

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

HALF YEAR REPORT
31 December 1999

ADELAIDE BRIGHTON LTD
AND ITS CONTROLLED ENTITIES

Directors' report

The directors present their report together with the consolidated financial report of the consolidated entity, consisting of Adelaide Brighton Ltd and its controlled entities, for the half year ended 31 December 1999 and the auditor's review report thereon.

Directors

The directors of Adelaide Brighton Ltd at any time during or since the end of the half year and up to the date of this report are:

MA Kinnaird AO, BE, FIE Aust (Hon), FTS

Age 66

Director since September 1996

Appointed Chairman January 1997

Chairman, United Water International Pty Ltd

Chairman, Sydac Pty Ltd

Chairman, A.G. O'Connor Pty Ltd

Director, National Electricity Market

Management Company Ltd (NEMMCO)

Director, South Australia Mariculture Pty Ltd

Director, Louminco Pty Ltd

CL Harris BEc, FCPA, FAICD

Age 53

Director since March 1995

Chairman, Argo Investments Limited (Group)

Deputy Chairman, Simeon Wines Limited

Director, Adelaide Bank Limited (Group)

Director, Bounty Investments Limited (Group)

Director, Wakefield Investments (Aust) Limited

PJ Bowen BE Hon, PhD

Age 55

Director since July 1999

Alternate director for PC Crowley, DA Harding
and CH Perkins

D Barro

Age 78

Director since November 1999

Chairman and Managing Director, Barro Group
of Companies

Director, Steel Cement Ltd

RW Hammond BSoc Sc

Age 55

Director since December 1991

Appointed Managing Director 1996

Chief Executive Officer of Adelaide Brighton
Cement Ltd (1993-96)

Resigned as a director 30 November 1999

PJ Wright ACA

Age 46

Director since November 1999

Appointed Managing Director December 1999

PC Crowley BA, BEcon

Age 42

Director since July 1999

Executive Director Cement and Lime,
The Rugby Group PLC

DA Harding BA, FCMA

Age 52

Director since July 1999

Group Finance Director, The Rugby Group PLC

CH Perkins FAICD

Age 60

Director since July 1999

Chairman, Wesfarmers Limited

Chairman, Westralian Farmers Co-operative Limited

Chairman, Gresham Partners Management Ltd

Chairman, Western Australian Institute for Medical
Research

Director, Scientific Services Limited

Chancellor, Curtin University of Technology

RM Sharp

Age 55

Director since November 1999

Corporate Development Director, The Rugby Group PLC

JA Brooks

Age 51

Director since March 2000

Director and Head of Corporate Planning, RMC Group p.l.c.

Director The Rugby Group PLC

PA Rabl

Age 53

Director since March 2000

Director, RMC International Cement Ltd

ADELAIDE BRIGHTON LTD
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Review of operations

Overview

The Adelaide Brighton (ABL) Group's net profit after tax (NPAT) and before abnormal items for the six months ended 31 December 1999 was \$14.8 million compared with \$5.5 million for the corresponding previous period.

The Group's NPAT, after net abnormal losses after tax of \$8.1 million, was \$6.7 million.

Sales revenue increased by 41% and EBIT by 47% on the prior corresponding period mainly due to the inclusion of Cockburn Cement and the 49% of Adelaide Brighton Cement acquired as a result of the merger transaction completed in June 1999. The contribution from non-core cement subsidiaries declined. This was due to the varied nature of the contracting activities undertaken by Pavement Technology and the exit of ABL Group from the operations of Fuel and Combustion Technology (FCT).

The Group continued to divest non core and under performing assets with the exit from FCT and the write down of investment in Stabilised Pavements of Australia Pty Ltd, prior to the completion of its sale in January 2000.

Earnings were also reduced by \$4.0 million of amortisation on the goodwill arising from the Cockburn Cement merger transaction and charged for the first time during the period.

The Group's cash operating earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 58% to \$50.4 million, compared with the corresponding period last year.

The effective tax rate of the Group remained low at approximately 26% and a \$2 million benefit was also realised from the restatement of the timing differences booked in the balance sheet using the corporate income tax rates indicated in the Ralph Report.

This report covers the first six months of an 18 month reporting period for the restructured Adelaide Brighton Group since the Merger transaction with UK based Rugby Group PLC was completed at the end of June 1999.

