

Mayne Nickless Limited Annual Report

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Exceptional people delivering exceptional service by creating unique benefits and possibilities for our customer – **Whatever it takes**

This Annual Report is a detailed report that has been prepared by Mayne Nickless Limited as part of its statutory annual reporting obligations under section 314 of the Australian Corporations Law and to fulfil the Form 20-F annual reporting obligations of the United States Securities and Exchange Commission (SEC).

All amounts are expressed in Australian dollars (A\$), unless otherwise stated.

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Australian Company Number
004 073 410

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		Consolidated Financial Statements for Optus Communications Pty Ltd for the years ended 30 June 1998 and 30 June 1997.	
		Consolidated Financial Statements for Optus Vision Pty Ltd for the years ended 30 June 1997 and 30 June 1996.	
		These exhibits are incorporated by reference to the Mayne Nickless Limited 1998 Form 20-F.	

(1) This document includes the disclosure requirements of the US Securities and Exchange Commission and will be lodged with the SEC as an Annual Report on Form 20-F.

Currency of presentation, exchange rates and certain definitions

Mayne Nickless Limited (“Mayne Nickless” or the “Company”) publishes its consolidated financial statements in Australian dollars (“A\$” or “\$”). In this Annual Report, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in A\$.

The following table sets forth, for each of the Company’s fiscal years indicated, information concerning the rates of exchange of A\$ into US\$ based on the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the “Noon Buying Rate”).

Fiscal Years	At Period End	Average Rate ⁽¹⁾ US\$ per A\$1.00	High	Low
1994-95	0.7108	0.7412	0.7778	0.7108
1995-96	0.7856	0.7587	0.8026	0.7102
1996-97	0.7537	0.7814	0.8180	0.7455
1997-98	0.6185	0.6757	0.7483	0.5867
1998-99	0.6703	0.6266	0.6712	0.5550

(1) The average of the exchange rates on the last day of each month during the year.

The Noon Buying Rate as at 15 September 1999 was A\$1.00 = US\$0.6487.

In addition, fluctuations in the A\$/US\$ exchange rate will affect the US\$ equivalent of the A\$ price of Mayne Nickless’ Ordinary Shares on the Australian Stock Exchange and, as a result, are likely to affect the tradeable value of Mayne Nickless’ American Depositary Shares (“ADSs”) in the United States. Such fluctuations would also affect the US\$ amounts received by holders of ADSs on conversion by the Depositary of cash dividends paid in A\$ on the Ordinary Shares underlying the ADSs.

The Company’s fiscal year ends at midnight on the Sunday closest to 30 June. Usually this year end cut off method results in a 52 week year, but periodically it results in a 53 week year. The fiscal years ended 4 July 1999 and 5 July 1998 were 52 week years, while the fiscal year ended 6 July 1997 was a 53 week year. There were 52 weeks in the fiscal years ended 30 June 1996 and 2 July 1995. No adjustments have been made to reflect this difference. As used herein, the fiscal year ended 4 July 1999 is referred to as 1998-99 and other fiscal years are referred to in a corresponding manner.

Forward-looking statements

This Annual Report contains certain forward-looking statements, including statements regarding (i) certain plans, strategies and objectives of management related to expansion and other strategic opportunities, (ii) management’s plans to focus on the Company’s core businesses, (iii) management’s expectations about growth opportunities in the Australian health care and Australian contract logistics markets, (iv) management’s expectations regarding growth opportunities in Asian private health care markets and (v) estimated expenditures or anticipated costs in connection with the readiness of systems for compliance with the Year 2000 date change. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, which may cause actual results to differ materially from those expressed in the statements contained in this Annual Report.

For example, future revenues from businesses described in this Annual Report will be based in part upon the prices that can be achieved by the Company for the services it offers, which may vary significantly from current levels. Such variations, if materially adverse, may impact the timing or feasibility of certain plans, strategies and objectives of management related to expansion and other strategic opportunities. Other factors that may affect such plans, strategies and objectives of management related to expansion and other strategic opportunities, management’s plans to focus on the Company’s core businesses, management’s expectations about growth opportunities in the Australian private health care and Australian contract logistics markets and management’s expectations regarding growth opportunities in Asian private health care markets include competition in the relevant markets, general economic and business conditions in Australia, North America, the United Kingdom and Asia, the ability to profitably offer its services in its relevant markets, and activities of government authorities in the countries where the Company has operations, including increases in taxes and charges in health care, employee safety, environmental and other laws and regulations. The Company can give no assurances that the plans, strategies and objectives of management related to expansion and other strategic opportunities, management’s plans to focus on the Company’s core businesses, management’s expectations about growth opportunities in the Australian private health care and Australian contract logistics markets and management’s expectations regarding growth opportunities in Asian private health care markets discussed in this Annual Report will not differ materially from the statements contained herein. Furthermore, while the Company is undertaking a comprehensive process with the objective of achieving Year 2000 readiness, there can be no assurance that this process will, in whole or in part, be successful or that the date change from 1999 to 2000 will not materially affect the Company’s operations and financial results. Problems may also be caused if the Company’s suppliers or customers do not achieve a satisfactory level of compliance.

Item 1 - Description of business

General

Mayne Nickless is a leading Australian service company with consolidated total assets of \$2.4 billion and consolidated total sales revenue of \$2.8 billion as of and for the fiscal year ended 4 July 1999. The Company operates substantial businesses in two core service industries: health care services and logistics services. Health care services comprise Health Care of Australia (“HCoA”), which encompasses hospitals and medical centres, and Mayne Nickless Diagnostic Services (“MNDS”), which includes pathology and diagnostic imaging. Health care operations are primarily conducted in Australia, although the Company participates in two operations in Indonesia with local investors. Logistics services includes contract and cash logistics and time-critical express. Contract and cash logistics operations are conducted primarily in Australia, and in North America (predominantly in Canada), with a small, but growing presence in Asia. Time-critical express operations are conducted in three principal geographic areas: Australia, Europe (primarily in the United Kingdom) and North America (primarily in Canada). Mayne Nickless’ 24.99% equity interest in Cable & Wireless Optus Pty Ltd (“Optus”), Australia’s first private telecommunications carrier, was divested during the year, in November 1998.

The Company’s business began in 1886 as a partnership operating a parcel delivery service in Melbourne, Australia. The Company was incorporated in 1915 and has been publicly listed in Australia since 1926. In November 1998, the Company transferred its Australian stock exchange listing to the Healthcare and Biotechnology index, from the Transport index.

The following discussion includes certain forward-looking statements. See “Forward-Looking Statements”.

Health Care

The Company, through its health care division, is a major health care provider, with a diversified range of health care-related businesses. During the year, the Company restructured its health care division. Operations are now divided into HCoA, which encompasses hospitals and medical centres, and MNDS, which includes pathology and diagnostic imaging. HCoA is the largest for-profit private operator of hospitals in Australia in terms of beds available or under construction (more than 4,700). Currently it owns and/or operates 48 hospitals throughout Australia, and has interests in three hospitals in Indonesia. MNDS is the largest private provider of pathology services in Australia and is expanding its presence in the diagnostic imaging market.

Much of the recent growth in health care has been through successful tenders for collocation ventures or privatisations, and acquisitions of hospitals and diagnostic businesses. The tenders are made available by Australian State Governments and many of these ventures are funded through structured, off-balance sheet financing. In September 1998, the Company acquired four hospitals, with over 300 beds, from the MBF group which are in useful strategic locations for HCoA. During the year, HCoA commissioned four new hospitals, all collocations: National Capital in Canberra; Caboolture in Queensland; Geelong in Victoria; and Armidale in northern New South Wales (“NSW”).

The Company will continue to target diagnostic services, primarily pathology and diagnostic imaging, as areas for expansion. The

diagnostics business accounted for 25% of health care revenue in 1998-99. The Company made its first move into diagnostic imaging through the signing of agreements in December 1997 to acquire the Sydney Imaging Group, with operational control passing to HCoA in January 1998. In September 1998, the Company acquired Macquarie Pathology and Dr Colin Laverty and Associates Pty Ltd, both in NSW. Macquarie Pathology offered a particularly good strategic fit with the Company’s existing pathology operations and complements HCoA’s hospital network. Dr Colin Laverty and Associates is an established, internationally-recognised, specialist cytology practice which complements and enhances the expertise within the business. Post-year end, the Company finalised the acquisition of Melbourne Diagnostic Imaging Group, providing MNDS with a significant diagnostic imaging base located in Victoria.

The Company’s investment in Indonesian health care consists of three hospitals operating with the participation of local investors, with a total number of beds of nearly 600. During the year, the Company moved to a majority ownership in the venture that owns two of the three hospitals. At year-end, the Company held 60% in this venture (40% previously), while it owns 99% of the other venture. The performance of these hospitals is adequate, and the Company views the investments as of a long-term nature.

Logistics Services

Contract and Cash Logistics

On 1 June 1999, Mayne Nickless merged its contract logistics business in Australia, Malaysia, Thailand and Southern China with a leading private logistics company, PGA Logistics. PGA is Australia’s leading specialist in the supply chain management of high volume, low density products. It operates in all states throughout Australia providing warehousing and distribution services. The new combined entity is known as MPG Logistics Pty Ltd, and is 75% owned by Mayne Nickless. The Company believes MPG Logistics is now the leader in Australia’s growing contract logistics industry, which involves providing integrated contract distribution, warehousing, inventory control, fleet management and import/export services to a broad range of corporate clients. MPG Logistics is also expanding its contract logistics presence in Asia. To suit existing customer requirements, MPG Logistics has a dedicated facility in Malaysia, and is exploring opportunities in Southern China and Thailand. The expansion into Asia is taking place in line with the needs of existing multinational customers, who continue to develop new opportunities in markets throughout the Asian region.

Cash logistics is the provision of armoured car transport, non-armoured car transport, cash processing, servicing of automatic teller machines (“ATMs”) and other ancillary cash logistics services to the public and private sector. Mayne Nickless operates leading cash logistics businesses in Australia through Armaguard, and in Canada through Loomis Armored Car Service.

Time-Critical Express

In Australia, the Company is a major provider of time-critical express services which includes parcel and document deliveries offered as priority, same day, next day, and international express services. The Company also operates express freight and courier services in the United Kingdom and Canada. In the first half of the 1998-99 financial year, Mayne Nickless sold its Australian road express operations.

Item 1 - Description of business

Investment in Optus

In November 1998, Mayne Nickless achieved a key strategic objective of divesting of its 24.99% shareholding in Optus through a public offering and listing in Australia.

Optus was formed in 1991 as a consortium consisting of BellSouth Asia/Pacific Enterprises Inc ("BellSouth"), Cable & Wireless (Investments) Limited ("Cable & Wireless"), Mayne Nickless and a group of Australian institutional investors. Mayne Nickless owned 24.99% of the equity in Optus. Optus successfully bid for and was granted the second general carrier licence and the second public mobile licence to become Australia's first private telecommunications carrier. Since it commenced operations in 1991, Optus has invested in telecommunications infrastructure that comprises national and international long distance networks, customer access networks in central business districts ("CBDs") and suburban areas, a digital mobile network and a satellite network.

In March 1997 Optus acquired full ownership of its previously 46.5% owned affiliate Optus Vision, which built a broadband local access network capable of providing local calls, access to the Optus long distance services and value added services, such as pay TV, high speed internet access and other future broadband services. Following the offering of shares in Optus, Cable & Wireless' stake in Optus was 52.8%.

Strategy

Mayne Nickless is focused on expanding and developing its presence in its two core industry segments – health care and logistics. Mayne Nickless' businesses provide effective outsourcing solutions to the private and public sectors. The Company's strategy is to own and operate service businesses in market segments characterised by high barriers to entry and high operating margins, and in which it can achieve substantial market shares. Mayne Nickless' objective is to add value to its businesses through the application of its management skills and advanced technology. The Company has undertaken a number of steps to further this strategy. The exposure to the Australian health care industry has been increased in recent years, with growing emphasis on the diagnostics business. The Company has moved away from lower-margin general freight services into higher-margin logistics services. Logistics incorporates contract and cash logistics and time critical express. Increasingly, these markets are converging as industries seek just-in-time deliveries linked to strategic inventory management and distribution facilities.

The withdrawal from Australian road express operations and the divestment of the Optus shareholding led to a decision to move to the Health Care and Biotechnology sector of the All Ordinaries Index on the Australian Stock Exchange. The move from the transport sector index to this new listing index was completed on 1 November 1998. Mayne Nickless publicly listed in 1926 as a transport company, and this index change reflects its development into Australia's largest private health care provider and the Company's stated intentions to concentrate much of its future growth in the health care industry.

Segment Information

For financial reporting purposes, the Company reports industry segment data for the segments of hospitals, diagnostic services, contract logistics, and time-critical express, and geographic segment data for the regions of Australia/Pacific, Europe and North America. See Note 25 to the Consolidated Financial Statements. The following tables set forth the contributions of each industry and geographical segment to sales revenue and earnings before interest and tax ("EBIT") for each of the last three fiscal years.

Item 1 - Description of business

Sales Revenue

(Dollars in millions except percentages)

Industry segment	1998 - 99		1997 - 98		1996 - 97	
	\$	% of total	\$	% of total	\$	% of total
Hospitals	766.7	27.4	634.6	24.1	617.1	21.8
Diagnostic Services	259.4	9.3	180.0	6.8	103.2	3.6
Health Care Services	1,026.1	36.7	814.6	30.9	720.3	25.4
Time Critical Express Services	1,111.9	39.7	1,088.4	41.3	957.6	33.8
Contract and Cash Logistics Services	621.1	22.2	539.4	20.5	531.1	18.7
Total Logistics Services	1,733.0	61.9	1,627.8	61.8	1,488.7	52.5
Other	38.6	1.4	192.5	7.3	626.4	22.1
Consolidated Group	2,797.7	100.0	2,634.9	100.0	2,835.4	100.0

Geographic Segment

Australia and Pacific Regions	1,818.6	65.0	1,570.6	59.6	1,494.8	52.7
North America	395.6	14.1	374.6	14.2	309.9	10.9
Europe	544.9	19.5	497.2	18.9	404.3	14.3
Other	38.6	1.4	192.5	7.3	626.4	22.1
Consolidated Group	2,797.7	100.0	2,634.9	100.0	2,835.4	100.0

EBIT (1)

(Dollars in millions except percentages)

Industry segment	1998 - 99		1997 - 98		1996 - 97	
	\$	% of total	\$	% of total	\$	% of total
Hospitals	59.0	31.0	84.8	38.4	85.3	41.4
Diagnostic Services	28.7	15.1	22.5	10.2	10.5	5.1
Health Care Services	87.7	46.1	107.3	48.6	95.8	46.5
Time Critical Express Services	56.9	30.0	60.7	27.5	49.2	23.9
Contract and Cash Logistics Services	52.1	27.4	62.8	28.5	61.2	29.8
Total Logistics Services	109.0	57.4	123.5	56.0	110.4	53.7
Other	(1.6)	(0.9)	(3.0)	(1.4)	5.4	2.6
Unallocated	(5.0)	(2.6)	(7.1)	(3.2)	(5.8)	(2.8)
Consolidated Group	190.1	100.0	220.7	100.0	205.8	100.0

Geographic Segment

Australia and Pacific Regions	143.9	75.7	170.9	77.5	162.0	78.8
North America	12.7	6.7	17.2	7.8	11.8	5.7
Europe	35.1	18.5	35.6	16.1	26.6	12.9
Other	(1.6)	(0.9)	(3.0)	(1.4)	5.4	2.6
Consolidated Group	190.1	100.0	220.7	100.0	205.8	100.0

(1) This table represents earnings before abnormal items, interest and tax determined under Australian GAAP. This differs from earnings determined under US GAAP. For details on these differences refer to note 35 to the Consolidated Financial Statements.

Item 1 - Description of business

Australia and Asia

In Australia, the Company currently conducts operations in two service industries: health care and logistics services.

Health Care

General

The health care division of Mayne Nickless is divided into the hospitals and medical centres division, known as HCoA, and the diagnostic services business, MNDS. HCoA consists of 45 private and three public hospitals across Australia, three hospitals in Indonesia, and a small investment in medical centres. MNDS operates large private pathology networks and a relatively new diagnostic imaging business, with sites located in NSW, Victoria, the Northern Territory and Western Australia. Mayne Nickless has grown to become the largest private health care service group in Australia, in terms of revenue, and capital employed, since its formation in 1991.

The principal revenue sources for the health care division are private health insurance funds, the Commonwealth Government through Medicare payments and State Governments who contract HCoA to provide public patient services. Australia's national health care system is described more fully below.

Australian Health Care System

Australia provides national public health care through a combination of government-funded public hospitals and a compulsory government health insurance scheme known as Medicare. In addition, individuals have the option to participate in the private health system. Australia thus operates a dual health care system comprising public and private health facilities.

Responsibility for health care in Australia is loosely divided between Commonwealth, State and Local Governments, although State (and Territory) Governments carry the bulk of the responsibility of providing public health services. This includes the provision of the public and psychiatric hospital systems. In the majority of States, public acute hospitals are administered by hospital boards, which have been set up as corporate entities. Some are administered by religious or charitable bodies, while in a number of States, the operations of some public hospitals are run by private administrators to reduce budget constraints and to allow significant upgrades of the hospitals. Private hospitals are run either by for-profit operators or by religious or charitable organisations on a not-for-profit basis. Medical care outside hospitals is based on general practitioners, mainly in private practice, who are the main conduit to more specialised services.

