limited (Group)

Director, Wakefield Investments (Australia) Limited

Director, Adelaide Bank Limited (Group)

Mr N D Hamilton LLB

Age 46

Director since July 1998

Chairman, D'Orsonga Ltd

Director, Wescorp Holding Ltd

Managing Director, Chieftain Securities Ltd

Director, SGIO Insurance Ltd

R W Hammond BSoc Sc

Aged 54

Director since December 1991

Appointed Managing Director 1996

Chief Executive Officer of Adelaide Brighton

Cement Ltd (1993-96)

REVIEW OF OPERATIONS

Overview

Adelaide Brighton Ltd recorded a profit after tax and before abnormal items for the six month period ended 31 December 1998 of \$5.5 million.

While this result represents a reduction of 16% over the corresponding period last year, the result indicates a slight improvement in operating performance over the previous six month period.

This improvement in performance is attributable to a number of factors:

- An increase in sales revenue to \$157.7 million, 3% up on the corresponding period last year.
- Improved utilisation of Birkenhead's capacity as a result of an export contract to the USA.
- Preliminary results from the business improvement initiatives detailed at the annual general meeting.
- A reduction in corporate overhead expenditure of approximately 13% as a result of various rationalisation initiatives.

However, the company has announced a number of abnormal items as a result of up front provisions associated with the business improvement program, the impact of the Victorian gas outage and the settlement of a legal claim against former subsidiary Humes Steelpipe Limited. These provisions total \$8.4 million and have resulted in a post abnormal loss of \$2.9 million for the six month period.

The directors said that, while the results indicated that the company's operating performance had not deteriorated further as a result of the Asian economic crisis, the outlook for the construction industry remains uncertain after the end of the year 2000. This emphasises the need for continuing vigilance in the implementation of the business improvement initiatives.

In view of the overall result after abnormal items, the directors do not propose to pay an interim dividend in respect to six months ended 31 December 1998.

Further analysis of the results and the outlook for the company are detailed below.

Financial Results

The table below sets out the detailed financial results for the Adelaide Brighton Ltd Group:

	Financial Year (1998-1999)		Financial Year (1997-1998)	
	First Half		Second Half	First half
	\$m		\$m	\$m
Sales*	157.7	165.1	153.1	
Depreciation	(13.1)	(12.2)	(10.8)	
Earnings before interest & tax	18.8	16.4	22.7	
Net interest expense	(7.7)	(7.6)	(7.2)	
Net profit before tax, abnormal and extraordinary items	11.1	8.8	15.5	
Income tax expense	(3.8)	(1.3)	(5.0)	
Outside equity interests	(1.8)	(2.1)	(3.9)	
Net profit after tax and outside equity interests before abnormal and extraordinary items	5.5	5.4	6.6	
Abnormal & extraordinary items after tax and outside equity interests	(8.4)	1.4	(1.1)	
Net profit (loss) after tax, abnormal and extraordinary items	(2.9)	6.8	5.5	

**Sales only includes transactions with parties external to ABL Group*

Note: The above analysis differs in the format included in the half year financial statements which is prescribed by the Corporations regulations. The directors believe that it is more relevant to focus on net profit after tax and outside equity interests before abnormal items. Abnormal items are also shown as after income tax and outside equity interests.

Abnormal Items

In the half year to 31 December 1998, three items of abnormal expense have been identified and separately classified as such for the purposes of reporting. The after tax and minority interest effects of those were as follows:

	1998 \$m
Rationalisation costs:	
Adelaide Brighton Cement Ltd	3.4
Other Adelaide Brighton Ltd Group companies	1.2
Impact of Victoria gas outage	0.3
Settlement of Humes Steelpipe Ltd claim	3.5
Total abnormal items after tax and minority interests	8.4

Details of the items are as follows:

a) Rationalisation costs

\$4.6 million was incurred in relation to one-off rationalisation costs. These included redundancy costs and the impact of strike action following the implementation of business improvement initiatives.

b) Impact of Victorian gas outage

Additional direct costs and unapplied fixed costs as a result of the Victorian gas outage amounted to \$0.3 million. The gross cost to Adelaide Brighton Cement Ltd was in fact \$1.0 million.

c) Settlement of Legal Claim

Humes Steelpipe Limited, formerly a wholly owned subsidiary of the company, has now settled all aspects of a claim in respect of the supply of defective materials and workmanship for the manufacture and supply of a steel pipeline in New South Wales. Adelaide Brighton Ltd had previously indemnified the purchasers of Humes Steelpipe Limited. The original claim was for \$4,164,027 being the assessed cost for the reconstruction and replacement of the pipeline, plus interest and legal costs in preparing the claim. A final settlement has now been agreed between all parties of \$3.5 million which includes legal fees and insurance recoveries.