Cockburn Cement and the 49% of Adelaide Brighton Cement not previously owned were both acquired with effect from 30 June 1999 in a complicated transaction. This transaction transformed Adelaide Brighton Ltd into Australia's largest cement and lime company.

ADELAIDE BRIGHTON LTD
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Financial Results

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

	Financial Year (1999/2000)	Financial Year (1998/1999)	
	First Half \$m	Second Half \$m	First Half \$m
Sales *	222.8	155.9	157.7
Depreciation	(18.0)	(12.6)	(13.1)
Earnings before interest & tax	27.6	16.3	18.8
Net interest expense	(10.0)	(6.9)	(7.7)
Net profit before tax, abnormal and outside equity interests	17.6	9.4	11.1
Income tax expense	(2.8)	(0.2)	(3.8)
Outside equity interests	-	(3.2)	(1.8)
Net profit after tax and outside equity interests before abnormal items	14.8	6.0	5.5
Abnormal items after tax and outside equity interests	(8.1)	(41.0)	(8.4)
Net profit/(loss) after tax and abnormal items attributable to members of Adelaide Brighton Ltd	6.7	(35.0)	(2.9)

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

Note: The above analysis differs from 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 tax and outside equity interests.

**ADELAIDE BRIGHTON LTD
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Abnormal items

The net abnormal loss comprised:

- An amount of \$1.4 million in respect of redundancies relating to the restructure of the Group operations in Western Australia.
- An amount of \$4.4 million relating to the exit costs from Fuel and Combustion Technology Ltd.
- A reduction in the carrying value of Pavement Technology Malaysia of \$1.0 million and Stabilised Pavements of Australia Pty Ltd of \$3.4 million.
- An amount of \$0.1 million in respect of additional costs relating to the Humes Steelpipe claim.
- A \$2.2 million profit relating to the sale of surplus land in Western Australia.

Gearing

The 30% increase in net interest costs is a direct result of the June 1999 Merger transaction that added \$95 million to borrowing.

Net borrowing at 31 December 1999 was \$277 million, an increase of \$67 million compared with the same period last year. Net interest cover has improved to 2.8 times compared with 2.4 times.

Gearing (represented by net debt as a percentage of shareholder's funds) decreased to 65% from 73% over the same period.

Market Conditions & Outlook

Cement sales volumes continued at strong levels across all of the markets supplied by the ABL Group with year on year demand up approximately 4%.

The lime market in Western Australia decreased approximately 4% during 1999 mainly due to the downturn in the gold sector. However, throughout the last quarter there was an increase in activity and demand from the alumina and nickel industries.

Imports of cement are at low volumes but the flow on effect of import pricing remains a major concern to domestic cement manufacturers. The Customs Department of the Federal Government commenced in December an investigation under the Anti-Dumping legislation and the results are expected around mid-year. The investigation covers imports from Indonesia, Malaysia and China and the Cement Industry Federation are seeking the imposition of retrospective dumping duties on imports from those countries

The Directors are of a view that the next 12 to 24 months will be a difficult trading period owing to import competition, intense domestic competition and forecast declines in construction activity.

As a consequence, the results foreshadowed in the Explanatory Memorandum of April 1999 are unlikely to be achieved while these conditions last.

The Merger benefits outlined in the Explanatory Memorandum are expected to be realised. However capital expenditure associated with the achievement of these benefits is expected to increase by \$16 million from the \$40 million indicated in the Memorandum.

Factors which will partly offset the difficult trading conditions:

- Volumes in lime are expected to improve with the expansion of alumina facilities in Western Australia;
- Company's major production unit at Birkenhead will continue to receive detailed attention and significant improvements in efficiency of operation are expected;
- Operational costs will be reduced as the company focuses on establishing internationally competitive operations.

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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 indicated.

Dated at Adelaide this day of March 2000.