Health care funding is primarily derived from Federal Government general tax revenue, which is supplemented to a small degree (about 10%) by the Medicare levy, which all individual Australian taxpayers must pay. The Medicare arrangements provide direct benefits to the public in two ways. Firstly, patients who receive non-hospital medical services are entitled to an 85% rebate of the schedule fee, which is set under the Commonwealth Medical Benefits Schedule (MBS). Secondly, in-hospital procedures are free to public patients in public hospitals, while in other cases a subsidy of 75% of the MBS fee applies.

In the public hospitals, patients can receive free, shared-ward accommodation and treatment, although treatment is subject to availability (which often results in long waiting periods for elective procedures) and the doctors are assigned by the hospital. As an

alternative, patients can choose to go to a private hospital, or elect to have "doctor of choice" or private-ward accommodation in a public hospital. However in either case, such patients are charged for the services rendered and are responsible for paying their own bills. While Medicare pays or reimburses patients for a portion of certain fees incurred for private medical care (eg. most doctors' fees, prescriptions, pathology, etc.), it does not cover hospital charges. Private health insurance is available to cover charges for private care in both public and private hospitals, and a portion of the gap between charges for private medical care and the amount paid or reimbursed under Medicare.

Especially in recent years, Australian private health insurance funds have had a difficult time and experienced a decline in membership, principally because of increases in the costs of private health care, and the existence of the Australian public health care system as a free alternative. Moreover, the trend has been for healthier patients to discontinue their private health insurance. Thus through adverse selection the experience ratings of the private health insurers have deteriorated. This has added further cost pressure on private health insurance.

The immediate factor affecting the private health sector is private health insurance membership which has dropped to approximately 31% of the population compared with up to 80% in the 1970s, while premiums have increased well beyond the growth in inflation. The Company believes that any continued sustained decline in the Australian private health insurance industry could adversely impact HCoA and other private hospital operators. The current Federal Government recognises that a prosperous private sector eases the pressure on the public health system and has introduced various initiatives to support the industry.

As an operator of private hospitals, HCoA has developed initiatives with others in the industry based on analysis of consumer dissatisfaction with private health insurance. Two of the major areas of discontent for private patients are the out-of-pocket expenses that result between what is covered by private health insurance and the prices set by health providers, and multiple invoices patients receive from the separate health service providers on discharge from hospital. In January 1999, the Federal Government introduced a rebate on health fund premiums, reducing the cost by 30%. The Government also announced the introduction of a new approach to health insurance: Lifetime Health Cover as of July 2000. Lifetime Health Cover is designed to encourage people to join a health fund early in life and maintain their membership. People who take out health insurance by the time they are 30 and maintain their membership will pay lower premiums throughout their lifetime, relative to people who delay joining. The Federal Government also announced its intention to rid the system of 'gaps' before July 2000, introducing "no-gaps" or "known-gaps" products. Mayne Nickless welcomed the announcements by the Government and is now working with doctors and health insurance groups in order to deliver improved services.

Mayne Nickless commenced Australia's first Simplified Billing trial at Melbourne Private Hospital in November 1997. The group has taken this model, following the success of the trial, and modified it to introduce hospital-specific arrangements across Australia. The Simplified Billing arrangement involves the doctors who work at the hospital, the health funds and the hospital agreeing to the fees charged for medical services. The doctors and other service providers

Item 1 - Description of business

send their invoices direct to a billing agent, rather than the patient, which collates all of the patient's bills and redirects them to Medicare and the health insurer. If the fees being charged have been agreed to be met by the insurer then the patient should be left with no out of pocket expenses whilst receiving a single statement indicating services received and payments made, rather than multiple bills.

HCoA has already introduced Simplified Billing Schemes that eliminate gaps at Dudley and Nowra Private Hospitals in rural New South Wales in June 1999. A major Sydney private hospital, St George Private, followed suit launching a scheme on 1 July 1999. Further applications of the Simplified Billing System and "no-gap" policies are being pursued or reviewed at different locations within HCoA. For successful implementation, coordination and cooperation is needed between doctors, other health providers, health funds and the private hospital. The Company will strive to achieve this level of cooperation to deliver this attractive service to its patients.

A recent initiative by the private health funds has been to accredit individual private hospitals. Accreditation is obtained through a process whereby hospitals submit the costs associated with various procedures. This can result in hospitals with less-efficient operation and less-competitive costs relative to their peers failing to be accredited by the health funds. Ultimately this will result in lower bed utilisation for these hospitals, as accredited hospitals will most likely achieve preferred-supplier status from the health funds. The benefit of the accreditation process will be to improve the efficiency of the private hospital industry. The greatest benefit will be to the most-efficient hospital operators, and this should also improve the financial position of the health funds.

Strategies

The health care market in Australia is strategically attractive to Mayne Nickless for a number of reasons. The demographics are excellent, and the ageing population in Australia will increase demand for health services in Australia. The Australian Bureau of Statistics forecasts there will be nearly 1 million more people (or 5% of the population) aged 65 or over by 2010. Additionally, as technological advances have made more services available, the demand for those services has increased.

The Federal Government will face pressures funding this increased demand. This may result in the continuation of the trend for governments seeking to spend larger portions of their budgets on purchasing health services from private operators, such as Mayne Nickless, rather than providing those services themselves. Governments in Australia have also been looking to take on less capital risk in hospital development. As a consequence, opportunities have arisen for private public partnerships such as privatisations, collocation of private hospitals on public hospital campuses, and contracting out of specific services. Large operators can fund the major facilities required and, consequently, take advantage of these opportunities and negotiate more strongly with governments in establishing contracts, most of which are for periods of in excess of 15 years.

In this environment, Mayne Nickless continues to pursue a strategy of diversification of health products to reduce the dependence on its free-standing private hospitals as a source of revenue and profit growth. HCoA has been successful in identifying new opportunities for business growth through its hospital operations. In addition, the

Company aims to maintain its large share of private bed days in Australia.

Consistent with its overall goal of providing high quality and efficient health care to its patients, HCoA has a strategy of positioning its private hospitals in the higher technology and more complex areas of health care so that it can offer a comprehensive alternative to the public hospital system. Increasing the complexity and acuity of private hospital services not only provides a higher return per procedure to the business, but also ensures private patients can seek out private care even for major hospital procedures. Specialties introduced include cardiac investigation and surgery, neurosurgery and accident and emergency.

HCoA has also expanded into related health care services to diversify its revenue sources. Through a series of acquisitions, HCoA has become the largest private provider of pathology services in Australia and is an emerging player in the diagnostic imaging market. Fees for pathology and diagnostic imaging services are funded through the Medicare system, on a fee-for-service basis, which further lessens the Company's dependence on private health insurers.

A gradual expansion into Asia is also being pursued as the Company believes that the growth in the middle class in many Asian countries, coupled with the generally lower standard of health care currently available in those countries, present attractive growth opportunities for HCoA. The Company is currently focusing its attention primarily on Indonesia, although it is still reviewing potential opportunities in other countries.

HCoA is currently assessing new ventures into the delivery of aged care services through a lease arrangement of the Lilydale Community Hospital in Victoria. With a nursing home component, Lilydale Private allows HCoA to make inroads into identifying any opportunities for business development in this market.

In seeing the trends outlined above, Mayne Nickless has been instrumental in pioneering new models for the provision of health services. The Company has moved from simply being a private hospital operator, to become an integrated provider of health services which incorporates private and public hospital services, diagnostic services such as pathology and radiology, and medical centres.

HCoA

HCoA manages hospitals and medical centres. Of the 48 hospitals currently in its portfolio in Australia, 19 of these hospitals are located in New South Wales, 10 are in Victoria, 11 are in Queensland, 4 are in Western Australia, and one is in Tasmania, while there are also three hospitals under construction and due for commissioning in fiscal 2000.

The Company's hospitals offer all medical, surgical and other services commonly available in private acute care hospitals. Such services range from operating and recovery rooms, diagnostic imaging facilities, intensive care and coronary care facilities, to pharmacy services.

Each of the Company's hospitals is managed as a separate business. The day-to-day fiscal and administrative operation of each hospital is managed under the supervision and direction of a full-time locally-based hospital chief executive officer. This promotes efficient operation and close ties to the needs of the community being served.

Item 1 - Description of business

In addition, because HCoA has a large portfolio of hospitals, it is able to achieve certain economies of scale in areas such as employee training and group purchasing. HCoA's corporate head office is responsible for planning all capital expenditures and makes available a variety of management services to all of its hospitals, including central purchasing, financial and other systems, accounting, facilities planning, data processing, market development, administrative personnel management and public relations. In addition, all major capital budgeting and expenditure decisions must be approved by the Company's senior management.

Typically, other public or private hospitals providing services comparable to those offered by the Company's hospitals operate in the local market served by most of the Company's hospitals. The rates charged by the Company's hospitals are intended to be competitive with those charged by other local hospitals for similar accommodation, supplies and services.

Medical, surgical and psychiatric hospital operations are subject to certain seasonal fluctuations. These primarily include decreases in patient occupancies during holidays and summer vacation periods and increases in the winter months.

Stand Alone Private Hospitals

The traditional model is that of stand alone private hospitals operating quite autonomously from the public hospital system. They operate as an alternative to public hospital care with a comprehensive range of hospital services and the advantages of quicker access and choice of medical specialist.

When HCoA was formed in 1991 the stand alone private hospital was by far the preferred model of private hospital operation. Much has changed in this decade with HCoA responsible for much of that change.

Public Hospital Management

As a result of ongoing Federal and State budget constraints and increasing health care costs, the Australian public hospital system has had difficulty keeping up with the increasing demand for hospital services in Australia. This has created a number of opportunities for HCoA in relation to privatisations of public hospitals. These management arrangements can take a variety of forms and each one is ultimately tailored to fit the individual circumstances. Typically, HCoA will enter a long term contract with a state government for the operation of a public hospital, and in some instances also for its construction. In these contracts, the operating risk of the hospital is shifted from the relevant state government to HCoA for the term of the contract.

Collocations

Collocated private hospitals, where a private hospital is built on the campus of a public hospital, were pioneered in Australia by HCoA in 1994. Collocations offer benefits to patients, medical staff, and the operators of both public and private hospitals. The benefits are convenience and increased efficiencies and capabilities. It allows the sharing of facilities such as pathology, diagnostic imaging, laundry and catering. It also has the benefit of permitting visiting physicians to operate on both their public and private patients without having to travel between different sites.

HCoA has 10 collocation projects, three in Victoria, five in New South Wales and two in Queensland. The benefit of an increasingly efficient

and collaborative approach to private health by governments is to release pressure on the public system.

Asian Opportunities

The Company continues to review various opportunities to expand its health care operations in Asia. There has been an expansion of the middle class in many Asian countries where the current level of health care is not as high as in Australia. Although most of these countries lack any significant private health insurance system, if and when such systems develop, the Company believes that the size of the potential private health care markets in these countries could be significant.

In Indonesia HCoA has negotiated two joint ownership agreements with local companies. The Company's first hospital in Indonesia, a 245 bed private hospital in Jakarta, commenced operations in 1996-97. This hospital is owned by a company, in which Mayne Nickless has a 60% share and PT Enseval, the major shareholder in the Kalbe Group of Indonesia, has a 40% interest. Mayne Nickless moved to its majority position during the year, increasing its stake from 40% previously. A second hospital in Jakarta, through this company, opened in the fourth quarter of calendar 1998, and is a private 180 bed hospital. Through another company, which is 99% owned by Mayne Nickless and known as Health Care of Surabaya, a 160 bed hospital opened in the third quarter of 1997-98 in Surabaya. This ownership arrangement is with PT Ready Indah, a local development group.

Recent economic and political unrest has affected the performance of these hospitals, and while it remains adequate, the Company views the investments as of a long-term nature.

The Company is also investigating opportunities in India and the South Pacific Region.

Diagnostics

MNDS is the largest private pathology network in Australia, and has large laboratory sites located in NSW, Victoria, Western Australia and the Northern Territory. Early in 1998 HCoA acquired its first diagnostic imaging business through the Sydney Imaging Group and this was complemented with the acquisition of NSW X-Ray in December 1998. In July 1999, Mayne Nickless finalised the acquisition of Melbourne Diagnostic Imaging Group.

Pathology is a specialty of medicine that involves the testing of blood, urine and other body tissues to aid in the diagnosis and treatment of disease states. In Australia the pathology market covers both public and private community patients. The public sector is mainly restricted to the public hospitals. The private community patients are serviced by private pathology practices, which over the past ten years, have become larger and fewer as a result of mergers and acquisitions. The owners of these large practices, of which Mayne Nickless is one, are mainly public and private corporations that have successfully merged these smaller practices into large, sophisticated, well-managed pathology networks. The provision of pathology services through these networks is by specialist pathologists, scientists and a well-organised logistics division of collection and courier services.

At the beginning of 1998-99 Mayne Nickless significantly increased its base in New South Wales through the acquisition of Macquarie Pathology and the specialised practice Dr Colin Laverty & Associates. This added to the existing NSW based businesses of Hampson and Sugerman Pathology. Synergistic opportunities, similar to those HCoA

Item 1 - Description of business

achieved through the merger of Dorevitch and Trezise Pathology in Victoria, are expected to provide the platform for increased efficiencies for the New South Wales based pathology operations.

Mayne Nickless believes pathology is attractive for a number of reasons. Firstly, revenues come from the government-funded Medicare system, and are not dependent upon private health insurance for its funding. Secondly, through an industry funding agreement with the Federal Government, industry growth is effectively guaranteed at approximately 5% per annum over the next three years. This underpins growth opportunities for MNDS' individual pathology businesses. Thirdly, Mayne Nickless believes there is significant opportunity to improve returns through rationalisation of laboratories, implementation of improved management practices, and applying the economies of scale enjoyed by HCoA in areas such as purchasing, training and asset utilisation.

Diagnostic imaging is a branch of medicine which assists in diagnosis and some treatments using a range of high technology imaging models including:

- diagnostic radiology – general x-rays, fluoroscopy (bariums), DEXA (bone density), mammography, OPG (dentistry);
- ultrasound;
- CT scanning;
- nuclear medicine; and
- magnetic resonance imaging (MRI).

Diagnostic imaging is principally undertaken by radiologists, who are medical specialists of over 10 years training and are Fellows of the Royal Australian College of Radiologists. Nuclear medicine is undertaken by nuclear medicine physicians. Some other medical specialists also undertake some diagnostic imaging procedures, such as use of ultrasound by obstetricians and use of angiography by cardiologists. The private diagnostic imaging market in Australia has a turnover of over \$1 billion, which is largely funded by Medicare benefits paid by the Federal Government. Diagnostic imaging also has a significant component of direct patient billing, unlike pathology which is largely bulk-billed to Medicare. It is estimated that there is at least a further \$500 million in diagnostic imaging services in public hospitals funded through state government health budgets.

Further growth in diagnostic services is expected through acquisition and organic growth, and as the network grows, opportunities provided by economies of scale and infrastructure sharing would also be expected to be available.

Logistics Services

The Company's logistics services are organised into contract and cash logistics, and time-critical express. The former consists of MPG Logistics in Australia and South-East Asia, Armaguard in Australia, and Loomis Armored Car Service in Canada. The latter comprises Mayne Nickless Express in Australia, Interlink Express and Parceline in the UK, and Loomis Courier in Canada.

Contract Logistics

Contract logistics refers to a business which provides and manages, on a contract basis, a customer's requirements for order processing, raw materials supply, inventory management, warehousing, product distribution and/or fleet management. Logistics contracts can range from the relatively simple supply of maintained trucks to the total

management of the supply chain from raw materials to inventory to product distribution. In the latter case, the types of transport and warehouse facilities utilised are typically determined by the logistics customer. The Company seeks to provide integrated or "full supply chain" contract logistics services to its customers.

The Company believes that contract logistics services offer many benefits for its clients. One obvious benefit is the ability of customers to transfer the costs of holding assets such as warehouses, trucks and information technology off-balance sheet. In addition, the multi-user nature of most logistics contracts effectively enables the customer to share the cost of these assets with other retailers and manufacturers, which results in greater utilisation and cost savings for the customer. Customers also benefit from the contract logistics provider's specialist knowledge and experience in solving complex distribution, warehousing, inventory control and fleet management problems, as well as its greater buying power in equipment and fuel, superior computer booking and tracking systems to organise loads and track stock and its ability to share peak loads from different customers. Finally, outsourcing inventory and distribution services permits customers to focus on their core business activities.

As a result of high capital costs involved in fleet financing, warehouses and information technology, the specialist knowledge and experience required and the size necessary to realise economies of scale, Mayne Nickless believes contract logistics is a relatively high barrier to entry industry in which it can add value, generate higher margins and achieve a strong market share.

The exact nature of logistics contracts varies significantly depending on the customer's requirements and the types of activities involved. However, most logistics contracts provide for a minimum annual fee and additional fees based on volume or warehouse turnover measured by inventory movement. The minimum annual fee is generally sufficient to cover warehouse leasing expenses and certain other fixed costs. While this provides some protection against the cyclical nature of transport consignments (especially as compared with general freight transport), the key to profitability in contract logistics is maximizing volume turnover. Margins are directly related to the complexity of the contract logistics solution provided, with those requiring greater degrees of information technology and material handling commanding greater margins. The Company's logistics contracts typically have an initial five year term with a five year renewal option in favour of the customer.

In Australia over the last 12 months, the Company has successfully implemented new contracts for an international sporting goods retailer and won additional work for a national telecommunications provider. A logistics solution has also been developed for a national health and pharmaceutical supplier. At the same time, the Company has continued to strategically exit a number of low margin contracts.

In the Asian region, new contracts were implemented in each of the three major markets in which the Company operates. In Malaysia, significant contracts have commenced with a paper manufacturer and a multinational grocery manufacturer. Operations commenced in Thailand for a global fast moving consumer goods manufacturer moving into that market. In Southern China, new contracts were obtained for two industrial companies, which offer supply chain solution opportunities in trade with Australia.