Gearing

Net financial debt to equity is currently 67%, compared with 61% at 30 June 1998. The increase is mainly as a result of fluctuations in the level of working capital and settlement of the Humes Steelpipe Limited claim.

ADELAIDE BRIGHTON CEMENT LTD

	Financial Year (1998-1999)		Financial Year (1997-1998)	
	First Half \$'m		Second Half \$m	First half \$m
Sales	129.3		141.1	121.7
Earnings before interest & tax	13.9		12.1	17.4
Interest expense	(5.9)		(5.7)	(4.8)
Net profit before tax & abnormal items	8.0		6.4	12.6
Income tax expense	(3.8)		(1.7)	(4.6)
Net profit after tax before abnormal items	4.2		4.7	8.0
Outside equity interests	(1.8)		(2.3)	(3.9)
Net profit after tax & outside equity interests before abnormal items	2.4		2.4	4.1
Abnormal items (after tax and outside equity interest)	(3.7)		6.6	(1.1)
Net profit after tax and abnormal items attributable to members of Adelaide Brighton Ltd	(1.3)		9.0	3.0
Funds employed (100%)	394.4		409.2	410.6

Sales volumes increased by over 3%, largely as a result of increased clinker sales which carry lower margins than cement.

Highlights of the period included:

- The conclusion of the Taiheiyo Cement Corporation contract from Birkenhead. While margins on this business are low, the significance in this US contract lies in its ability to allow Birkenhead to operate at close to maximum capacity and efficiency.
- The stabilisation of Swan Cement's market share following the disruption of the relocation to Kwinana.

OTHER CORE CEMENT AND LIME OPERATIONS

Sunstate Cement Ltd, Northern Cement Ltd, Independent Cement and Lime, Pavement Technology Ltd, Fuel & Combustion Technology Ltd and others

	Financial year (1998-1999)	Financial Year (1997-1998)	
	First Half \$m	Second Half \$m	First Half \$m
Sales	28.4	24.1	31.4
EBIT (pre-distributions)	4.2	2.6	4.2
Partnership distributions before tax	2.8	3.5	3.4
Dividends received (franked)	1.4	1.0	1.4
Group overheads & other unallocated costs	(3.4)	(2.8)	(3.7)
Funds employed	100.6	122.3	104.3

Other cement and lime operations showed significantly improved sales over the previous six months and maintained the EBIT level of the corresponding period last year.

Sunstate Cement Ltd benefited from the long awaited commencement of the Pacific Highway, with both sales revenue and volumes increasing by around 11%.

Depressed demand in the Northern Territory led to a decline in sales, but profit increased as a result of better plant performance and a range of other management initiatives.

Partnership distributions are lower due to the sale of the Hawaiian Cement operations last year. Independent Cement and Lime continues to perform strongly in a buoyant Victorian market and the performance of Pavement Technology Ltd has improved following new contracting opportunities in some States.

The review of the business operations of Fuel and Combustion Technology Ltd is continuing.

MARKET OUTLOOK

Demand for cement across Australia continues to be heavily concentrated in Victoria and New South Wales.

In Queensland a slight increase in demand is expected over the next twelve months. However, the market there is significantly affected by the threat of imports. Since the last reporting period one importer has established and another is expected to follow sometime in 1999.

The South Australian market is sluggish. While there are some major projects underway at present – David Jones retail store redevelopment, the Southern expressway and the Holdfast Bay Shores development, there are no projects expected to take their place. Sales are therefore expected to fall towards the end of the year 2000.

In Western Australia the next twelve months are expected to see a decline in demand in both the resources and the housing sectors.

There is some prospect of some previously closed gold mines reopening in the Northern Territory. Mount Todd's and Tom Gully's mines are expected to recommence operations in mid -1999. This will have a positive impact on lime sales. Nevertheless, imports continue to threaten the cement market in the Territory.

While there is some indication that the company has experienced the worst of the Asian crisis, the longer term impacts remain, with imports continuing to be a real threat to all our plants.

Given the situation in Asia, the directors have closed the South East Asian office, as there is no intention to seek to expand operations within the region at the present time. This will save approximately \$700,000 per annum.

INDUSTRY RATIONALISATION

Adelaide Brighton has previously reported that it is in negotiations with the Rugby Group plc on moves to strengthen and add value to the business of Adelaide Brighton. Further rationalisation of the cement industry will follow a successful conclusion of these negotiations.