Signed in accordance with a resolution of the directors:

Director

ADELAIDE BRIGHTON LTD
AND ITS CONTROLLED ENTITIES
PROFIT AND LOSS STATEMENTS
for the half year ended 31 December 1999

		<u>Consolidated</u> 1999 \$'000	<u>Consolidated</u> 1998 \$'000
	Note		
Sales revenue		222 831	157 713
Other revenue		12 886	6 331
Total operating revenue		<u>235 717</u>	<u>164 044</u>
Operating profit before abnormal items and income tax	2	17 637	11 100
Abnormal items	3	<u>(8 815)</u>	<u>(15 997)</u>
Operating profit/(loss) before income tax		8 822	(4 897)
Income tax attributable to operating profit/(loss)		<u>(2 093)</u>	287
Operating profit/(loss) after income tax		6 729	(4 610)
Outside equity interests in operating profit/(loss) after income tax		<u>(4)</u>	1 686
Operating profit/(loss) after income tax attributable to members of the company		<u>6 725</u>	<u>(2 924)</u>
Retained losses at the beginning of the half year		(76 020)	(32 477)
Aggregate of amounts transferred from reserves		-	-
Total available for appropriation		<u>(69 295)</u>	<u>(35 401)</u>
Dividends provided for or paid		-	-
Retained losses at the end of the half year		<u>(69 295)</u>	<u>(35 401)</u>

The profit and loss statements are to be read in conjunction with the notes to and forming part of the half year financial statements set out on pages 10 to 14.

ADELAIDE BRIGHTON LTD
AND ITS CONTROLLED ENTITIES

BALANCE SHEETS

as at 31 December 1999

	Consolidated 31 Dec 1999 \$'000	Consolidated 30 Jun 1999 \$'000	Consolidated 31 Dec 1998 \$'000
Note			
Current assets			
Cash	22 980	14 532	5 067
Receivables	5 94 592	84 100	59 697
Inventories	44 350	49 628	39 308
Other	6 000	5 724	5 493
Total current assets	167 922	153 984	109 565
Non-current assets			
Receivables	5 -	15 266	14 972
Investments	33 964	33 348	62 535
Property, plant and equipment	514 726	527 567	396 021
Intangibles	159 906	163 929	12 097
Other	25 978	31 485	26 973
Total non-current assets	734 574	771 595	512 598
Total assets	902 496	925 579	622 163
Current liabilities			
Accounts payable	54 581	49 542	28 582
Borrowings	29	9 911	7 785
Provisions	37 635	26 642	30 336
Total current liabilities	92 245	86 095	66 703
Non-current liabilities			
Borrowings	300 114	309 465	207 222
Provisions	83 002	103 834	61 638
Total non-current liabilities	383 116	413 299	268 860
Total liabilities	475 361	499 394	335 563
Net assets	427 135	426 185	286 600
Shareholders' equity			
Share capital	6 462 236	467 745	161 244
Reserves	31 208	31 478	57 560
Retained losses	(69 295)	(76 020)	(35 401)
Shareholders' equity attributable to members of the parent entity	424 149	423 203	183 403
Outside equity interests in controlled entities	2 986	2 982	103 197
Total shareholders' equity	427 135	426 185	286 600

The balance sheets are to be read in conjunction with the notes to and forming part of the half year financial statements set out on pages 10 to 14.

ADELAIDE BRIGHTON LTD
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STATEMENT OF CASH FLOWS
for the half year ended 31 December 1999

	<u>Consolidated</u>	<u>Consolidated</u>
	1999	1998
	\$'000	\$'000
	Note	
Cash flows from operating activities		
Cash receipts in the course of operations	222 047	157 293
Cash payments in the course of operations	(177 034)	(148 806)
Dividends received	1 284	895
Distributions from business undertakings	3 001	2 468
Other income	1 272	503
Interest and other items of a similar nature received	661	339
Borrowing costs paid	(8 030)	(8 736)
Income tax refunds received	479	1 258
Income taxes paid	(4 003)	-
	<hr/>	<hr/>
Net cash provided by operating activities	39 677	5 214
	<hr/>	<hr/>
Cash flows from investing activities		
Payments for property, plant and equipment	(7 466)	(4 700)
Payments for controlled entities	(279)	-
Payments for investments	-	(11)
Proceeds from sale of non-current assets	5 490	906
Payments on sale of controlled entity	(1 883)	-
Loans repaid	-	110
Other receipts	-	-
Other payments	7(ii) (701)	(434)
	<hr/>	<hr/>
Net cash used in investing activities	(4 839)	(4 129)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from borrowings	5 096	12 000
Repayment of borrowings	(25 787)	(9 643)
Other proceeds	7(ii) 730	700
Dividends paid	-	(3 936)
Dividends paid to outside equity interests	-	(7 140)
Capital payment to shareholders	(5 510)	-
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	(25 471)	(8 019)
	<hr/>	<hr/>
Net increase (decrease) in cash held	9 367	(6 934)
Cash at the beginning of the financial year	13 621	8 946
Cash balances in controlled entities acquired	-	-
Effects of exchange rate changes on the balances of cash held in foreign currencies	(37)	(30)
	<hr/>	<hr/>
Cash at the end of the financial year	7(i) 22 951	1 982

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 10 to 14.