Item 1 - Description of business

In January 1999, Mayne Nickless acquired Port Botany Container Park Group, which has wharf-related operations in Sydney and Brisbane, and complemented the Company's E.A. Rocke operations in Melbourne and Brisbane.

With effect from 1 June 1999 the Company merged its contract logistics business with PGA Logistics, a leading private logistics company. The combined logistics operation, which will initially be called MPG Logistics, has annualised revenues of around \$410 million. MPG trades in Australia under the readily recognised and highly regarded existing business names of Mayne Logistics, PGA Logistics, Online, Cubico and E.A. Rocke.

MPG will continue to focus on offering a wider range of services to the higher value market segments such as fast moving consumer goods, fashion, high technology products and international services. MPG is also Australia's leading import/export and wharf-related logistics operator. It includes PGA's former associate, Coulsons, Mayne Nickless' E.A. Rocke operations in Melbourne and Brisbane, and the Port Botany Container Park Group in Sydney and Brisbane (acquired by Mayne Nickless in January 1999). Mayne Nickless has invested \$77 million in the merger and controls 75% of the equity, with PGA holding the remaining 25%.

Cash Logistics

Armaguard occupies a long established position as the market leader in the provision of cash logistics services in Australia. Operating a fleet of over 600 armoured vehicles from its extensive network of 60 depots, Armaguard provides armoured transport, cash processing, ATM servicing and coin rolling/handling services across a broad spectrum of clients including retailers and financial institutions.

While the introduction of electronic funds transfer at point of sale ("EFTPOS") and its acceptance by the public has impeded growth in the cash collection market, increases in disposable income, increased penetration of the retail market by major retailers and longer retail trading hours have all combined to provide a positive impetus to growth in cash collection and processing services. More recently, major retailers have sought to outsource their in-store cash office functions and Armaguard regards this opportunity as a source for potential growth.

Significant changes to the cash distribution system with respect to the Reserve Bank of Australia and major trading banks during 1998 have given rise to increased competition for the provision of bank branch cash delivery and collection services. At the same time, these changes have led to a broadening of servicing opportunities to banks, particularly in the area of the collection and processing of individual customer deposits on behalf of banks. Increasingly, banks have shown a propensity to divest themselves of in-branch customer transaction processing and this trend is expected to continue.

The decline of cash payrolls has given rise to a rapid expansion in the use of ATMs in Australia and Armaguard has enjoyed considerable success in providing cash replenishment, reconciliation and breakdown response services to banks' and other financial institutions' "offsite", or remote, ATMs. Ongoing rationalisation and closures of bank branches are expected to underpin further expansion of offsite ATM networks.

Currently the vast majority of ATMs are located in bank premises and the servicing of these machines has historically been supported by

bank branch staff. It is envisaged however, that in the foreseeable future, banks will embrace the notion that these machines can be effectively serviced by outside providers in conjunction with existing branch cash deliveries and collections.

Time-Critical Express

The Company's time-critical express businesses in Australia consist of express courier and messenger services.

Mayne Nickless is a leader in the provision of express courier services in Australia. Express courier services deliver documents and small packages by 9:30 am on the next day. While the principal linehaul method for long distances is by air, road linehaul is also used to reduce costs where distances permit. The Company believes it is the third largest provider of domestic express courier services. The Company also operates an international express courier document delivery service.

The Company's express courier services trade under the names Wards Skyroad, Security Express/Country Couriers and DPE International. These businesses operate specialised services in different market niches, and seek to maintain a competitive advantage through comprehensive branch networks, reliability of service and competitive pricing.

Wards Skyroad provides late pick-up and early delivery, same day delivery and international courier services to high volume customers seeking low cost services. Security Express/Country Couriers provides time critical overnight express freight services in rural Australia, principally to financial institutions. It has developed a strong network and regional presence in Queensland, New South Wales, Victoria and South Australia.

DPE International provides international courier services for small documents through its branches in London, Hong Kong and Singapore. DPE International's business is focused on providing international courier services to customers of the Company's Australian express freight operations.

Mayne Nickless' messenger services provide same day deliveries within the Australian State capital cities of Sydney, Melbourne, Brisbane, Adelaide and Perth. While these messenger services are grouped under the name Mayne Nickless Courier Systems, they also trade under a wide variety of local business names.

Discontinued Operations

Concerted efforts failed to arrest the poor performance of the Australian road express businesses. This caused substantial losses within road express, which impacted throughout the Mayne Nickless Express division. As a consequence, the road express business, consisting of Ipec, Jetsroad and The Overnights, was sold to Toll Holdings Group in the first half of 1998-99, which the Company believed offered the best option for existing customers and employees.

Europe

In the United Kingdom, time-critical express services are carried out through five business units: Parceline, Interlink Express, Interlink Ireland, Mayne Logistics and Direct Parcel Distribution UK Ltd. The strategic direction of these business units is co-ordinated centrally. In addition, all essential services, such as finance, human resources, marketing, engineering, fleet management, IT and hub operations, are centralised under a shared services function.

Item 1 - Description of business

Parceline is engaged in the business of next-day delivery of parcels throughout the United Kingdom. Parceline delivers in excess of 100,000 parcels each business day, focussing on regular and high-volume shippers. It uses a "hub & spoke" system to service its customers, with hubs at Birmingham and Manchester, and 33 depots throughout the United Kingdom. Parceline also offers a broad range of international express freight services through its UK and Ireland franchise for DPD, a European express freight group unaffiliated with Mayne Nickless. Interlink Express, founded in 1981, is a franchise-based business with a network of over 140 franchised areas throughout the United Kingdom. It provides a premium late pick-up, early-delivery satchel and small parcel service to a broad range of manufacturing, business and retail customers, emphasising the smaller user. On average over 35,000 parcels are delivered each business day. The distribution function operates through a wholly-owned hub in the West Midlands connected by a linehaul vehicle service to over 140 owner-operator depots in the UK and Ireland. Under the franchise arrangements, freight charges are billed to customers for the transportation of goods by Interlink Express as franchisor and franchisees are paid a commission per consignment. The rates of commission vary by product, weight and size, but average approximately half of Interlink Express's gross revenue.

North America

Mayne Nickless' North American operations consist of time-critical express freight and cash logistics services in Canada.

Time-critical express services in Canada include regional overnight, longhaul overnight, longhaul deferred and security shipments, under various tradenames, including Express Airborne, Loomis Courier Services and Security Express. Further growth in this business is expected, exploiting proven technology introduced from the UK express business.

Loomis Armored Car Service is headquartered in Vancouver and Toronto, and operates in every province of Canada, but does not provide service in the Territories. The business provides secure, time-critical cash logistics services to financial institutions, commercial clients and government agencies across Canada. These services comprise vaulting of valuables, cash collection and delivery, coin rolling and storage, treasury management, deposit consolidation and processing, plus maintenance and replenishment of automated banking machines including cash sourcing. Operating resources include more than 2,300 fully-trained personnel, technology support and a fleet of over 500 vehicles in 45 customer service locations in all provinces.

Competition

Mayne Nickless has developed strong market shares in many of the markets in which it operates. It does, however, continue to face strong competition in all of its principal businesses. In several markets, the Company is one of only few major competitors. In recent years, increased competition has tightened margins in many of the Company's markets.

Employees and Subcontractors

At 31 August 1999, Mayne Nickless employed or engaged approximately 30,000 people on a full-time equivalent basis. Of these, approximately 10,600 were outside Australia, comprising 3,700 in the United Kingdom, 5,300 in North America and 1,600 in Asia.

Wages in Australia for non-exempt employees are determined primarily through enterprise bargaining agreements. Previously centralised wage determination had been a feature of the Australian labor market since 1904, underpinned by the existence of Federal and State conciliation and arbitration tribunals and legal minimum wage rates, which the tribunals determine for each occupation. The Company has entered into a number of enterprise bargaining agreements ("EBAs") with its employees. The agreements introduce greater flexibility with the aim of delivering higher efficiency, increased productivity levels, greater workforce participation and job satisfaction. The EBA process continues to be a priority.

In the UK, Interlink Express has no union representation while Parceline has an agreement covering weekly paid staff who are represented by the Transport and General Workers Union. Approximately 40% of its workforce is covered by this union.

In Canada the Company's employees are represented by a number of unions, the two largest of which are the Teamsters and the Canadian Auto Workers. Wages for unionised staff are established under collective agreements. The majority of existing collective agreements are effective for at least the next two years.

Item 2 - Description of Property

The Company operates through separate operating entities in nine countries, including Australia, and countries in Asia, Europe and North America. Except for free standing private hospitals which are predominantly owned, the Company operates mainly from leasehold sites and is not completely dependent on any one facility. The Company is of the opinion that its site facilities are suitable and adequate for its existing and anticipated needs.

Item 3 - Legal Proceedings

The following discussion includes certain forward-looking statements. See "Forward-Looking Statements".

To the best knowledge of the Company, neither the Company nor any or its subsidiaries is engaged in any litigation or claim which is likely to have a materially adverse effect on the business, financial condition or operating results of the Company or its subsidiaries.

Item 4 - Control of registrant

The Company is not directly or indirectly owned or controlled by another corporation or by any foreign government.

As of 31 August 1999, Franklin Resources Inc. and its affiliates were the only person to own more than 10% of any class of the company's voting securities. The total amount of any class of the Company's voting securities owned by the officers and Directors as a group is also set forth below:

Title of Class	Identity of Person or Group	Amount owned	Percent of Class
Ordinary Shares	Franklin Resources Inc. and its affiliates	49,930,727	14.65%
Ordinary Shares	Directors and Executive Officers	172,620	0.05%

Distribution of shares as at 31 August 1999

Holdings	Number of Shareholders
1 - 1,000	20,598
1,001 - 5,000	19,486
5,001 - 10,000	1,934
10,001 - 100,000	888
100,001 and over	108
Total	43,014
Holding less than a marketable parcel	1,246

Substantial Shareholdings

Name and Address	Number of Fully Paid Ordinary Shares Held
Franklin Resources Inc, 777 Mariners Island Blvd, San Mateo, CA, 94404, USA	49,930,727
Maple-Brown Abbott, Level 28, Westpac Plaza, 60 Margaret Street, Sydney	32,675,246
Royal and Sun Alliance Australia Holdings Ltd, 465 Victoria Avenue, Chatswood	27,463,341
Norwich Union Financial Services Ltd (Formerly Portfolio Partners Limited) 4/530 Collins Street, Melbourne	20,259,650
UBS Nominees Pty Ltd, 25/1 Farrer Place, Sydney	17,492,649

Item 4 - Control of registrant

Twenty Largest Shareholders

Name and Address	Number of Shares	Percent of Shares issued
Chase Manhattan Nominees	50,191,360	14.73
Westpac Custodian Nominees	40,675,926	11.94
National Nominees Limited	32,803,992	9.63
ANZ Nominees Limited	15,379,139	4.51
MLC Life Limited	9,995,203	2.93
Queensland Investment Corporation	8,597,931	2.52
Perpetual Trustees Nominees Ltd	8,028,169	2.36
Citicorp Nominees Pty. Ltd.	7,302,611	2.14
IOOF Australia Trustees (NSW) Ltd	5,968,209	1.75
Pendal Nominees Pty. Ltd.	5,808,034	1.70
Commonwealth Custodial Services Limited	5,800,426	1.70
Perpetual Trustees Australia Ltd	4,405,751	1.29
AMP Nominees Pty Ltd	4,276,059	1.25
Australian Mutual Provident Society	4,266,870	1.25
Tyndall Life Insurance Company Ltd.	3,301,938	0.97
Westpac Financial Services Ltd	2,752,787	0.81
Australian Foundation Investment Company Limited	2,699,027	0.79
Perpetual Nominees Ltd	2,437,048	0.72
Norwich Union Life Australia Ltd	2,371,841	0.70
Westpac Life Insurance Services Limited	2,315,524	0.68
Total	219,377,845	64.37

Voting Rights

The voting rights attached to the ordinary shares are:

On a show of hands, every person present in the capacity of a member or the representative of a member which is a body corporate, or the proxy or an attorney of a member, or in more than one of those capacities has one vote. On a poll, every member who is present in person or by proxy or attorney or, in the case of a member which is a body corporate, by representative has one vote in respect of every fully paid share held by such member.

Change in control

There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.

Item 5 - Nature of trading market

The principal trading market for Mayne Nickless' Ordinary Shares is the Australian Stock Exchange. ("ASE").

American Depositary Shares ("ADSs"), each representing five (5) Ordinary Shares and evidenced by American Depositary Receipts ("ADRs"), for which Citibank N.A. of New York is the Depositary, are traded over the counter in the United States.

The following table sets forth for the periods indicated the highest and lowest market quotations for Ordinary Shares reported on the Daily Official List of the ASE adjusted to reflect stock dividends, rights issues and entitlement issues during the periods indicated. Prices for the Company's ADSs in the United States over the counter market are not currently quoted on a national exchange.

		Ordinary Shares	
		High A\$	Low A\$
1996-97	First Quarter	8.55	7.15
	Second Quarter	8.87	7.86
	Third Quarter	8.47	7.41
	Fourth Quarter	8.14	7.49
1997-98	First Quarter	8.10	7.45
	Second Quarter	8.04	6.19
	Third Quarter	8.03	7.47
	Fourth Quarter	8.68	7.51
1998-99	First Quarter	9.48	8.27
	Second Quarter	7.51	5.57
	Third Quarter	6.47	4.96
	Fourth Quarter	5.73	5.07

As of 31 August 1999, 1,398,610 ADRs representing 6,993,050 Ordinary Shares were outstanding and were held by three holders. At 31 August 1999, 46,479 Ordinary Shares were registered in the names of 31 holders with United States addresses representing approximately 0.0147% of the Company's outstanding Ordinary Shares.

The priority entitlement to Mayne Nickless shareholders to the Company's Optus shares through the divestment of its shareholding in Optus in November 1998 and the subsequent capital return of \$1.00 per share in January 1999 represented significant value transfers to shareholders. The share price from the second quarter of 1998-99 includes these value transfers.

Item 6 - Exchange controls and other limitations affecting security holders

Under existing Australian legislation, the Reserve Bank of Australia does not inhibit the import and export of funds and no permission is required by Mayne Nickless for the movement of funds in and out of Australia, except in connection with certain payments to or by the order of, and certain transactions involving, directly or indirectly, the Government of Iraq or its respective agencies or nationals, the Government of Libya or its respective public authorities or public undertakings, and the authorities of the Federal Republic of Yugoslavia (Serbia and Montenegro) or its respective agencies.

Accordingly, at the present time, remittances of any dividends, interest or other payment by Mayne Nickless to non-resident holders of Mayne Nickless' securities in the United States are not restricted by exchange controls or other limitations.

There are no limitations, either under the laws of Australia or under the Constitution of Mayne Nickless, to the right of non-residents to hold or vote Mayne Nickless Ordinary Shares other than under the Foreign Acquisitions and Takeovers Act of Australia and the Australian Corporations Law.

The Foreign Acquisitions and Takeovers Act requires prior notification by the acquirer to and approval by the Treasurer of the Australian Commonwealth Government of any acquisition of interests in the outstanding shares of an Australian corporation (other than an exempt corporation the definition of which excludes a corporation such as Mayne Nickless) which would result in one foreign person alone or with associated persons controlling 15% or more of total voting power or issued shares. In addition, the statute requires prior notification to and approval by the Treasurer of the Australian Commonwealth Government of any acquisition by two or more non-associated foreign persons, together with any associated persons, when such acquisition will result in foreign persons controlling, or when foreign persons control, in the aggregate, 40% or more of total voting power or issued shares. The Treasurer may prevent such an acquisition or permit it only subject to conditions.

Breaches of the compulsory notification procedures constitute statutory offenses punishable by fines or imprisonment.

The Australian Corporations Law (the "ACL") prohibits any person (including a corporation) from acquiring shares if after the acquisition that person's, or any other person's, entitlement would exceed 20 percent of the issued voting shares of a company. A person is considered to be entitled to a share under the ACL if he or an associate (as defined in the ACL) has, or is deemed under the ACL to have, power (whether direct or indirect and whether legally enforceable or not and irrespective of certain restrictions and restraints on such powers and other matters and things as specified in the ACL): (i) to exercise, or to control the exercise of, the right to vote attached to that share; or (ii) to dispose of, or to exercise control over the disposal of, that share; and a person is considered to have acquired a share when he has acquired such power over such share. This prohibition is subject to certain exceptions which must be strictly complied with to be applicable.

Some of the more significant exceptions are as follows:

- (i) Section 616 of the ACL permits a person who proposes to become entitled to more than 20 percent of the voting shares of a company to make a formal takeover offer, in registered

Item 6 - Exchange controls and other limitations affecting security holders

form, to the shareholders of the target company to acquire their shares. Separate takeover schemes are required for each class of shares sought.

- (ii) Under Section 617 of the ACL, a person who is not already entitled to 30 percent or more of the voting shares can acquire in excess of 20 percent of the company's voting shares by causing a takeover announcement to be made on his behalf by his sharebroker on the home exchange of the target company. A takeover announcement must offer to acquire all the shares in the class which the person seeks to acquire.
- (iii) Under Section 618 of the ACL, a person who has for 6 months been entitled to 19 percent or more of the voting shares is permitted to acquire not more than three percent of the voting shares in any period of six months.

There is a proposal before the Commonwealth Parliament to introduce another significant exception whereby a person could acquire a stake of greater than 20% in a single transaction provided the person then extends an unconditional cash bid to all other shareholders on terms no less favourable. At the time of writing, this proposal remains under debate.