These negotiations, along with the ongoing business improvement initiatives as outlined earlier remain the directors' highest priority.

ROUNDING OFF

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest one thousand dollars, unless otherwise stated.

Dated at Adelaide this day of March 1999.

Signed in accordance with a resolution of the directors:

: Directors

PROFIT AND LOSS ACCOUNTS

For the Half Year Ended 31 December 1998

		<u>Consolidated</u>	<u>Consolidated</u>
		<u>1998</u>	<u>1997</u>
	Note	<u>\$'000</u>	<u>\$'000</u>
Sales revenue		157 713	153 116
Other revenue		<u>6 331</u>	<u>7 882</u>
Total operating revenue		164 044	160 998
<hr/>			
Operating profit before abnormal items and income tax	2	11 100	15 508
Abnormal items	3	<u>(15 997)</u>	<u>(3 385)</u>
Operating profit/(loss) before income tax		(4 897)	12 123
Income tax attributable to operating profit/(loss)		<u>287</u>	<u>(3 773)</u>
Operating profit/(loss) after income tax		(4 610)	8 350
Outside equity interests in operating profit/(loss)		<u>1 686</u>	<u>(2 812)</u>
Operating profit/(loss) after income tax attributable to members of the company		<u>(2 924)</u>	<u>5 538</u>
<hr/>			
Retained losses at the beginning of the half year		(32 477)	(41 523)
Aggregate amount transferred from/(to) reserves	13	<u>-</u>	<u>4 055</u>
Total available for appropriation		(35 401)	(31 930)
Dividends provided for or paid		<u>-</u>	<u>(3 929)</u>
Retained losses at the end of the half year		(35 401)	(35 859)

The profit and loss account is to be read in conjunction with the notes to and forming part of the half year financial statements set out on pages 12 to 18.

BALANCE SHEETS

As at 31 December 1998

		Consolidated	Consolidated	Consolidated
	Note	31 Dec 1998	30 June 1998	31 Dec 1997
		\$'000	\$'000	\$'000
CURRENT ASSETS				
Cash		5 067	9 290	3 684
Receivables	5	59 697	59 559	59 030
Inventories		39 308	43 405	39 388
Other		5 493	4 919	6 265
Total Current Assets		109 565	117 173	108 367
NON CURRENT ASSETS				
Receivables	5	14 972	14 445	14 876
Investments	6	62 535	62 525	62 673
Property, plant and equipment		396 021	405 419	407 128
Intangibles		12 097	12 513	12 558
Other		26 973	23 441	17 398
Total Non Current Assets		512 598	518 343	514 633
Total Assets		622 163	635 516	623 000
CURRENT LIABILITIES				
Accounts payable		28 582	42 385	27 900
Borrowings		7 785	1 544	8 194
Provisions		30 336	25 614	18 064
Total Current Liabilities		66 703	69 543	54 158
NON CURRENT LIABILITIES				
Borrowings		207 222	208 411	231 113
Provisions		61 638	59 240	54 565
Total Non Current Liabilities		268 860	267 651	285 678
Total Liabilities		335 563	337 194	339 836
Net Assets		286 600	298 322	283 164
SHAREHOLDERS' EQUITY				
Share Capital	8	161 244	78 719	78 586
Reserves	13	57 560	140 058	140 310
Retained profits/(losses)		(35 401)	(32 477)	(35 859)
Shareholders' Equity attributable to members of the parent entity		183 403	186 300	183 037
Outside equity interests in controlled entities		103 197	112 022	100 127
Total Shareholders' Equity		286 600	298 322	283 164

The balance sheet is to be read in conjunction with the notes to and forming part of the half year financial statements as set out on pages 12 to 18.

STATEMENT OF CASH FLOWS

For the Half Year Ended 31 December 1998

		<u>Consolidated</u>	<u>Consolidated</u>
		1998	1997
Note		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
		157 293	159 788
		(148 806)	(145 856)
		895	811
		2 468	1 359
		503	734
		339	484
		(8 736)	(8 184)
		1 258	(180)
		<u>5 214</u>	<u>8 956</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
		(4 700)	(27 275)
		(11)	(82)
	10(iii)	-	58 547
		906	1 067
		-	(123)
		110	337
		-	1 481
		(434)	(1 180)
		<u>(4 129)</u>	<u>32 772</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
		12 000	13 300
		(9 643)	(55 268)
		(3 936)	(3 929)
		(7 140)	(2 391)
		700	637
		<u>(8 019)</u>	<u>(47 651)</u>
		(6 934)	(5 923)
		8 946	4 005
		(30)	408
	10(i)	<u>1 982</u>	<u>(1 510)</u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the half year financial statements set out on pages 12 to 18.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Half Year Ended 31 December 1998