ADELAIDE BRIGHTON LTD
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the half year ended 31 December 1999

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 1999 Financial Statements and Reports and any public announcements made by Adelaide Brighton Ltd 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 value 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 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
1999	1998
\$'000	\$'000

2 Operating profit

Operating profit before abnormal items and income tax has been arrived at after charging/(crediting) the following items:

Interest revenue	(1 287)	(1 037)
Interest expense (including lease finance charges)	11 297	8 673
Depreciation (including all forms of amortisation)	22 612	13 577

ADELAIDE BRIGHTON LTD
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	Consolidated	Consolidated
	1999	1998
	\$'000	\$'000
3 Abnormal items		
Writedown of investment in associated companies	(4 422)	-
Income tax effect	-	-
	<u>(4 422)</u>	<u>-</u>
Rationalisation costs	(6 495)	(12 465)
Income tax effect	703	4 057
	<u>(5 792)</u>	<u>(8 408)</u>
Settlement of legal claim	(88)	(3 532)
Income tax effect	-	-
	<u>(88)</u>	<u>(3 532)</u>
Profit on sale of land	2 190	-
Income tax effect	-	-
	<u>2 190</u>	<u>-</u>
Aggregate abnormal items before income tax	<u>(8 815)</u>	<u>(15 997)</u>
Net adjustment to deferred income tax liabilities and assets to reflect the decrease in company tax rate 34%/30% included in income tax attributable to operating profit	<u>1 956</u>	<u>-</u>
	Consolidated	Consolidated
	1999	1998
	cents	cents
4 Earnings per share		
Basic earnings per share (cents per share) calculated in accordance with AASB 1027	1.4	(1.9)
Earnings per share (cents per share) calculated by reference to operating profit before abnormal items after income tax and outside equity interests	3.1*	3.5*
Reconciliation of earnings used in the calculation of earnings per share	\$'000	\$'000
Operating profit/(loss) after income tax	6 729	(4 610)
Less: Outside equity interests	(4)	1 686
Earnings used in calculation of basic earnings per share (AASB 1027)	<u>6 725</u>	<u>(2 924)</u>
Earnings before abnormal items after income tax and outside equity interests *	14 838	5 482

ADELAIDE BRIGHTON LTD
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Consolidated 31 Dec 1999 \$'000	Consolidated 30 Jun 1999 \$'000	Consolidated 31 Dec 1998 \$'000
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5 Receivables

Receivables include

Secured deposits in respect of Research & Development

Syndication as follows:

Current	17 966	2 723	3 149
Non Current	-	14 544	13 894

Consolidated 31 Dec 1999 \$'000	Consolidated 30 Jun 1999 \$'000	Consolidated 31 Dec 1998 \$'000
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6 Share capital

Issued and paid up capital

473 404 060 (30/6/99: 473 403 660) ordinary shares, fully paid	462 236	467 745	161 244
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Movement in share capital during the period:

Opening balance - 1 July 1999	467 745
Capital return payment to shareholders (3.5 cents/share)	(5 510)
Convertible note conversions	1
Closing balance - 31 December 1999	<u>462 236</u>

7 Notes to the statement of cashflow

(i) *Reconciliation of cash*

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

	Consolidated 1999 \$'000	Consolidated 1998 \$'000
Cash	22 980	5 067
Bank overdraft	(29)	(3 085)
	<u>22 951</u>	<u>1 982</u>

(ii) *Other cashflows related to financing and investing activities.*

(a) Other cashflows relating to investing activities comprise:

Purchase of Research and Development Syndication Deposit	(699)	278
Other	(2)	(712)
	<u>(701)</u>	<u>(434)</u>

(b) Other cashflows relating to financial activities comprise:

Sale of core technology and advance payments in relation to Research and Development Syndication	699	700
Other	31	-
	<u>730</u>	<u>700</u>

(iii) *Non cash financing and investing activities.*

Nil

ADELAIDE BRIGHTON LTD
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8 Statement of operations of segments