Item 7 - Taxation

The taxation discussion set forth below is intended only as a descriptive summary and does not purport to be a complete analysis or listing of all potential tax effects relevant to the ownership of Ordinary Shares or ADSs. Except as otherwise noted, the following discussion is based on the Australian laws in force as of the date of this Annual Report and is subject to any changes in Australian law, and in any double taxation convention between the United States and Australia, occurring after the date of this Financial Report.

The following summary of certain Australian tax consequences is not exhaustive of all possible tax considerations and holders of ADRs are advised to satisfy themselves as to the overall tax consequences of their acquisition and ownership of ADSs and the Ordinary Shares represented thereby by consulting their own tax advisors.

Commonwealth of Australia Taxation

Under the current double taxation convention between Australia and the United States, dividends paid by Mayne Nickless to a United States resident shareholder of Mayne Nickless, including an ADS holder, who is not deemed to be an Australian resident for tax purposes, will be subject to an Australian withholding tax at a maximum rate of 15% on their unfranked amount. To the extent that withholding tax is paid, this is a final tax and no other Australian tax would be payable.

The Australian income tax legislation incorporates an imputation system for the relief of double taxation on dividends paid by Australian resident corporations. The imputation system applies with the effect that dividends paid to non-residents of Australia will not attract Australian withholding tax to the extent that the dividend has been "franked". A dividend will generally be franked to the extent that the corporation declaring the dividend has tax credits available from the payment of Australian corporate tax and has declared that the dividend is so franked. Dividends paid to United States residents which are not franked (or are partly franked) will continue to attract withholding tax at a rate of 15% on the unfranked amount.

Mayne Nickless has provided and will continue to provide all shareholders with notices which specify the franked and unfranked amount of each dividend and the amount (if any) of dividend withholding tax deducted.

A United States citizen who is a resident in Australia, or a United States corporation which is a resident of Australia (by reason of carrying on business in Australia and having its voting power controlled by shareholders who are residents of Australia, or being managed or controlled in Australia) may be liable to pay Australian income tax in respect of the profit or capital gain (if any) derived upon the disposal of ADSs or Ordinary Shares. Under current Australian tax laws, no tax is payable in respect of the disposal of ADSs or Ordinary Shares held by non-residents of Australia except:

- (a) if the ADSs or Ordinary Shares are trading stock of the holder or if an ordinary incident of the holder's business is the sale of securities for a profit, and, in either case, the profit is sourced in Australia; or
- (b) if sold and the total number of ADSs or Ordinary Shares held by the non-resident or his associates, or the non-resident together with his associates, at any time during the period of five years preceding the disposal represents 10% or more of the issued share capital of Mayne Nickless (excluding share capital carrying no right to participate beyond a specified amount in a distribution of profits or capital).

Notwithstanding that the profit or gain upon the sale of the ADSs or Ordinary Shares is assessable in Australia in the circumstances of (a) or (b) above, if the vendor is a resident of the United States, then depending on the circumstances of the case, relief from double tax may nevertheless be available under the current double taxation convention referred to above.

In addition, under current Australian tax law, no Australian State or Federal estate duty or any other inheritance taxes will be payable in respect of ADSs or Ordinary Shares upon the death of a holder thereof, regardless of the holder's domicile. For capital gains tax purposes, the death of the holder will not produce a deemed disposal, except if the ADSs or Ordinary Shares are bequeathed to a tax exempt institution (as defined by reference to certain Australian exempting provisions). In all other circumstances, the liability for tax on any gain is effectively transferred to the deceased's legal representatives or beneficiaries, subject to those matters referred to above. Such deemed disposal or a disposal subsequently by the beneficiary will have the consequences set out above.

Business and international taxation in Australia, and in particular the imputation system of company tax, is currently subject to review and may be amended with effect 1 July 2000.

Australian Stamp Duty

Under current law, no Australian stamp duty will be payable on the acquisition of ADSs or on any subsequent transfer of an ADS, provided that the ADR evidencing such ADS remains at all times outside Australia, that the instrument of transfer is not executed in Australia and remains at all times outside Australia and the Depositary maintains no register of ADSs, or any other securities, in Australia. Transfers of Ordinary Shares or rights of Australian companies listed on a recognised stock exchange can occur in three ways (through a licensed dealer, through the Clearing House Electronic

Item 7 - Taxation

Subregister System ("CHESS") or in an off market transaction). Transfers of shares or rights effected by a licensed dealer on a stock exchange are subject to Victorian stamp duty of 0.15% of the share price for each sale and each purchase (i.e., 0.3% for the whole transaction). The licensed dealer is liable for the payment of duty, however, the dealer can recover the duty paid from the vendor or the purchaser for whom he or she has made the sale or purchase respectively. For transfers of shares effected by a participant in the Securities Clearing House ("SCH") through CHESS, the transfer is dutiable at 0.3% of the value of the shares. Liability for payment of duty lies with the SCH participant to the transfer. If there is more than one participant, liability lies with the participant who is the transferee or person who controls the transferee's holding. If the SCH participant liable to pay the duty is not the transferee, the participant may recover the duty from the transferee. Off market transfers of shares or rights listed on the ASE are dutiable at 0.3% of the value of the marketable securities transferred. Liability to pay duty lies with Mayne Nickless, the transferor and transferee. Liability is joint and several. Mayne Nickless and the transferor can recover from the transferee the duty paid or can deduct the duty they have paid from any money due to be paid to the transferee by them. Stamp duty must be paid before the transfer is registered by Mayne Nickless. It is currently proposed that stamp duty on share dealings be abolished with effect from 1 July 2001. However, no legislation to give effect to this proposal has yet been passed.

Item 8 - Selected financial data

The selected consolidated financial data as of 4 July 1999 and 5 July 1998, and for the fiscal years ended 4 July 1999, 5 July 1998, and 6 July 1997 set forth below have been derived from, and should be read in conjunction with and are qualified in their entirety by reference to, the Mayne Nickless audited Consolidated Financial Statements included herein, including the notes thereto. The selected financial data as of 6 July 1997, 30 June 1996, and 2 July 1995, and for the years ended 30 June 1996 and 2 July 1995 set forth below have been derived from the audited Consolidated Financial Statements of Mayne Nickless for the fiscal years ended 6 July 1997, 30 June 1996, and 2 July 1995, which are not included herein. Mayne Nickless' audited Consolidated Financial Statements are prepared in accordance with Australian GAAP which varies in certain significant respects from United States GAAP. See Note 35 to the Consolidated Financial Statements for a discussion of the significant differences between Australian GAAP and US GAAP as they apply to the Company.

Item 8 - Selected financial data

Income Statement Data

(Dollars in thousands except ratios)

	1998 - 99	1997 - 98	1996 - 97 ⁽¹⁾	1995 - 96	1994 - 95
Amounts prepared in accordance with Australian GAAP					
Sales revenue	2,797,695	2,634,934	2,835,374	2,917,346	3,000,732
Costs and expenses					
Operating, selling, general and administrative expenses	2,493,656	2,312,465	2,520,345	2,626,035	2,727,569
Depreciation and amortisation	113,928	101,819	109,240	111,008	93,108
Total costs and expenses	2,607,584	2,414,284	2,629,585	2,737,043	2,820,677
Earnings before interest and tax	190,111	220,650	205,789	180,303	180,055
Net interest expense	(27,911)	(11,915)	(29,377)	(47,567)	(2,382)
Income tax expense	(51,669)	(76,980)	(60,580)	(47,589)	(50,882)
Operating profit after interest and tax before abnormal items and minority interests	110,531	131,755	115,832	85,147	126,791
Abnormal items after tax ⁽²⁾	372,576	(87,532)	(15,334)	(73,395)	(47,561)
Minority interest in operating (profit)/loss after interest and tax	(615)	8	(207)	(201)	—
Net income	482,492	44,231	100,291	11,551	79,230
Ratio of earnings to fixed charges ⁽³⁾	2.1x	2.3x	1.8x	1.8x	2.5x

Earnings per share (Australian cents)

Basic earnings per share

Before abnormal items	31.7c	36.0c	26.3c	26.2c	39.6c
After abnormal items	139.3c	5.6c	(12.5)c	1.7c	24.5c

Fully diluted earnings per share

Before abnormal items	31.5c	35.6c	26.3c	26.1c	39.4c
After abnormal items	137.7c	5.6c	(12.5)c	1.7c	24.4c

Dividends per share (Australian cents)

	30.0c	30.0c	30.0c	32.0c	35.0c
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Amounts restated in accordance with US GAAP

Sales revenue	2,797,695	2,634,934	2,835,374	2,917,346	3,000,732
Net income	676,842	7,942	(81,987)	(34,577)	18,288
Ratio of earnings to fixed charges ⁽³⁾	2.3x	2.2x	1.6x	1.9x	1.7x

(1) 53 week year

(2) Refer to note 5 of the Consolidated Financial Report for details of operating costs disclosed as abnormal items for the 1998-99, 1997-98 and 1996-97 financial years.

(3) For the purposes of computing the ratio of earnings to fixed charges for any period, earnings consist of income before taxes for such period plus fixed charges deducted in calculating net income for such period (excluding interest capitalised during the period). Fixed charges for any period consist of interest charges, including capitalised interest, and the portion of rental expense deemed to be representative of the interest factor.

Item 8 - Selected financial data

Balance Sheet Data (at period end)*(Dollars in thousands except ratios and percentages)*

	1998 - 99	1997 - 98	1996 - 97 ⁽¹⁾	1995 - 96	1994 - 95
Amounts prepared in accordance with Australian GAAP					
Assets					
Cash and deposits	196,242	310,274	240,002	320,634	351,130
Other current assets	460,576	1,102,278	1,030,957	1,010,373	526,692
Non current assets	1,755,310	1,680,660	1,735,098	1,479,243	1,816,782
Total assets	2,412,128	3,093,212	3,006,057	2,810,250	2,694,604
Liabilities					
Current liabilities	526,100	580,221	633,633	635,880	852,579
Long term debt (including finance leases)	704,474	1,194,118	1,206,936	1,022,043	595,321
Other non current liabilities	44,131	45,613	44,378	42,184	57,445
Total liabilities	1,274,705	1,819,952	1,884,947	1,700,107	1,505,345
Shareholders' equity	1,137,423	1,273,260	1,121,110	1,110,143	1,189,259
Total liabilities and shareholders equity	2,412,128	3,093,212	3,006,057	2,810,250	2,694,604
Debt capitalisation ratio ⁽²⁾ %	38	48	52	48	33

Amounts prepared in accordance with US GAAP

Assets					
Current assets	656,818	1,192,752	1,074,999	1,274,409	877,822
Non current assets	1,823,811	1,464,683	1,533,462	1,291,051	1,639,456
Total assets	2,480,629	2,657,435	2,608,461	2,565,460	2,517,278
Liabilities					
Current liabilities	474,500	528,397	588,295	589,200	806,006
Long term debt (including finance leases)	704,474	1,194,118	1,206,936	1,022,043	595,321
Other non current liabilities	182,347	35,827	49,530	27,533	47,519
Total liabilities	1,361,321	1,758,342	1,844,761	1,638,776	1,448,846
Shareholders' equity	1,119,308	899,093	763,700	926,684	1,068,432
Total liabilities and shareholders equity	2,480,629	2,657,435	2,608,461	2,565,460	2,517,278
Debt capitalisation ratio ⁽²⁾ %	39	57	61	52	36

(1) 53 week year

(2) Ratio of long term debt to long term debt plus shareholders' equity.

Item 9 - Management's discussion and analysis of financial condition and results of operations

The discussion below contains forward-looking statements including, without limitation, those contained under "Year 2000". The Company's actual results could differ materially from those anticipated by those forward-looking statements due to a variety of factors, including those set forth under "Forward-Looking Statements" and elsewhere in this Financial Report.

The Company operates in two different service industries (health care and logistics) and in three different geographical markets (Australia, including the Pacific Region, Europe and North America). Logistics includes time-critical express and contract logistics (incorporating cash logistics). Health care consists of owning and operating private hospitals, operating private hospitals under service agreements with various state governments in Australia, and providing certain related health care services. The Company has logistics operations in all three geographic markets and health care operations in Australia and Indonesia. See the tables set forth in "Item 1 - Description of Business - Segment Information" for the contributions of each industry and geographic segment to the Company's consolidated sales revenue and operating profit before interest and tax ("EBIT") for the last three fiscal years.

The Company's Consolidated Financial Statements are prepared in accordance with Australian GAAP, which varies in certain material respects from United States GAAP. See Note 35 to the Consolidated Financial Statements for a discussion of the material differences between United States and Australian GAAP. In addition profit and loss disclosure under Australian GAAP requires a distinction between normal and abnormal income and expense items. These distinctions are referred to in the discussion below. Under US GAAP such distinctions are not made.

The Company has recently disposed of businesses that did not meet its strategic criteria. In the first half of 1998-99, the Company sold its Australian road express business. Provisions associated with the disposal of \$45 million were booked in the 1997-98 financial statements. In 1997-98 this business generated revenue of \$191.5 million and in 1996-97 \$260.5 million. In August 1997, with an effective date of 7 July 1997, the Company sold its European Contract Logistics businesses for FRF930 million (approximately \$202 million), namely Heijden Logistics in the Benelux region and France Distribution Systems (FDS) in France. During 1996-97 these businesses generated revenue of \$365.9 million and earnings before interest, tax and abnormal items of \$16.3 million.

In addition, during 1998-99 the Company achieved a key strategic objective of divesting its 24.99% shareholding in Optus through a public offering and listing in Australia. Proceeds from the sale of this shareholding were \$1,015.5 million. For full details of the sale refer to the section headed 'Investment in Optus' below.

Year 2000

Mayne Nickless considers Year 2000 compliance to be a serious business issue and recognises the importance of ensuring business operations are not adversely affected. Under the executive sponsorship of the Managing Director, the Company has maintained the focus of the Year 2000 Project as a high business priority.

The Company has identified the following risks of the Year 2000 and accordingly, has put processes in place aimed at managing those risks and the related cost and will continue to monitor progress:

- Software applications, system hardware and software and embedded systems (such as building infrastructure systems, medical and analytical systems, telephone switching equipment etc.) that Mayne Nickless and business partners use, are being assessed for Year 2000 compliance;
- The ability of Mayne Nickless to continue the delivery of its services is dependent, not only on Mayne Nickless' own systems and applications, but also on the uninterrupted supply of products and services from other organisations, including critical service providers such as telecommunication companies and power utilities, as well as suppliers of products and services for its day-to-day operations; and
- Significant customers' level of compliance is being assessed, assurance being sought that the issue is being sufficiently addressed, aiming for business continuity, particularly where customer systems interface with those of the Company.

As previously publicly stated a five phase approach has been taken for the project comprising:

- Awareness – Definition and explanation of the importance of achieving Year 2000 compliance. Mayne Nickless' aim is to ensure that all parts of the Company are fully aware of the Year 2000 issue and its potential impact on the organisation, its customers, suppliers and business partners;
- Inventory Compilation – Identification of software applications, system hardware and software, embedded systems and non-information technology components that may have a Year 2000 exposure. Development of a policy requiring Year 2000 compliance warranties and assurances to be sought for all newly acquired software applications, system hardware and software, embedded systems and non-information technology components;
- Impact Identification, Prioritisation and Costing – Determination by business units of inventory items which are mission-critical and must be converted or replaced, those which support important functions and should be converted or replaced, and those which support marginal functions and may be converted or abandoned. This phase also includes the assessment of customers, suppliers and business partners regarding their level of compliance, seeking assurance that the Year 2000 issue is being sufficiently addressed;
- Fix and Test – Evaluation of the scope of work, remediation methodology to be adopted and test strategies to be developed, and formulation and subsequent implementation of rectification plans; and
- Assessment/Audit – Checking compliance of critical software applications, system hardware and software, embedded systems and non-information technology components, and the existence of contingency plans.

Mayne Nickless is currently focusing on business continuity planning and clean management, details of which are outlined below. The business units have largely completed phases (ii) to (iv) of the project however the following two points should be noted:

- The Company's recently acquired Victorian radiology business, the health care interests in Indonesia and the businesses the Company purchased to form the new Australian Logistics venture,

Item 9 - Management's discussion and analysis of financial condition and results of operations

plan to complete the majority of phases (ii) to (iv) by 31 October 1999; and

- A small number of tasks identified in the Fix and Test phase are still outstanding as the Company is still awaiting the availability of some resources and the supply of upgrades from some business partners.

The Awareness phase and the Assessment and Audit phase are continuing and will be ongoing up to and into the Year 2000.

Clean Management

Clean Management has been identified as a critical process and has been included in the Company's Year 2000 Project. The aim of Mayne Nickless' Clean Management process is to reduce the risk of a Year 2000 ready environment being made non-ready due to some change in that environment.

Business Partners

The ability of Mayne Nickless to continue the delivery of its services is, in many cases, dependent on the uninterrupted supply of products and services from other organisations. These include critical service providers such as telecommunication companies, power utilities, as well as suppliers of products and services for its day-to-day operations.

Communication with business partners, including customers and suppliers, regarding Year 2000 compliance will be ongoing through to the year 2000. Contact has been made with the majority of Mayne Nickless' significant business partners to check they have programs in place aimed at addressing Year 2000 issues. We will continue to seek a clearer picture of the Year 2000 status of our business partners with the aim of monitoring any implications for Mayne Nickless.

Independent Assessment

An independent assessment of Mayne Nickless' Year 2000 project activities was undertaken in April 1998 to review the adequacy of the approach. To maintain this independent overview, another independent assessment was undertaken in December 1998 by IBM and Unisys. IBM and Unisys have performed further reviews which were completed mid-September 1999. Recommendations resulting from these assessments have been reviewed and where appropriate have been or are being implemented.