1. Basis of Preparation

The half year consolidated financial statements are a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Law, Accounting Standard 1029 "Half Year Accounts and Consolidated Accounts" and Urgent Issues Group Consensus Views. It is recommended that these half year financial statements and reports be read in conjunction with the 30 June 1998 Annual Financial Statements and Reports and any public announcements by Adelaide Brighton Ltd and its Controlled Entities during the half year in accordance with continuous disclosure obligations arising under the Corporations Law.

The accounting policies have been consistently applied by each entity in the economic entity and, except where there is a change in accounting policy, are consistent with those of the previous financial year and corresponding half year.

The carrying amount of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at the end of the half year. If the carrying amount of a non-current assets exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

For the purpose of preparing the half year financial statements, the half year has been treated as a discrete reporting period.

	Consolidated	Consolidated
	1998	1997
	\$'000	\$'000

2 OPERATING PROFIT BEFORE ABNORMAL ITEMS AND INCOME TAX

Operating profit before abnormal items and income tax has been arrived at after including:

Interest revenue	1 037	1 171
Interest expense (including lease finance charges)	8 673	8 378
Depreciation including all forms of amortisation	13 577	10 856

3 ABNORMAL ITEMS

Rationalisation costs	(12 465)	(3 385)
Income tax effect	4 057	1 219
	(8 408)	(2 166)
Settlement of Legal Claim	(3 532)	-
Income tax effect	-	-
	(3 532)	-
Aggregate abnormal items before income tax	(15 997)	(3 385)

	Consolidated	Consolidated
	1998	1997
	\$'000	\$'000

4 EARNINGS PER SHARE

Calculated in accordance with AASB 1027 Basic earnings per share for Adelaide Brighton Ltd	(1.9) cents	3.5 cents
Calculated by reference to operating profit before abnormal items after income tax and outside equity interest	3.5 cents	4.2 cents

	31/12/98	30/6/98	31/12/97
5 RECEIVABLES			
Receivables include			
Secured deposits in respect of Research & Development Syndication as follows:			
Current	3 149	4 096	3 306
<u>Non current</u>	<u>13 894</u>	<u>13 226</u>	<u>12 633</u>

6 INVESTMENTS IN ASSOCIATES

Non Current Investments are investments in associates and are accounted for at either directors' valuation or cost in the half year consolidated financial statements.

AASB 1016 "Accounting for Investments in Associates" is required to be applied in the preparation of financial statements for the year ending 30 June 1999 and thereafter.

The Directors have elected not to apply AASB 1016 in the preparation of financial statements for the half year ended 31 December 1998.

Had AASB 1016 been adopted for the half year ended 31 December 1998 it would have had the following effect on the half year financial statements:

	1998
	\$'000
1. Share of associates operating profit and extraordinary items after income tax	4 443
Less: amortisation of goodwill and elimination of intercompany transactions	<u>(781)</u>
	3 662
Dividends from associates	<u>(4 252)</u>
<u>Increase/(Decrease) in operating profit</u>	<u>(590)</u>
<u>Transfer to Foreign Currency Translation Reserve</u>	<u>(23)</u>
2. Initial adjustment on adoption of accounting standard	
Carrying value of investments in associates at 31 December 1998	62 535
Adjustment to Retained Earnings	(8 519)
Adjustment to Asset Revaluation Reserve	<u>(20 006)</u>
	34 010
Add: Profit for half year	(590)
Less: Transfer to Foreign Currency Translation Reserve	<u>(23)</u>
Carrying value of investments in associates at 31 December 1998 if AASB 1016 was adopted	<u>33 397</u>

7 MATERIAL INTEREST IN CORPORATIONS NOT BEING CONTROLLED ENTITIES

The economic entity has a material interest in the following entities:

	Principal Activities	Class of Share	Consolidated Interest		Contribution to Operating Profit	
			1998	1997	1998	1997
			%	%	\$'000	\$'000
Associated Companies						
Sunstate Cement Ltd	Cement Manufacturing	Ord	50	50	1 383	1 428
Northern Stabilisers Ltd	Road Construction	Ord	50	50	-	-
Stabilised Pavements of Australia Pty Ltd	Road Construction	Ord	50	50	-	50
Pavement Technology Malaysia	Road Construction	Ord	40	40	-	-
					1 383	1 478
Interest in Business Undertakings						
Independent Cement & Lime	Cement Distribution	N/A	50	50	2 869	2 670
					2 869	2 670