Industry and geographical segments

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

9 Investments in associates

Details of investments in associates are as follows:

Name	Principal activities	Consolidated interest		Contribution to operating profit	
		1999	1998	1999	1998
		%	%	\$'000	\$'000
Sunstate Cement Ltd	Cement manufacture	50	50	2 698	1 383
Independent Cement & Lime	Cement distribution	50	50	2 737	2 869
Stabilised Pavements of Australia Pty Ltd	Road construction	50	50	-	-
Pavement Technology (M) Sdn Bhd	Road construction	40	40	-	-
Adjustments:					
Amortisation of goodwill arising from investment				(692)	-
Adjustment for unrealised profit in inventory				272	-
				<u>5 015</u>	<u>4 252</u>

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10 Contingent liabilities

Adelaide Brighton Ltd ("ABL") has issued proceedings against the State of South Australia and the SA Ports Corporation, through its subsidiary Adelaide Brighton Cement Ltd ("ABCL"). ABCL is claiming refund of wharfage and tonnage charges previously paid. The matter is currently before the Supreme Court of South Australia.

The company's legal advice supports this course of action and the merits of the case. However, should the claim be unsuccessful, the company will be liable for legal costs incurred by SA Ports Corporation in defending the claim. These costs cannot be precisely quantified at this time.

Melcann Pty Ltd has instituted a Supreme Court action against Adelaide Brighton Cement Ltd, alleging breach of the terms of a supply contract. Melcann Pty Ltd is claiming various refunds for freight charges and alleged loss of market share damages, to the total of approximately \$1 million. The claim is being vigorously defended as Adelaide Brighton Cement Ltd does not consider that any breach has occurred and that it has at all times performed the duties under the contract.

Fuel and Combustion Technology International Ltd ("FCT (UK)") has recently received a letter of demand detailing a claim by Kenya Calcium Products Ltd. The claim is in respect of the alleged failure of FCT (UK) to construct a shaft kiln plant to agree specifications with the result being that the plant failed to meet certain production targets, causing Kenya Calcium Products Ltd ongoing losses scheduled at STG1.3 million.

FCT (UK) has ceased operations and no provision has been made in respect of this claim.

ABL acquired the 49% minority shareholding in ABCL from Australian Cement Holdings Pty Ltd ("ACH") effective 30 June 1999. Following settlement, ACH has made a claim for a further payment of \$4.4 million. ACH's claim relates to the interpretation of the settlement agreement and calculation of the capital return due to ACH under the agreement. ABL management dispute ACH's claim and believe that the calculation at 30 June 1999 was performed in accordance with the agreement and was the basis on which the audited financial statements of the ABL Group at 30 June 1999 were prepared. If ACH is successful with their claim, the payment will be reflected as an adjustment to the goodwill arising on the acquisition of the 49% shareholding in ABCL.

11 Events subsequent to balance date

The RMC Group p.l.c. acquired The Rugby Group PLC 55% shareholding in Adelaide Brighton. This was completed on 7 January 2000.

The sale of ABL's wholly owned subsidiary Pavement Technology Ltd of its 50% shareholding in Stabilised Pavements of Australia Pty Ltd was completed on 1 February 2000.

ADELAIDE BRIGHTON LTD
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Directors' Declaration
Half Year Ended 31 December 1999

In the opinion of the directors of Adelaide Brighton Ltd:

- (a) the financial statements and notes, set out on pages 7 to 14, are in accordance with Corporations Law, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 1999 and of its performance, as represented by the results of its operations and cash flows, for the half year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that Adelaide Brighton Ltd will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this day of March 2000.

Signed in accordance with a resolution of the directors:

Director

ADELAIDE BRIGHTON LTD
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**Independent review report
to the members of Adelaide Brighton Ltd**

Scope

We have reviewed the financial report of Adelaide Brighton Ltd (the Company) for the half year ended 31 December 1999 as set out on pages 7 to 15. The Company's directors are responsible for the financial report which includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the half year. We have performed an independent review of the financial report in order for the Company to lodge the financial report with the Australian Securities & Investments Commission. This review was performed in order to state whether, on the basis of the 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, other mandatory reporting requirements and the Corporations Law, 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 cash flows.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that 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 financial report of the Company 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 1999 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.

PricewaterhouseCoopers
Chartered Accountants

P Steel
Partner

Adelaide
March 2000