Business Continuity Plans

The failure to correct a material issue associated with Year 2000 compliance could potentially result in, or a failure of, certain business activities or operations of Mayne Nickless. Although the Company has undertaken the initiatives described above in an attempt to address Year 2000 compliance issues, there can be no assurance that the products and services provided by third parties to the Company will achieve Year 2000 compliance in a timely manner or that the failure of the Company's systems or those of third parties in achieving such compliance will not have a material adverse effect on the Company. See also "Forward Looking Statements".

Business continuity planning is currently one of the major focus areas for all business units. External consultants with expertise in business continuity planning have been engaged to assist with the business impact analysis, the business unit continuity plans and overall crisis management.

The majority of the business units have completed the business impact analysis and are finalising the business continuity plans, determining what contingencies are feasible in terms of risk, cost, and appropriateness for Year 2000. Business units have prepared and are currently training, or have completed training, on the use of the crisis management plans. Mayne Nickless is planning to substantially complete business continuity planning by 31 October 1999.

While Mayne Nickless cannot guarantee to avoid all potential problems associated with Year 2000 issues, it recognises the importance of ensuring business operations are not adversely affected and is committed to the aim of minimising the risks to our customers, shareholders, suppliers and employees.

Total Estimated Cost

The total estimated cost to the Company's profit and loss in respect of the Year 2000 issue is approximately \$26 million (pre-tax). This has been revised upwards from the previous disclosure of \$18 million based on actual expenses incurred as the project has progressed. Of this \$26 million, \$1.6 million was expensed in 1997-98, \$16.9 million was expensed in 1998-99 and \$7.5 million is the anticipated expense in the 1999-2000 financial year.

Capital expenditure specifically incurred to deal with the year 2000 issue has been revised down from the previous disclosure of \$18 million to \$15 million. This revision has also been based on actual capital expenditure incurred as the project has progressed. Of this \$15 million, \$1.3 million was incurred in 1997-98, \$8.7 million in 1998-99 and approximately \$5 million is to be spent in the 1999-2000 financial year.

The total estimated Year 2000 compliance cost, being expense and capital, is therefore approximately \$41 million. All costs have been and will be funded from operating cash flows.

Results of Operations - 1998-99 Compared with 1997-98 Consolidated

Sales revenue for 1998-99 increased 6.2% to \$2,797.7 million from \$2,634.9 million the prior year. The sales revenue for continuing businesses (ie excluding discontinued businesses) was \$2,759.1 million, up 13.0% from \$2,442.4 million in the prior year. This increase primarily reflected strong growth in health care, in particular developing hospitals and diagnostic services.

Earnings before interest and tax ("EBIT") decreased 13.8% to \$190.1 million. The Company experienced difficult trading conditions in many of its Australian business units and earnings suffered especially in the hospital and cash logistics businesses.

Consolidated net profit after tax and before abnormals was \$110.5 million for the full year ending 4 July 1999, a decline of 16.1% over the prior year. Consolidated net profit after tax and abnormal items increased to \$483.1 million from \$44.2 million. The profit on the sale of Mayne Nickless' shareholding in Optus was the major contributor to the after-tax abnormal profit of \$372.6 million.

Australia

Sales revenue for 1998-99 for Australian operations (including Asia and Pacific regions) totalled \$1,818.6 million, up 15.8% from in the prior year. EBIT attributable to Australian operations was \$143.9 million, down 15.8% from \$170.9 million the prior year. Revenue increased through growth in health care and contract logistics.

Item 9 - Management's discussion and analysis of financial condition and results of operations

The earnings decline was predominantly the result of a decline in the returns of the hospital portfolio and the Australian cash logistics business, Armaguard.

Health Care

Sales revenue from health care services was \$1,026.2 million, a 26.0% increase from \$814.6 million, supported by continued growth in the diagnostic services business, the development of recently commissioned hospitals and the acquisition of new hospitals in the period. EBIT declined 18.3% to \$87.7 million from \$107.3 million the previous year, reflecting continued and well-highlighted difficulties in the private hospital industry. In addition, earnings were also impacted by substantially higher depreciation and amortisation charges associated with recently opened hospitals and newly acquired diagnostics businesses.

Sales revenue for hospitals and medical centres increased 20.8% to \$766.7 million, while EBIT fell 30.4% to \$59.0 million. Hospital margins declined as a result of pressure from increased labour costs per workhour and minimal price increases from health funds. High efficiency levels for the hospitals have been maintained however, with workhours per patient day decreasing slightly. These margin pressures have been compounded by the significant number of hospitals that HCoA has commissioned recently which have significant depreciation associated with them. These remain in the developing stage and accordingly are yet to reach planned utilisation and profitability levels. Patient demand for hospital services remained solid through the period and this, along with the development of new hospitals, led to a 21% increase in patient admissions. Occupancy levels in the hospital portfolio also improved, increasing to 71% from 69% the prior year.

Diagnostic services continued to expand, with revenue reaching \$259.5 million, up 44.2%. Earnings of \$28.7 million were recorded, up 27.5% on the prior year. Amortisation charges associated with new diagnostic acquisitions has had a slightly softening impact on earnings growth. During the year, the Company acquired Macquarie Pathology, Dr. Colin Laverty and Associates, and NSW X-Ray. Since year end the acquisition of Melbourne Diagnostic Imaging Group was completed.

Logistics

Time-Critical Express

The Australian time-critical express business reported a result well below the prior year, reflecting a lower revenue base and high overhead costs resulting from the sale of the Australian road express operations. Revenue declined 7.6% to \$290.4 million. While significant improvement was made to the operating cost structure of the business during the year, revenue attrition negated these benefits.

Contract and Cash Logistics

Combined revenue for the Company's Australian contract and cash logistics businesses' increased 13.5% to \$501.9 million, however EBIT fell approximately 10%.

The Company's contract logistics business continued to perform well, with revenue growth of 18.9% to \$320.0 million, and a strong improvement in EBIT, highlighted by the first positive contribution from the Company's Asian logistics business. With effect from 1 June 1999 the Company merged its contract logistics business with PGA Logistics, a leading private logistics company. The Company believes the combined logistics operation, called MPG Logistics, is now the

largest provider of outsourced logistics in Australia. The current year results include one month of financial results from the new combined entity.

Armaguard's performance was below the prior year. Following the entry of a new competitor into the Australian cash logistics market a number of major contracts were tendered. Armaguard won a number of these contracts, which contributed to an increase in revenue by 5.3% to \$181.9 million. However, earnings were lower because of lower margins linked to substantial price reductions in these contracts. Further declines in margins can be anticipated in the current financial year because of the full-year impact of the new operating environment.

Europe

The time critical express businesses in the UK continued to post strong results, despite experiencing some slowdown in activity. Sales revenue grew 9.6% to \$544.9 million. Earnings remained steady, although were impacted by significant restructuring costs, the benefits from which are expected to be achieved in subsequent periods. The value of the service offerings of Parceline and Interlink Express allowed them to maintain strong margins in a marketplace characterised by price-based competition.

North America

Sales revenue for the North American operations, which are Canadian-based, was \$395.6 million, up 5.6% from the prior year. Earnings however, fell significantly, down to \$12.7 million from \$17.2 million the prior year. All of the earnings decline was attributable to Loomis Armored Car Service.

Logistics

Time-Critical Express

Loomis Courier generated revenue of \$276.5 million, which was flat compared with the prior year. Earnings improved nearly 6% reflecting a number of initiatives to improve the quality of its revenue.

Contract Logistics

Loomis Armored Car Service generated revenue growth of 22.4% to \$119.1 million, however EBIT was well below the previous year reflecting lower margins on new and renewed contracts.

Investment in Optus

The Company reported a post-tax abnormal profit of \$372.6 million for the year, predominantly from the profit on the sale of the Company's Optus shareholding.

The total profit on disposal after tax, net of funding costs, was \$399.3 million, which consisted of:

	A\$m
Profit on sale	329.9
Cost of funding	(16.3)
Income tax expense	(134.1)
Capital Gain	179.5
Recoupment of equity losses	219.8
Net profit on disposal	399.3

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Under US GAAP the net profit on disposal is \$564.3 million. The increase in profit is due to a higher recoupment of equity accounted losses under US GAAP.

Abnormal expenses after tax charged during the year included business divestment and restructuring costs of \$13.3 million, and Year 2000 compliance costs of \$10.9 million.

Results of Operations - 1997-98 Compared with 1996-97 Consolidated

Sales revenue for 1997-98 was \$2,634.9 million, a decrease of 7.1% compared with 1996-97 sales revenue of \$2,835.4 million. The decrease principally resulted from the sale in 1996-97 of the logistics businesses in Europe, whose aggregate revenue in 1996-97 was \$365.9 million. Revenue from continuing operations increased by 10.6%, benefitting from strong performances by the international time-critical express divisions. Growth and profitability of the health care division was favourable given the difficult operating environment.

EBIT for 1997-98 was \$220.7 million, an increase of 7.2% from the EBIT for 1996-97 of \$205.8 million. The increase primarily reflected earnings growth in MNDS and the offshore express businesses.

Net profit after tax and before abnormal items was \$131.8 million for 1997-98, an increase of 13.8% over the 1996-97 result of \$115.8 million. Consolidated net profit after tax and abnormal items decreased 55.9% to \$44.2 million from \$100.3 million in 1996-97. This result reflected after-tax abnormal costs of \$87.5 million associated mainly with the sale and restructure of a number of businesses, primarily the provision for the sale of the Australian road express businesses, and further restructuring in the contract logistics businesses and corporate group offices.

Australia

Sales revenue for 1997-98 for Australian operations (including Pacific regions) totalled \$1,570.6 million, an increase of 5.1% over the prior year's sales revenue of \$1,494.8 million. EBIT attributable to Australian operations was \$170.9 million in 1997-98, 5.5% over the prior year's EBIT of \$162.0 million. The increase in EBIT was primarily attributable to growth in earnings in MNDS.

Health Care

Sales revenue from health care was \$814.6 million in 1997-98, an increase of 13.1% over the 1996-97 revenue of \$720.3 million. Revenue for hospitals increased 2.8% to \$634.6 million, while revenue for MNDS increased 74.4% to \$180.0 million. The growth in hospital revenue was attributable to revenue from hospitals commissioned during the year, whilst revenue growth from MNDS was due to acquisition of the Sydney Imaging Group together with the full year contribution from pathology businesses acquired during 1996-97.

EBIT from health care operations increased 12.0% to \$107.3 million in 1997-98 compared with EBIT of \$95.8 million in 1996-97. EBIT margin fell slightly to 13.2% in 1997-98 from 13.3% in 1996-97. The margin change reflected a decline in hospital margins offset by a strong gain in margins from diagnostic services.

Logistics

Time-Critical Express

Sales revenue for 1997-98 was \$314.4 million, a decline of 3.1% over 1996-97 sales revenue of \$324.3 million, reflecting flat volumes,

strong levels of competition and the decision to shed unprofitable revenues in parts of the road express business. Industrial action experienced in the road express business in December 1997 had a flow-through impact on the priority and local businesses, and combined with slow trading conditions, resulted in flat revenues and margin pressures.

In the first half of 1998-99, Mayne Nickless sold its road express businesses, which operated under the names of Ipec, Jetsroad and the Overnighters. The sale was made to Toll Holdings and satisfied Mayne Nickless' major objectives of a timely exit and ongoing provision of services to Mayne Nickless' express and logistics customers. A provision of \$45 million for abnormal costs associated with the sale was recognised in the 1997-98 financial accounts. Under US GAAP these costs are not treated as abnormal.

Contract and Cash Logistics

Sales revenue for 1997-98 was \$442.1 million in 1997-98 compared with \$450.3 million in 1996-97, representing a decrease of 1.8%. The revenue decline was the result of the restructuring of and exit from less-profitable contracts in Mayne Logistics.

EBIT levels improved in 1997-98 compared with 1996-97 mainly because of the restructuring of Mayne Logistics which, along with improved cost control, assisted in a marked improvement in EBIT and margins. Armaguard maintained its strong earnings levels reflecting continued growth in 'off-site' ATM services as well as the continued growth in services to major existing customers.

Europe

Sales revenue from European operations totaled \$497.1 million, an increase of 23.0% compared with the sales revenue for 1996-97 of \$404.3 million. European operations consist only of the two UK time-critical express businesses following the sale, effective from the end of the 1996-97 financial year, of the European logistics operations, which had revenues in 1996-97 of \$365.9 million. The UK businesses experienced beneficial local economic conditions and favourable exchange rate movements which, combined with their efficiently-managed operations, produced some excellent results.

European operations recorded an EBIT of \$35.6 million in 1997-98, representing growth of 33.8% on the \$26.6 million in 1996-97. The improvement reflected continued strong performance by the businesses and substantial foreign exchange translation benefits.

North America

Sales revenue for 1997-98 from North American operations totalled \$374.6 million, an increase of 20.9% over the sales revenue of \$309.9 million in 1996-97. EBIT attributable to North American operations was \$17.2 million, a 45.8% increase from the EBIT of \$11.8 million recorded in 1996-97.

The increase in EBIT resulted principally from continuing improvement in the Loomis Courier business and benefits from foreign exchange translation.

Logistics

Time-Critical Express

Loomis Courier, the time-critical express freight operation in Canada, saw revenue increase by 21.1% to \$277.3 million in 1997-98 from \$229.1 million in 1996-97. The increase in revenue came from volume increases through a four-week Canada Post strike in the first

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half, and a focus on improving service efficiency and quality. EBIT improved as a result of this improvement in revenue and efficiency gains accruing from new systems and procedures transferred over from the Company's UK operations. Tangible benefits were derived from leveraging the Company's management and operational expertise in its UK operations. Foreign exchange gains on translation also benefitted the result.

Contract and Cash Logistics

Loomis Armored Car Service, the Company's Canadian armoured car operation, earned \$97.3 million in revenue in 1997-98, an increase of 20.4% over its 1996-97 revenue of \$80.8 million. The growth resulted from continued market leadership in ABM servicing and an extension of services offered to major banking clients, and foreign exchange gains. EBIT did not grow by the same extent, although margins remained good and the return on invested capital was again strong. The main impact on margins was due principally to pricing competition.

Australian GAAP compared with US GAAP
(*Dollars in millions*)

	Fiscal Year		
	1998-99	1997-98	1996-97
Operating profit attributable to shareholders			
US GAAP	676.8	7.9	(82.0)
Australian GAAP	482.5	44.2	100.3
Shareholders' equity			
US GAAP	1,119.3	899.1	763.7
Australian GAAP	1,137.4	1,273.3	1,121.1

These differences, which are shown in note 35 to the Consolidated Financial Statements, mainly resulted from:

- the different treatment of fixed asset revaluations;
- amortisation of intangibles;
- the timing and recognition of expenditure;
- superannuation liability recognition;
- timing of recognition of income;
- the different treatment of the employee share acquisition plan;
- dividend liabilities;
- the different treatment of a gain on exchange of assets for a controlling equity interest;
- the different treatment of outside equity interests; and
- US GAAP adjustments relating to associates.

Liquidity and Capital Resources

The Company believes that its cash holdings, operating cash flow and existing credit facilities are adequate to finance all of its existing business needs over the next twelve months, including anticipated

capital expenditure and debt repayments. In addition, the Company believes that its operating cash flow, together with its ability to access the capital markets, will enable it to finance all foreseeable business needs.

As can be seen from the following table, during the past three fiscal years the Company has expended significant amounts on new property, plant and equipment, acquisitions and investments in Optus.

	Fiscal Year		
	1998-99	1997-98	1996-97
(<i>Dollars in millions</i>)			
Capital expenditure	191.5	219.0	227.3
Acquisitions	270.9	35.5	84.8
Payments for Investments	54.3	54.2	39.0
Total	516.7	308.7	351.1

In 1998-99 the proceeds from the sale of the Company's investment in Optus of \$1,015.5 million and \$92 million of proceeds from the securitisation of the rental cashflows of the Joondalup Health Campus enabled the Company to fund the increased expenditure on acquisitions in addition to retiring debt and making a return of capital to shareholders. In 1997-98 and 1996-97 such capital expenditures, acquisitions and investments were funded largely from cash provided from operations and new borrowings. The Company generated cash flows from operating activities of approximately \$133.5 million, \$160.2 million and \$136.6 million in 1998-99, 1997-98 and 1996-97, respectively.

The Company maintains a high level of liquidity including positive working capital (current assets less current liabilities), significant cash balances and substantial standby credit facilities. The Company's working capital decreased to approximately \$130.7 million at 4 July 1999 from approximately \$832.3 million at 5 July 1998. Such decrease primarily reflects the sale of the Company's investment in Optus, the proceeds from which were used to repay borrowings of \$513.3 million and to repay equity in January 1999 amounting to \$349.3 million. The Company's cash and deposits on hand increased from \$175.9 million at 5 July 1998, to \$196.2 million at 4 July 1999. This also resulted predominantly from the Optus sale.

The Company had unused credit facilities of approximately \$1,681.3 million at the end of 1998-99. Of this amount approximately 35% (\$581.6 million) was represented by committed facilities and the balance was represented by uncommitted facilities, including commercial paper facilities in the United States, Europe and Australia.

At 4 July 1999, the Company had total long-term debt (excluding finance leases) of approximately \$698.6 million. Of this amount, \$1.0 million, \$157.9 million, \$0.5 million and \$539.2 million was debt scheduled to mature in, 2000-2001, 2001-2002, 2002-2003 and after 2002-2003 respectively. The table below provides further information in respect of the Company's outstanding indebtedness, earnings to fixed charges ratio and debt-to-capitalisation ratio as at the fiscal-year end for each of the past five years.