8 SHARE CAPITAL

	31 December	30 June	31 December
	1998	1998	1997
	\$'000	\$'000	\$'000
Issued and Paid Up Capital			
157,440,821 (30/6/98: 157,438,876) ordinary shares fully paid	161 244	78 719	78 586

Abolition of par value shares

The company Law Review Act 1998 ("the Act") came into effect on 1 July 1998. The Act abolished par value shares, and any amount standing to the credit of the share premium reserve became part of the Company's share capital on 1 July 1998. As a result, the balance of the share premium reserve amounting to \$82,522,000 was transferred to the share capital account on 1 July 1998 increasing the share capital on that date to \$161,241,000.

From 1 July 1998 share capital does not have a nominal (par) value.

9 STATEMENT OF OPERATIONS OF SEGMENTS

Industry and Geographical Segments

The economic entity operates predominantly in the cement and concrete industry in Australia. More than 90% of revenue, operating profit and segment assets relate to operations in the cement and concrete industry in Australia.

10 NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at then end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	Consolidated	Consolidated
	1998	1997
	\$'000	\$'000
Cash	5 067	3 684
Bank overdraft and overnight borrowings	(3 085)	(5 194)
	<u>1 982</u>	<u>(1 510)</u>

(ii) Non cash financing and investing activities

Nil

(iii) Cash Flows related to investing activities

Proceeds from Sale of Investments

During the prior period Adelaide Brighton Ltd received settlement proceeds from the sale of its interest in Hawaiian Cement, Hurricane Wire Product, The Direct Mix Group and Steel Cement Ltd.

	1998	1997
	\$'000	\$'000
Consideration		
Settlement proceeds received	-	58 547
	<u>-</u>	<u>58 547</u>
Total Consideration	<u>-</u>	<u>58 547</u>

11 CONTINGENT LIABILITIES

Action has been taken by a customer seeking compensation in the sum of \$989,731 for alleged breach of certain provisions of a cement supply agreement.

The directors are of the opinion that this claim has little merit and is unlikely to succeed.

12 EVENTS SUBSEQUENT TO BALANCE DATE

Humes Steelpipe Limited, formerly a wholly owned subsidiary of the company, has now settled all aspects of a claim in respect of the supply of defective materials and workmanship in connection with the manufacture and supply of a steel pipeline in New South Wales. Adelaide Brighton Ltd paid the claim as it had previously indemnified the purchaser's of Humes Steelpipe Limited. The original claim was for \$4,164,027 being the assessed cost for the reconstruction and replacement of the pipeline, plus interest and legal costs in preparing the claim.

A final settlement has now been agreed between all parties of \$3,532,000 which includes legal fees and insurance recoveries. The amount has been reflected as an abnormal item in the accounts for the half year ended 31 December 1998.

13 MOVEMENT IN RESERVES

	Consolidated
	1998
	\$'000
Asset Revaluation Reserve	
Transfer to retained profits	-
Foreign Currency Translation	
Translation of overseas financial statements	(24)
Transfer from retained profits	-
General Reserves	
Transfer to retained profits	-
Total Movement in Reserves	(24)

DIRECTORS' DECLARATION

In the opinion of the directors of Adelaide Brighton Ltd:

1. the financial statements and notes set out on pages 9 to 18, are in accordance with the Corporations Law, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 1998 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (b) complying with Accounting Standard AASB 1029 "Half Year Accounts and Consolidated Accounts" and the Corporations Regulations; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this day of March 1999.

Signed in accordance with a resolution of the directors:

: Directors

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF ADELAIDE BRIGHTON LTD**

Scope

We have reviewed the financial report of Adelaide Brighton Ltd for the half year ended 31 December 1998, consisting of the profit and loss account, balance sheet, statement of cash flows, accompanying notes, and the directors' declaration set out on pages 9 to 19. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year. The company's directors are responsible for the financial report.

We have performed the review of the financial report in order to state whether, on the basis of procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Half Year Accounts and Consolidated Accounts" and other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. Our review has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Adelaide Brighton Ltd is not in accordance with:

- (a) the Corporations Law, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 31 December 1998 and of its performance for the half year ended on that date; and
 - ii) complying with Accounting Standard AASB 1029 "Half Year Accounts and Consolidated Accounts" and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

**KPMG
Chartered Accountants**

**G D Walters
Partner
Adelaide day of March 1999**