Item 9 - Management's discussion and analysis of financial condition and results of operations

Mayne Nickless Debt Profile (at fiscal year end) (Dollars in millions except ratios and percentages)

	1998 - 99	1997 - 98	1996 - 97	1995 - 96	1994 - 95
Long Term Debt (1)	704.5	1,194.1	1,206.9	1,022.1	595.3
Total Debt (2)	731.0	1,236.1	1,295.3	1,081.1	775.4
Net Debt (3)	534.2	924.3	1,127.6	819.1	407.2
Ratio of earnings to fixed charges (4)	2.1x	2.3x	1.8x	1.8x	2.5x
Debt to capitalisation (5)	38%	48%	52%	48%	33%

(1) Debt maturing in excess of twelve months of period end (including finances leases).

(2) Long term debt plus short term debt (including finance leases in each case).

(3) Total debt less cash and deposits and loan receivables.

(4) For the purpose of computing the ratio of earnings to fixed charges for any period, earnings consist of income before income taxes for such period plus fixed charges deducted in calculating net income for such period (excluding interest capitalised during the period). Fixed charges for any period consist of interest charges, including capitalised interest, and the portion of rental expenses deemed to be representative of the interest factor.

(5) Ratio of long term debt to long term debt plus shareholders' equity.

The Company has historically limited its total debt to not more than 30% to 40% of total debt plus shareholders' equity. The Company aims to maintain this policy in the foreseeable future.

Approximately 98% of the Company's long term debt outstanding at 4 July 1999 was represented by US dollar borrowings, reflecting the Company's policy preference of borrowing in US dollars and swapping such obligations into other currencies to create a hedge against the Company's net asset positions in such other currencies. See also, "Item 9A - Quantitative and qualitative disclosures about market risk".

During the year, the Company received substantial funds from the sale of its Optus investment. In November 1998 Mayne Nickless received net sale proceeds of approximately \$1,015.5 million, after allowing for sale expenses, and including the repayment of subordinated debt by Optus (\$138 million) and payment by Mayne Nickless of \$54 million in respect of the partly paid shares in Optus which were paid up in full on completion of the offer. Mayne Nickless applied a significant proportion of the sale proceeds to repay existing borrowings, as well as funding future growth opportunities, with an emphasis upon health care related investment. Mayne Nickless also undertook a capital return to shareholders.

To partially satisfy the funding demands to support growth in its health care business, the Company intends to use off-balance sheet financing where commercially viable. In the case of "boot" (build, own, operate, transfer) projects, where hospitals will be transferred back to the relevant State Government on expiration of the lease term, off-balance sheet financing is the preferred option of the Company. This involves using third-party equity, either through banks or the capital markets, to finance the projects.

Item 9a - Quantitative and qualitative disclosures about market risk

The following discussion includes certain forward-looking statements. See "Forward-Looking Statements".

The Company is exposed to interest rate risk and foreign exchange risk associated with underlying assets and liabilities. To hedge these exposures, which relate primarily to long term borrowings in United States Dollars and to assets held by self sustaining foreign affiliates, the Company uses derivative financial instruments, including interest-rate swaps, cross-currency interest-rate swaps, foreign-exchange swaps and interest-rate options.

The policy of the Company is not to enter, hold or issue derivative financial instruments for trading purposes. The Company does not have a material exposure to equity price risk.

Derivative financial instruments that are designated as hedges of underlying exposures are accounted for on the same basis as the underlying exposure.

Interest rate risk

The Company's major borrowings are denominated in United States Dollars and are primarily of a fixed interest nature. The Company enters into interest rate swaps and interest rate options to lower funding costs, or to alter interest rate risk exposures arising from mismatches between assets and liabilities.

Item 9a - Quantitative and qualitative disclosures about market risk

Borrowings

The following table sets out the book values, weighted average interest rates, maturities and fair values of Company's borrowings at 4 July 1999.

(A\$ in thousands except percentages)

Type	Expected to mature in						1998-99		1997-98	
	1999/00	2000/01	2001/02	2002/03	2003/04	Thereafter	Total	Fair value	Total	Fair value
Bank overdrafts	11,516						11,516	11,516	20,153	20,153
Average rate -floating	7.95%									
US Dollar Bonds						524,738	524,738	507,631	570,497	575,232
Average rate - fixed						6.25%				
Bank term loans	8,484	782	442	472	504	13,996	24,680	24,680	55,262	55,262
Average rate - floating	5.81%	5.81%	5.81%	5.81%	5.81%	5.81%				
Commercial paper									388,309	388,309
Medium term notes - US Dollars			157,421				157,421	163,936	171,149	183,898
Average rate - fixed			8.65%							
Other loans and deposits	3,472	196					3,668	3,668	22,426	22,426
Average rate - floating	4.63%	-								
Lease liabilities	3,070	3,627	1,864	224	114	94	8,993	8,993	8,325	8,325
Average rate - fixed	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%				

Item 9a - Quantitative and qualitative disclosures about market risk

Interest rate swaps

The following table indicates the types of interest rate swaps used at 4 July 1999 showing their notional amounts and fair values, their maturities and the weighted average interest rates. All rates are converted to quarterly rates. The average floating rate is the implied market rate for the term of the swap (plus any applicable margin), weighted by the face value of the instrument.

(A\$ in thousands except percentages)

	Expected to mature in						1998-99		1997-98	
	1999/00	2000/01	2001/02	2002/03	2003/04	Thereafter	Total	Fair value	Total	Fair value
Receive - fixed rate swaps										
Australian dollars						39,101	39,101	(156)	150,000	2,060
Average fixed rate						8.18%				
Average floating rate						8.26%				
United States dollars			127,436			524,738	652,174	(5,958)	757,946	9,549
Average fixed rate			6.30%			6.28%				
Average floating rate			6.15%			6.81%				
Pay - fixed rate swaps										
Australian dollars				115,000	35,000	56,287	206,287	(4,114)	319,000	(4,802)
Average fixed rate				5.99%	5.62%	8.05%				
Average floating rate				6.11%	6.26%	7.63%				
British pounds	7,077	9,436	42,463				58,976	(868)	60,827	142
Average fixed rate	8.02%	6.86%	6.48%							
Average floating rate	5.23%	5.57%	5.98%							
United States dollars									47,050	(9)

Item 9a - Quantitative and qualitative disclosures about market risk

Interest rate options

Interest rate options give the purchaser the right but not the obligation to pay or to receive interest flows for a specified time at a specified rate at a specified date in the future. The following table sets out the interest rate options in place at 4 July 1999, showing the face values, the average interest rates and the fair values. The payer swaption and receiver swaption were sold to reduce the cost of interest rate protection in British pounds. (The premium earned on the swaption was used to reduce the fixed interest rate payable on a matching swap).

(A\$ in thousands)

	Expected to mature in						1998-99		1997-98	
	1999/00	2000/01	2001/02	2002/03	2003/04	Thereafter	Total	Fair value	Total	Fair value
Sold										
Payer swaption										
British Pounds						9,436	9,436	(1)	10,814	-
Average rate						7.40				
Receiver swaption										
British Pounds						7,077	7,077	(2)	-	-
Average rate						4.50				

Item 9a - Quantitative and qualitative disclosures about market risk

Foreign exchange risk

The Company is exposed to foreign exchange risk through its borrowings, which are predominantly in United States Dollars and through the net assets held by its self sustaining foreign affiliates, which are predominantly denominated in British Pounds, Canadian Dollars and Netherlands Guilders. The Company uses foreign currency swaps and cross currency swaps to hedge the net assets of its foreign affiliates. The Company also uses foreign exchange swaps and cross currency swaps to denominate its debt, which is principally borrowed in United States Dollars, in the functional currencies of its affiliates and in Australian dollars. At 4 July 1999 the Company had some transactional foreign exchange exposures derived from internal loans between wholly owned offshore subsidiaries. The Company used cross currency swaps to hedge these exposures. The following table sets out the face values of foreign currency swaps and cross currency interest rate swaps in place at 4 July 1999, showing the contract rates, maturities and fair values.

Derivative instruments subject to foreign exchange risk

(A\$ in thousands)

	Expected to mature in						1998-99		1997-98	
	1999/00	2000/01	2001/02	2002/03	2003/04	Thereafter	Total	Fair value	Total	Fair value
Sell										
Canadian Dollars	79,528						79,528	2,029	79,991	(2,038)
Average contracted rate	0.9564									
British Pounds	230,006						230,006	2,954	231,822	(20,669)
Average contracted rate	0.4206									
Netherlands Guilders	47,009						47,009	2,174	111,137	(4,445)
Average contracted rate	1.3696									
Euro	25,454						25,454	426	-	-
Average contracted rate	0.6410									
Buy										
British Pounds	52,874						52,874	4,968	60,589	12,854
Average contracted rate	0.4672									
Netherlands Guilders	33,314						33,314	(2,496)	113,684	14,144
Average contracted rate	1.3407									
United States Dollars	400,819					209,895	610,714	19,170	727,250	85,261
Average contracted rate	0.6635					0.7475				

Item 10 - Directors and Officers of registrant

Board of Directors

At 28 September 1999, the Directors of Mayne Nickless were as follows:

Name	Position	Initially Elected or Appointed	Date Eligible for re-election
Mark R Rayner	Chairman	1995	2000
Robert R Dalziel	Managing Director	1996	-
Ian R L Harper	Director	1978	1999
Peter E Mason	Director	1992	2000
Graham G Spurling	Director	1997	1999
Prof. Judith Sloan	Director	1995	2000
Peter C Barnett	Director	1996	2000
Geoffrey A Tomlinson	Director	1999	1999

J Charles Trethowan, a board member since 1983, retired effective 17 November 1998. Dr. Barry R Catchlove, a board member since 1994, resigned effective 11 August 1998. Lindsay Bytheway, a board member since 1981, retired effective 30 March 1999.

Pursuant to the Company's constitution, and subject to the provisions of the ACL, a Director may from time to time, by notice in writing to the Company, appoint any person approved by the majority of the other Directors to act as an Alternate Director in the Director's place for such period as the Director decides. At 28 September 1999 there were no Alternate Directors.

Details of each Director's qualifications, experience and special responsibilities are as follows :-

Mark Richard Rayner, Bsc (Hons), Chem. Eng., FTSE, FAusIMM, FIEA, FAICD, 61. Joined the Board in 1995 and appointed Chairman in April 1997. He is a member of the Board's Audit, Corporate Governance (ex officio) and Compensation and Nomination Committees. Former Chief Executive of Comalco Ltd. and Executive Director of CRA Ltd. Other Directorships: Chairman of National Australia Bank Ltd and of Pasminco Ltd, and a Director of Boral Ltd. Other interests: Chairman of Australia Japan Business Forum and a Vice President of Australia Japan Business Cooperation Committee.

Robert Rae Dalziel, BEc, 52. Joined the Company, appointed Managing Director in January 1996 and is a member of the Board's Corporate Governance Committee. Formerly Managing Director of Discount Department Stores for the Coles Myer Group. Other Interests: Chairman of The Development Council of the Salvation Army, member of the Board of the Australian Rugby Union Schoolboys Foundation and Patron, Victorian Schoolboy's Rugby Union.

Peter Charles Barnett, FCPA, 58. Joined the Board in 1996. Chairman of the Board's Audit Committee and a member of its Compensation and Nomination Committee. Formerly Managing Director of Pasminco Ltd and Chief Executive Officer of EZ Industries Ltd. Other Directorships: Chairman of Norwich Union Australia Group and Deputy Chairman of the Smorgon Steel Group Limited. Director of AMCIL Ltd, Ericsson Australia Pty Ltd, Santos Ltd. Other Interests: Director of the Baker Medical Research Institute, Royal Children's Hospital Research Institute, member of the ABN AMRO Australasian Advisory Council, a

member of the Advisory Board for Australia and New Zealand of A.T. Kearney Australia Pty Ltd and a member of the Committee of the Victoria Racing Club.

Ian Rainy Lance Harper, AM, BA, LLB, 67. Joined the Board in 1978. Chairman of the Board's Compensation and Nomination Committee and a member of its Corporate Governance Committee. Former Partner and now consultant to Sydney legal firm Allen Allen & Hemsley. Formerly Chairman of Reckitt & Colman Australia Ltd. Other Directorships: Westpac Banking Corporation Group and Westpac Staff Superannuation Fund (Chairman). Other Interests: Cambridge Commonwealth Trust (NSW Chairman), former President and member of the New South Wales Council of the Australian Institute of Company Directors and member of the Institute's Corporations Law Committee.

Peter Edward Mason, AM, B Com, MBA, 53. Joined the Board in 1992 and is Chairman of the Board's Corporate Governance Committee and a member of its Audit Committee. Other Directorships: Chairman and Chief Executive of Ord Minnett Group Ltd. Other Interests: Vice President of the Board of the Royal Alexandra Hospital for Children and a member of the Council of the University of New South Wales.

Professor Judith Sloan, BA(Hons), MA(Melb), MSc(Lon) 44. Joined the Board in 1995. She is the Board's representative on the Trustee Board of the Mayne Nickless Limited Superannuation Fund. Professor of Labour Studies, Flinders University of South Australia (currently on leave). Other Directorships: Santos Ltd, SGIO Insurance Limited, Australian Broadcasting Corporation and Chairman of SGIC Holdings Ltd. Other Interests: Part Time Commissioner of the Productivity Commission.

Graham George Spurling, E.D., B.Tech., M.Aut.Eng., FTS, FIEA, FAICD, 61. Joined the Board in October 1997. He is a member of the Board's Audit and Corporate Governance Committees. Former Managing Director of Mitsubishi Motors Australia and GNB Technologies USA. Other Directorships: Air International Limited, Earthwatch Institute Boston, Mass, Earthwatch Australia (Chairman), CitiSoft Group Pty Ltd, Tasman Building Products and Colt Defence Company (USA).

Geoffrey Allan Tomlinson, BEc, 52. Joined the Board in January 1999. He is a member of the Board's Audit and Corporate Governance Committees. Former Group Managing Director National Mutual Holdings Limited. Other Directorships: Chairman of Reckon Ltd and Programme Maintenance Services Ltd, President of the Government Superannuation Office (Victoria), Deputy Chairman of Neverfail Springwater Ltd, Director AAPT Limited, Amcor Ltd, Mirrabooka Investments Limited, Suncorp-Metway Ltd, Alpha Investment Management Pty Ltd, and a Non-Executive Consultant of PricewaterhouseCoopers.

Item 10 - Directors and Officers of registrant

Executive Officers

All businesses report to W J Kirk, the Chief Operating Officer, who reports directly to the Managing Director of the Company in Melbourne. The principal Executive Officers of Mayne Nickless as at 28 September 1999, are as follows:

Name	Position	Initially Elected or Appointed	Joined Company
R R Dalziel	Managing Director	1996	1996
Dr B R Catchlove	Executive Director, Development	1998	1991
W J Kirk	Chief Operating Officer	1998	1992
S F Tanner ⁽¹⁾	Chief Financial Officer	1994	1980

(1) On 6 September 1999 S F Tanner became the CEO of the Company's Diagnostic Services business and S Somogyi joined the Company to become Chief Financial Officer from that date.

Corporate Governance Statement

This statement outlines the main corporate governance procedures the Company had in place during the 1998-99 financial year.

Board Composition/Appointments

The Company's Constitution specifies that the minimum number of Directors from time to time shall be four and the maximum fourteen. At the commencement of 1998-99 financial year, the Company had ten Directors.

Messrs. J C Trethowan and L A Bytheway retired as Directors on 17 November 1998 and 30 March 1999 respectively. Dr. B R Catchlove resigned as a Director on 11 August 1998 and Mr. G A Tomlinson was appointed as a new Director on 1 January 1999. Profiles of each current Director at the time of preparation of this report are set out on page 29.

The Board consists of a majority of independent non-executive Directors, and the Chairman of the Board is an independent non-executive Director. The term "independent" is used in this Statement to refer to non-executive Directors who are not, and are not associated with, substantial shareholders, have not been employed by the Company within the past three years in any executive capacity, are not professional advisers to the Company, are not a significant supplier to or customer of the Company, have no significant contractual relationship with the Company other than as a Director of the Company, and otherwise are generally free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

With respect to new Director appointments, it is the role of the full Board to review the mix of skills and experience on the Board and to define the desired qualifications and attributes of new appointees to the Board from time to time. The Compensation and Nomination Committee of the Board then identifies and puts forward appropriate candidates for Board consideration. The Board may obtain assistance from external professional search consultants in the identification of suitable candidates.

As a matter of general practice, the appointment of a new Director is confirmed in writing by the Chairman, and the Director is given an

extensive information pack. An appropriate orientation program is arranged, which includes site visits and meetings and briefings with management to become familiar with the Company's operations.

Board Committees

The Board has established a number of Committees to assist it in carrying out its functions.

Audit Committee

This Committee (including the Chairman) is composed entirely of independent non-executive Directors. The members of this Committee at the commencement of the year were Messrs. L A Bytheway (Chairman prior to 1 January 1999), P C Barnett (Chairman from 1 January 1999), M R Rayner, J C Trethowan, and P E Mason. During the year, Messrs. G G Spurling and G A Tomlinson joined the Committee, and Messrs. J C Trethowan and L A Bytheway ceased to be members of the Committee as a consequence of their retirement as Directors.

Generally speaking, the responsibilities of the Committee involve reviewing the existence and effectiveness of accounting and financial systems and the systems of internal control. In particular this includes providing a link between the external and internal auditors and the Board, reviewing financial reports and accounting policies, reviewing the effectiveness and scope of the annual external audit, nominating the auditors and reviewing auditors' fees, and reviewing the effectiveness of the external and internal audit functions.

The Audit Committee meets regularly in the periods leading up to the announcement of the Company's half yearly and yearly results, and on other occasions as circumstances warrant. During 1998-99, the Committee met on seven occasions.

The external auditors and internal auditors have access at any time to the Chairman of the Audit Committee.

Note 28 to the financial statements in the Financial Report discloses details of the amounts paid to the auditors (and to related firms) for audit services and for other services. The Company does not provide any indemnity in favour of the auditors.

Corporate Governance Committee

This Committee consists of a majority of independent non-executive Directors (including the Chairman). The members of this Committee at the commencement of the year were Messrs. I R L Harper (Chairman prior to 1 January 1999), P E Mason (Chairman from 1 January 1999), M R Rayner, P C Barnett, R R Dalziel and Professor J Sloan. Messrs. G G Spurling and G A Tomlinson replaced Mr. P C Barnett and Professor J Sloan on the Committee with effect from 1 January 1999, and Mr. M R Rayner became an ex-officio member.

The activities of the Corporate Governance Committee include monitoring the systems the Company has in place to achieve compliance with laws, to identify and manage significant business risk, initiating and encouraging the establishment of systems to ensure the Company meets the highest ethical standards, reviewing developments in the area of corporate governance, and dealing with any specific corporate governance issues that may be delegated to the Committee by the Board from time to time. An important function of the Committee, and listed as a standing agenda item at each meeting, is the oversight and monitoring of the Company's Occupational Health and Safety programs and performance. During 1998-99, the Committee met on four occasions.

Item 10 - Directors and Officers of registrant

Compensation and Nomination Committee

This Committee (including the Chairman) is composed entirely of independent non-executive Directors. The members at the commencement of the year were Messrs. J C Trethowan (Chairman up to 17 November 1998), I R L Harper (Chairman from 1 January 1999) and M R Rayner. During the year Mr. J C Trethowan ceased to be a member of the Committee following his retirement as a Director and Mr P C Barnett subsequently joined the Committee.

The Committee meets as and when required to monitor, review and make recommendations as necessary on various matters including:

- remuneration policies and practices for the Company generally, and the specific compensation arrangements for the Managing Director and other senior executives;
- Company share schemes or other incentive schemes for executives or other employees;
- size and composition of the Board, and periodic reviews of criteria for Board membership; and
- when necessary, identifying and putting forward for Board consideration, candidates for membership of the Board.

During 1998-99, the Committee met on nine occasions.

Superannuation Committee

The Board previously established a Superannuation Committee to make recommendations regarding the superannuation policy of the Company and to oversee the administration of its superannuation funds. At the commencement of the year the Committee consisted of Messrs. J C Trethowan (Chairman), L A Bytheway and Professor J Sloan. During 1998-99 the Committee met on two occasions prior to being disbanded with effect from 1 January 1999.

Subsequent to his retirement as a Director, Mr. J C Trethowan accepted an invitation to become Chairman of the Mayne Nickless Superannuation Fund Trustee Board. Professor J Sloan has continued to act as the Company's non-executive Director representative on that Board.

Share Issue Committee

The members of this Committee at the commencement of the year were Messrs. J C Trethowan (Chairman), M R Rayner, P C Barnett, L A Bytheway and R R Dalziel. During the year, membership of the Committee was changed so that all Directors are now members and any two constitute a quorum.

The Committee's responsibilities involve the issue of shares following the exercise of options under any employee share option scheme, under any employee share scheme, pursuant to the Dividend Reinvestment Plan or in other circumstances approved by the Board. During 1998-99, the Committee met on 30 occasions.

Standing Committee for Urgent Matters

All Directors are members of this Committee, though it is not expected that all members attend each meeting. A quorum is any four Directors including the Managing Director and at least two non-executive Directors. The Committee deals with matters on an urgent basis where they relate to an item which has been approved in principle previously by the Board or which falls within a strategic plan or forms part of a proposal which has been approved by the Board. During 1998-99, the Committee met on three occasions.

Fees are paid to Directors with respect to their service on the Audit, Corporate Governance, Compensation and Nomination, and Share Issue Committees. In addition Professor J Sloan receives a fee for her service as the Company's non-executive Director representative on the Mayne Nickless Superannuation Fund Trustee Board. However no fees are paid to Directors with respect to their participation on the Standing Committee for Urgent Matters, and Mr. M R Rayner receives no fee in relation to his service on the Corporate Governance Committee. All fees paid to Directors as referred to above are included in the details of Director emoluments as set out in the Directors' Report, which total emoluments do not exceed the maximum total amount approved by shareholders.

Board Meetings and Contacts with Executives

The Board meets monthly (except over the Christmas holiday period) and on other occasions as required to review the Company's performance and to consider other important items as appropriate, including strategic issues, plans, major investment decisions, human resources matters and significant management presentations.

Senior executives make presentations on a regular basis at Board and Committee meetings. In addition Directors undertake visits to inspect operational sites from time to time.

Performance Review of Board

Each year the Board carries out a review of its performance. This involves each Director assessing and commenting on the Board's performance against its major accountabilities. The resulting information forms the basis for Board discussion to identify ways of improving performance, which are then put into practice.

Director Remuneration and other Terms and Conditions of Appointment

The Company's Constitution provides that the Board shall determine the total remuneration paid to non-executive Directors for their services as Directors in respect of each financial year and its distribution amongst them, provided that such total amount shall not exceed the maximum amount approved from time to time by shareholders in general meeting.

At the Annual General Meeting in November 1997, shareholders approved that the annual remuneration paid to each of the non-executive Directors for such services, when added together, should not exceed a combined total amount of \$800,000. The total remuneration paid to all of the non-executive Directors for their services as Directors during 1998-99, when added together, was within the approved maximum amount. Further details of Director emoluments, and of the Board's policy and practice with respect to Director remuneration, are set out in the Directors' Report.

Following completion of two years of service, each non-executive Director is invited to enter into a service agreement on terms approved by shareholders at the Company's Annual General Meetings in 1988 and 1994 whereby the Company provides a retiring allowance comprising an amount equal to the sum of Director's Board fees and Committee fees earned in the last three years of service, plus 5% of that sum for each additional prior year of service. Any superannuation benefits arising from compulsory Company contributions are deducted from this allowance.

All Directors (except a Managing Director) are subject to retirement by rotation every three years in accordance with the Australian Stock Exchange's Listing Rules and the Company's Constitution. In addition,

Item 10 - Directors and Officers of registrant

In March 1996, the Board determined that a guideline relating to a maximum 15 year service period for newly appointed Directors was appropriate. This policy is communicated to Directors at the time of appointment.

Under the Australian Corporations Law the office of a Director becomes vacant at the conclusion of the Annual General Meeting following attainment of the age of 72 although a Director can be re-appointed on an annual basis by a special resolution of shareholders. The Company's Constitution provides for mandatory retirement of Directors at the conclusion of the Annual General Meeting next following attainment of the age of 70.

Under the Company's Constitution, the Company is required to indemnify its Directors, to the extent permitted by law, against any liability incurred to a person other than Mayne Nickless or its related bodies corporate unless the liability arises out of conduct by the Director involving a lack of good faith. The indemnity also extends to cover costs and expenses incurred by the Director in connection with legal proceedings arising out of conduct as a Director of Mayne Nickless or a related body corporate. The Company has entered into formal Deeds confirming this indemnity in favour of each of its Directors.

In addition the Company has entered into Deeds in favour of its Directors granting rights of access and use with respect to Board papers, minutes of Board and Committee meetings and other related documents in connection with proceedings in which the Director may be involved. In general terms, the rights of access and use expire 7 years after ceasing to be a Director, arise only where the person is or may be involved in the proceedings because the person is or was a Director, and are subject to reasonable limitations where issues of confidentiality or privilege arise in relation to the documents. Pursuant to the Deeds, the Company also assumes obligations to arrange directors' and officers' liability insurance on behalf of the Directors until basically the end of 7 years after ceasing to be a Director and on terms which are reasonable having regard to various factors relating to the Company and the insurance market. These Deeds have been entered into pursuant to the Company's Constitution approved by shareholders.

The Company has entered into Deeds of Indemnity in favour of Messrs. L A Bytheway and R R Dalziel in respect of their roles on behalf of the Company in relation to Optus indemnifying them to the extent permitted by law against liabilities (including a liability for costs and expenses of successfully defending legal proceedings) incurred by them to a third party, other than Mayne Nickless or its related bodies corporate. These indemnities do not extend to any act of fraud, conduct involving a lack of good faith or the commission knowingly of a criminal offence and only apply to the extent that Messrs. L A Bytheway and R R Dalziel are not indemnified under any insurance policy effected for their benefit or under any other indemnity enforceable by them.

The practice of the Board is that Directors should comply with the requirements of the Australian Corporations Law regarding disclosure of any office, property or other interests held by a Director which could create a potential conflict of interest – notwithstanding that, technically speaking, the requirements apply only at present to Directors of proprietary companies. This position is also entrenched in the Company's Constitution.

Independent Professional Advice

The Board maintains a policy enabling any Director, with the approval of the Chairman, to obtain independent professional advice at the Company's expense. If the Chairman refuses to give approval, the Director may consult with the full Board or, in the case of an executive Director, with the non-executive Directors for approval.

Board Review of Management Performance/Remuneration

Each business unit prepares strategic, operating and capital expenditure plans prior to the commencement of each financial year for Board review and approval. The operating plans are monitored by the Board on a monthly basis against actual performance.

The Board also reviews the financial and operational outcomes of major acquisitions and capital expenditure.

The individual performance and remuneration arrangements for the Managing Director and senior executives are reviewed on an annual basis by the Board. The Board is assisted in this review by the Compensation and Nomination Committee. Details of the remuneration packages of the Company's most senior executives, and of the Company's policy and practice with respect to senior executive remuneration, are set out in the Directors' Report.

Ethics/Values

The Company has embarked on a program with the assistance of Professors Jack and Carol Weber from the Darden Graduate Business School, University of Virginia, the overall aim of which is to foster and enhance leadership capabilities across the Group.

The program is being delivered internally by the Company's own senior executives and an important goal is to develop a strong leadership culture based on an expectation that all Directors, managers and employees will act with integrity and honesty at all times, including in their dealings with each other, customers, suppliers and the community. Approximately 500 people, including executives and non-executives Directors, have participated in the program to date with further workshops planned.

The Company has clearly stated written policies in relation to various matters such as equal opportunity, discrimination and harassment, affirmative action, occupational health and safety, and trading in the Company's shares by Directors and senior executives. The leadership program reinforces the Company's vision and guiding principles which are based on and support the principles underlying these various policies.

Internal Control and Management of Significant Business Risk Financial Reporting and Investment Appraisal

Weekly and monthly actual results of each business are reported against budget and monitored by management.

There are clear guidelines for capital expenditure which include specified levels of delegated authority, and which require significant expenditure proposals to undergo a screening process prior to consideration by the Board.

Risk Management/Internal Audit

The identification and proper management of risk within the Company is an important priority for the Board and management. Each business is individually responsible, and financially accountable, to ensure it has appropriate systems in place for the protection of its people and

Item 11 - Compensation of Directors and Officers

its assets although the Company does maintain a comprehensive insurance program as a protection against catastrophe risk.

With respect to financial risk, the Company is exposed to changes in interest rates and foreign exchange rates. It is Company policy to use derivative financial instruments solely to hedge these risks, and not to enter, hold or issue derivative financial instruments for trading purposes. This policy is implemented by the Company's Treasury division and compliance status is reported regularly to the Board.

The Company's internal audit function liaises with the businesses on an ongoing basis during each year to identify key strategic, operational and financial risk areas. Priority areas for review are determined on the basis of this information, with reports subsequently provided to management and the Audit Committee.

A Legislative and Regulatory Manager monitors and provides separate reports to the Corporate Governance Committee with respect to legislative compliance across the businesses.

The Company recognises the Year 2000 issue as a potential source of significant business risk, and has a comprehensive project plan in place. The Board receives regular updates on status from the project managers and from external advisers, and overviews of progress on the project have also been provided in reports to the ASE. Further details are set out on pages 19 to 20 of this report.

Communications with Shareholders

The Company reports to shareholders on a half-yearly basis. Information is also provided regularly to shareholders through formal disclosures to the Australian Stock Exchange pursuant to continuous disclosure obligations, as well as through the annual financial report and the Company's Maynelines publication.

The Company maintains an Internet site (www.maynick.com.au) which has copies of statements to the ASE, electronic copies of Maynelines, the annual financial report, as well as general information on the Company and its activities.

In addition the Annual General Meeting provides an important opportunity for shareholders to express their views and respond to initiatives being proposed by the Board. In order to enhance the effectiveness of this process, the Chairman invites shareholders in the period leading up to the Annual General Meeting to identify issues that shareholders wished to see addressed at the meeting.

Political Donations

During the year, at the time of the Australian Federal elections, the Parent Company made donations of \$50,000 to the Liberal Party of Australia, \$40,000 to the Australian Labor Party and \$10,000 to the National Party of Australia. These donations were made to assist the major political parties in putting their election policies before the voting public.

Item 11 - Compensation of Directors and Officers

- (a) The aggregate income received or due and receivable by Directors and Executive Officers was approximately \$5,142,810 for the year ended 4 July 1999. This amount covers 12 people worldwide.
- (b) As at 4 July 1999 the Company participated in superannuation plans applicable to all of the Company's employees generally,

which include benefits to Directors and Officers or their dependents on retirement, resignation, disablement or death. The Company makes contributions as specified in the rules of the respective funds but no amounts can be attributed to individuals other than voluntary "salary sacrifice" contributions, and in some cases, contributions made in accordance with minimum statutory requirements.

The Company has established a separate plan for Non-Executive Directors which provides benefits upon retirement. The aggregate amount set aside or accrued with respect to this plan during 1998-99 was \$261,000.

- (c) Each of I R L Harper, M R Rayner, P E Mason, J Sloan and P C Barnett, being a Non-Executive Director of the Company, has entered into a service agreement with the Company pursuant to which a retiring allowance in excess of that permitted by the ACL as authorised by shareholders at the Annual General Meetings of the Company held on 8 November 1988 and 8 November 1994 is to be paid to the Non-Executive Director on retirement from office. The remaining Non-Executive Directors, G G Spurling and G A Tomlinson, will be invited to enter a similar service agreement following the second anniversary of their appointments as Non-Executive Directors. The full extent of the liabilities of the Company under these arrangements is being provided for in the financial statements over the period to the planned dates of retirement. At 4 July 1999 the maximum amount to be provided in future periods was \$2,281,000.

Item 12 - Options to purchase securities from registrant or subsidiaries

Executive Share Scheme

The Company has had an Executive Share Scheme ("ESS") in place since 1976. Under the ESS, Scheme Shares in the Company were made available to Executives in the Company selected by the Directors (including Directors who are Executives). The ESS provided that the Executive would pay A\$0.01 to the Company on subscription for each such Scheme Share with the balance callable by the Company under certain circumstances. As at 16 December 1998 there were no outstanding Scheme Shares and the ESS was terminated from that date.

Executive Share Option Scheme

The Company has an Executive Share Option Scheme, which was approved by shareholders on 8 November 1988. A summary of the rules of the scheme are outlined on page 40 of this report.

Special rules for United Kingdom executives apply for the purpose of the Income and Corporation Taxes Act 1988. These rules are not substantially more favourable to participants than the terms contained in the main body of the rules. They generally provide that the aggregate market value of shares which an Executive may acquire pursuant to unexercised options under the Special United Kingdom rules shall not at the date of grant of the option exceed Pounds sterling 30,000, and any adjustment to the exercise price following pro rata issue of shares must be approved by the Inland Revenue.

Item 12 - Options to purchase securities from registrant or subsidiaries

Consistent with securities laws in Canada, a further special rule for Canadian executives applies whereby Canadian executives who participate in the Scheme are deemed to have agreed, upon exercise of an option, not to transfer or trade any shares so acquired, except through the facilities of a stock exchange located outside Canada.

A special rule for United States executives has been added to the Scheme whereby United States executives who participate in the Scheme may be required to pay to the employing company in the Economic Entity the amount of any applicable federal, state or local income, employment and other taxes which the employing company is required to withhold. The employing company has the right to deduct the amount required to be withheld from any payment that it is otherwise due to pay to the executive.

The float of the Company's investment in Optus entailed the issue of entitlements to subscribe for Optus shares to Mayne Nickless shareholders and the return of capital to shareholders of \$1.00 per share in January 1999. To compensate option holders for these changes, which substantially affected the Mayne Nickless share price post the Optus float, options outstanding were repriced as approved by shareholders at an extraordinary general meeting on 18 December 1998. The exercise prices of all executive options then current, were reduced by amounts of between \$1.00 and \$2.28 to reflect the effect on the Mayne Nickless share price of the entitlement offer to Mayne Nickless shareholders to apply for Optus shares, and the capital reduction of \$1.00. The average revised prices are indicated in brackets after the original exercise prices in the following paragraphs.

On 5 April 1995, the Company granted further options over 2,213,000 unissued shares to 337 executives at an exercise price of \$6.08 (\$4.30) per share. In addition, on 5 April 1995, the Company granted an option over 50,000 unissued shares to Dr. B. R. Catchlove, a Director of the Company, at an exercise price of \$6.08 (\$3.80) per share.

On 7 March 1996, the Company granted options over 1,000,000 unissued shares to Mr. R R Dalziel and 400,000 unissued shares to Dr. B.R. Catchlove, both Directors of the Company, at an exercise price of \$6.90 (\$4.65) per share subject to satisfaction of price hurdles and performance of the Company's share price relative to an index of peer companies. These grants were authorised by shareholders on 13 February 1996, and amended with approval by shareholders given on 17 November 1998 and 18 December 1998.

On 8 March 1996, the Company granted further options over 3,994,996 unissued shares to 307 executives of the Company and its subsidiaries at an exercise price of \$6.80 (\$5.11) per share.

On 8 October 1996, the Company granted further options over 126,000 unissued shares to 5 executives of the Company and its subsidiaries at an exercise price of \$8.67 (\$6.68) per share.

On 8 April 1997, the Company granted further options over 2,112,000 unissued shares to 260 executives of the Company and its subsidiaries at an exercise price of \$7.66 (\$5.88) per share.

On 3 April 1998, the Company granted further options over 2,823,000 unissued shares to 268 executives of the Company and its subsidiaries at an exercise price of \$7.87 (\$6.16) per share.

On 28 April 1999, the Company granted further options over 2,371,000 unissued shares to 246 executives of the Company and its subsidiaries at an exercise price of \$5.24 per share.

On 28 April 1999, the Company granted options over 600,000 unissued shares to Mr. R R Dalziel, the Managing Director of the Company, at an exercise price of \$5.24 per share subject to satisfaction of a hurdle involving performance of the Company's share price relative to the ASX 100 index. These grants were authorised by shareholders on 17 November 1998.

During 1998-99 options to subscribe for 849,000 fully paid ordinary shares lapsed.

At 28 September 1999, an aggregate of 10,143,000 unissued ordinary shares were under option to Executives.

Employee Share Acquisition Plan

At the annual general meeting on 17 November 1998 the shareholders approved the establishment of the Mayne Nickless Employee Share Acquisition Plan ("ESAP").

A brief summary of the ESAP is as follows:

- (a) The company has advanced funds to the Mayne Nickless Employee Share Plan Trust to enable the trust to acquire shares in the company.
- (b) The company has established a wholly owned subsidiary to act as Trustee and Plan Manager of the ESAP.
- (c) Eligible employees who have three years service are invited to purchase shares from the Plan Manager. The purchase price will be at a discount to the market price of the shares on the day of purchase.
- (d) The purchase price is repayable from dividends payable on the shares, from any proceeds of a sale of bonus shares or rights or a return of capital, from any sale of the shares under a takeover or compulsory acquisition, from the net proceeds of a sale consequent to the cessation of employment or death of the employee or from a voluntary payment by the employee.
- (e) No interest is payable on the unpaid purchase price.
- (f) Except in the case of cessation of employment, an employee cannot dispose of an interest in the shares until three years from the date of purchase.
- (g) When the purchase price has been fully paid and the restrictions on disposal have ceased, the employee may require the Plan Manager to transfer the shares into the employee's name or to sell the shares and to account to the employee for the proceeds.
- (h) If an employee ceases to be employed before the purchase price has been paid in full, the shares must be sold by the Plan Manager unless, in specified periods, the employee or his or her executors voluntarily pay the balance of the purchase price to the Plan Manager. If the balance is paid, the shares will be transferred to the employee or his or her executors.
- (i) If the Plan Manager sells the shares, the proceeds must be applied in or towards paying the outstanding purchase price but the employee will have no obligation to pay the balance of the price if the proceeds are insufficient. If there is a surplus, the surplus must be paid to the employee. If the proceeds from selling the shares would be insufficient to fully pay the outstanding purchase price, the Plan Manager may defer the sale and the

Item 12 - Options to purchase securities from registrant or subsidiaries

employee will then have no further obligation to pay the outstanding price and no further rights in respect to the shares.

- (j) The Plan Manager may seek a direction from the employee as to voting in respect of the shares and in the absence of a direction may vote or abstain as it decides.
- (k) At 4 July 1999 1,596,094 shares had been allotted on behalf of 8,102 Australian employees under the ESAP at a price of \$5.06 per share.

Item 13 - Interest of management in certain transactions

None

PART II

Item 14 - Description of securities to be registered

Not required in this Financial Report.

PART III

Item 15 - Defaults upon senior securities

None

Item 16 - Changes in securities and changes in security for registered securities and use of proceeds

None

Directors' Report

This report is required under Australian Corporations Law.

The Directors present their report for the year ended 4 July 1999 (the "year") accompanied by the financial report for the year of the Company and the entities it controlled from time to time during the year (the "Group").

Directors

The name of each person who has been a Director of the Company during or since the end of the year is:

Mark Richard Rayner
Robert Rae Dalziel
Peter Charles Barnett
Lindsay Albert Bytheway
Barry Rex Catchlove
Ian Rainy Lance Harper AM
Peter Edward Mason AM
Judith Sloan
Graham George Spurling
Geoffrey Allan Tomlinson
Joseph Charles Trethowan AM

Each of them was a Director during the whole of the year and since the end of it other than:

- Barry Rex Catchlove who resigned as a Director on 11 August 1998;
- Joseph Charles Trethowan who retired as a Director on 17 November 1998;
- Geoffrey Allan Tomlinson who was a Director from his appointment on 1 January 1999 up to the date of this report; and
- Lindsay Albert Bytheway who retired as a Director on 30 March 1999.

The number of meetings of the Board of Directors and of each Board Committee held during the year and each Director's attendance at those meetings are set out in the table below:

Scheduled Board Meetings*	Committee Meetings									
	Audit		Corporate Governance		Super-annuation		Compensation & Nomination			
									A	B
M R Rayner	14	14	7	6	4	4			9	9
R R Dalziel	14	14			4	4				
P C Barnett	14	14	7	7	2	2			4	4
L A Bytheway	11	11	6	6			2	2		
B R Catchlove	2	2								
I R L Harper	14	13			4	4			9	9
P E Mason	14	14	7	7	4	3				
J Sloan	14	14			2	2	2	0		
G G Spurling	14	14	4	3	2	2				
G A Tomlinson	6	6	4	4	2	1				
J C Trethowan	7	7	3	3			2	2	4	4

A. These columns indicate number of meetings held during the year while a Director.
B. These columns show the number of meetings attended by the Director.

* In addition to the scheduled Board meetings, the Board meets as needs dictate. During the year five such limited agenda meetings were held, primarily to address investment related issues which were required to be dealt with prior to the next scheduled Board meeting. It is not always practical for all members of the Board to attend such meetings and, hence, attendances of Directors at these meetings is more restricted. Directors who attended (with number of meetings attended) were L A Bytheway (3), P C Barnett (5), R R Dalziel (5), I R L Harper (5), P E Mason (4), M R Rayner (5), J Sloan (4), G G Spurling (5), G A Tomlinson (2) and J C Trethowan (2). Messrs M R Rayner and R R Dalziel also met in committee on two occasions during the year to make final determinations in respect of financial reporting requirements to the Australian Stock Exchange which had been previously considered by the Board.

The "Share Issue Committee" and "Standing Committee for Urgent Matters" also meet at short notice as needed. All Directors are members of each Committee, though it is not expected that all members attend each meeting.

- There were 30 meetings of the Share Issue Committee during the year. Board members who attended were P C Barnett (1), L A Bytheway (18), R R Dalziel (3), P E Mason (1), M R Rayner (15), J Sloan (1), G G Spurling (1), G A Tomlinson (8) and J C Trethowan (13).
- There were 3 meetings of the Standing Committee for Urgent Matters during the year. Directors who attended were P C Barnett (3), R R Dalziel (3), P E Mason (1), M R Rayner (3) and G A Tomlinson (2).

Committees of the Board were also appointed to deal with matters relating to the Optus float, capital return and share buy-back. Five meetings were held and attendances were P C Barnett (1), R R Dalziel (1), P E Mason (1), M R Rayner (3), G G Spurling (1) and J C Trethowan (3), at meetings which they were eligible to attend.

Details of Committee functions are set out in the Corporate Governance section on pages 30 to 31 of this Annual Report.

Details of each Director's qualifications, experience and special responsibilities are set out on page 29 of this Annual Report.

Principal Activities

The principal activities of the Group during the year consisted of contract and cash logistics services, time critical express services and health care services. Other than the divestment by the Company of its investment in Cable & Wireless Optus Ltd there was no significant change in the nature of those activities of the Group during the year.

Dividends

The following dividends or distributions have been paid to members during the year or have been recommended or declared for payment to members, but not paid, during the year

- (i) As proposed and provided for in the accounts for the year ended 5 July 1998, and referred to in the Directors' Report attached to those accounts;
Ordinary shares
Final 15 cents paid on 31 October 1998 – \$51,950,000 (55% franked with Class C (36%) franking credits).

Directors' Report

- (ii) In respect of the current year ended 4 July 1999;
Ordinary shares
Interim 15 cents paid on 30 April 1999 – \$51,508,000 (50% franked with Class C (36%) franking credits).
- (iii) Ordinary shares
Final 15.0 cents payable on 30 September 1999 – \$51,600,000 (For income tax purposes this dividend will be 40% franked with Class C (36%) franking credits.)

Review of Operations and Results

The operations of the Group during the year and the results of those operations are set out in the accompanying reviews on pages 20 to 22 of this Annual Report.

Significant Change in the State of Affairs

There was no significant change in the state of affairs of the Group during the year other than the divestment of the Company's interest in Cable & Wireless Optus Limited, details of which are referred to on pages 21 to 22 of this Annual Report.

Events after the End of the Year

The Directors are not aware of any matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the Group in future years.

Future Developments

Likely developments in the operations of the Group in future years and the expected results of those operations are referred to elsewhere in the Annual Report, particularly pages 2 to 4 and 6 to 11. The Directors believe on reasonable grounds that to include further information on those matters would be likely to result in unreasonable prejudice to the Group. Accordingly, no further information relating to likely developments and results is included in this report.

Relevant Interests of Directors in Shares

The relevant interests of each Director in shares of the Company as at the date of this report are:

Director	Fully Paid Ordinary Shares		Executive Share Options
	Held Beneficially	Held Non-Beneficially	
P C Barnett	10,000	-	-
R R Dalziel	22,000	-	1,600,000
I R L Harper	48,000	8,580	-
P E Mason	48,040	-	-
M R Rayner	20,000	-	-
J Sloan	3,000	-	-
G G Spurling	10,000	-	-
G A Tomlinson	5,000	-	-

Emoluments of Directors and Senior Executives

The Company's broad policy for determining the nature and amount of emoluments of Board members and senior executives and the relationship of this policy to the performance of the Company is as follows:

Senior Executives

The Company's remuneration policy is to ensure that total remuneration packages are sufficient to attract, retain and motivate people of high quality. In determining total remuneration packages for senior executives, consideration is given to pay levels adopted by comparable companies in terms of size, geographical spread and business complexity. The Company seeks input for this determination from external advisers and also obtains market data through comprehensive external salary surveys.

The Board believes strongly in relating senior executive remuneration to performance of the business, and therefore supports the approach of putting a significant part of senior executive reward "at risk".

Under this approach, the Company's broad aim is to provide total fixed remuneration at or around the median of the relevant market combined with incentives which, subject to performance, have the potential to increase total remuneration up to the top quartile.

Non-Executive Directors

The Company's Constitution provides that the Board shall determine the total remuneration paid to Directors for their services as Directors in respect of each year and its distribution amongst them, provided that such total amount shall not exceed the maximum amount approved from time to time by shareholders in general meeting.

At the Annual General Meeting in November 1997, shareholders approved that the annual remuneration paid to each of the Directors for such services, when added together, should not exceed a combined total amount of \$800,000. The total remuneration paid to all of the Directors for their services as Directors during 1998/99, when added together, was within the approved maximum amount.

The Board's practice with respect to Director remuneration has been to carry out reviews periodically on the basis of external independent advice as to the appropriate levels to remain competitive with the market, having regard to companies of similar size and complexity to Mayne Nickless. Whilst the Board believes strongly in relating executive remuneration to performance of the business by putting in place performance-based bonus schemes and the allocation of executive options, the Board believes it is desirable that the non-executive Directors' remuneration arrangements are not performance linked, are relatively neutral and are not subject to incentive reward for annual results.

Directors' Report

Details of the nature and amount of each element of the emolument of each Director and each of the officers receiving the highest emolument during the year are:

Name	Remuneration Package (a)	Performance Based Bonus (b)	Other Benefits (c)	Total Remuneration	Options Granted This Year Over Ordinary Shares (d)
	\$	\$	\$	\$	No.
Executive Director (e)					
R R Dalziel	861,361	375,000	221,588	1,457,949	600,000
Non-Executive Directors					
M R Rayner	170,000		56,225	226,225	
G G Spurling	60,250		4,218	64,468	
I R L Harper	67,250		4,708	71,958	
J Sloan	67,250		4,708	71,958	
P C Barnett	66,250		4,638	70,888	
P E Mason	66,250		4,638	70,888	
G A Tomlinson (f)	34,000		2,380	36,380	
J C Trethowan (g)	59,220			59,220	
L A Bytheway (h)	51,750		3,623	55,373	

- (a) Executive Director's remuneration consists of basic salary and packaged benefit components. Non-Executive Directors' remuneration represents fees in connection with attending Board, Board committee and associated company Board meetings.
- (b) Reflects performance-based remuneration in respect of prior year performance.
- (c) Reflects non-salary package remuneration. For Mr Dalziel, includes Company contributions to superannuation. For Non-Executive Directors it comprises Company contributions to superannuation and, for Mr Rayner, includes a \$44,325 car expense benefit. Superannuation contributions are excluded from the \$800,000 shareholder approved Directors' remuneration cap.
- (d) Granted on 28/4/99 and exercisable from 29/4/02 to 27/4/05 at \$5.24 per share (the market price at time of issue) subject to satisfaction of Peer Group hurdle. Using the Black-Scholes method, the value of each option as at 4/7/1999 is \$1.07 before allowing any discount for the hurdle. The value after allowance for the hurdle is regarded as indeterminable. The intrinsic value of each option as at the date of issue was nil.

- (e) B R Catchlove resigned as a Director on 11/8/98. Details relating to him are in the next table.
- (f) Appointed 1/1/1999.
- (g) Retired as a Director of Mayne Nickless Limited 17/11/98. A benefit of \$461,290 was also paid under his Service Agreement with the Company following his retirement. Appointed as Chairman of Trustee Board of Mayne Nickless Limited Superannuation Fund 1/1/99.
- (h) Retired 30/3/99. Benefits were also paid following his retirement of \$195,000 under his Service Agreement with the Company and \$21,429 from the Mayne Nickless Superannuation Fund.

Directors' Report

Name (a)	Base Salary (b)	Performance Based Bonus (c)	Other Benefits (d)	Total Remuneration	Options Granted This Year Over Ordinary Shares (e)
	\$	\$	\$	\$	No.
Mayne Nickless Limited officers (f)					
W J Kirk	500,000	300,000	318,745	1,118,745	
B R Catchlove	500,000	211,500	399,134	1,110,634	100,000
S F Tanner	400,000	133,000	309,717	842,717	100,000
K Cadell	300,000	96,750	150,534	547,284	50,000
P Flett	240,117	144,127	107,506	491,750	30,000
Mayne Nickless Europe plc officer					
C Millbanks	456,919	169,713	63,193	689,825	50,000
	(£175,000)	(£65,000)	(£24,203)	(£264,203)	
Mayne Nickless Canada Inc. officer					
B Fulwiler	324,185 (US\$203,750)	130,867 (US\$82,250)	117,640 (US\$73,937)	572,692 (US\$359,937)	40,000

- (a) The named top executives were responsible for the strategic direction and management of the Company and/or major business units for a significant period during the year.
- (b) Reflects annual base salary.
- (c) Reflects performance-based remuneration in respect of prior year performance.
- (d) Reflects other remuneration benefits such as Company contributions to superannuation, the "package value" of motor vehicle benefits inclusive of FBT, benefits received under Service Agreements, and expatriate benefits.
- (e) Granted on 28/4/99 and exercisable from 29/10/02 to 27/2/04 at \$5.24 per share (the market price at time of issue), subject in the cases of Dr Catchlove and Mr Tanner,

to satisfaction of a Peer Group hurdle. Using the Black-Scholes method, the value of each option as at 4/7/1999 is \$1.05 before allowing any discount for the hurdle (where applicable). The value after allowance for the hurdle is regarded as indeterminable. The intrinsic value of each option as at the date of issue was nil.

- (f) The officers in this table are current officers. During the year one senior officer ceased employment with Mayne Nickless Limited. Details are as follows:
C P Hayden - Total remuneration of A\$1,507,842 made up of base salary, Company superannuation contributions, payment for accrued leave and termination benefits.

Options

Details of any unissued shares of the Company under option as at the date of this report are:

Number of ordinary shares under option	Expiry Date of Options	Exercise Price of Options
275,000	4/2/00	\$3.80 - \$5.08
1,400,000	6/1/01	\$4.64 - \$4.66
1,721,000	7/1/01	\$4.52 - \$5.80
56,000	7/8/01	\$6.60 - \$6.71
1,352,000	7/2/02	\$5.38 - \$6.66
2,411,000	2/2/03	\$5.59 - \$6.87
2,328,000	27/2/04	\$5.24
600,000	27/4/05	\$5.24
Total		10,143,000

None of the options referred to above entitle the holder to participate in a share issue of the Company or of another body corporate.

In addition, the Company has, during or since the end of the year, issued fully paid ordinary shares as a result of the exercise of options over unissued shares as follows:

Number of fully paid ordinary shares	Amount paid
104,000	\$453,880

Directors' Report

A summary of the Rules of the Company's Executives' Share Option Scheme is set out below:

- 1 The options are exercisable in whole or multiples of 1,000 as follows:
 - (a) at any time in the period from the fourth anniversary of the date of grant of the option (or such earlier date as the Directors may, in their absolute discretion, determine) to 58 months from the date of grant, except in the case of the special conditions which apply if an executive retires, dies or otherwise leaves the employment of the Group or if there is a takeover, reconstruction or winding up as referred to below;
 - (b) if the relevant executive dies, the options may be exercised at any time within a period of 1 year from the date of death;
 - (c) if the relevant executive ceases employment for any of the following reasons:
 - injury, disability, redundancy or retirement at or after normal retirement date;
 - the employing corporation ceases to be a subsidiary or the business in which the executive is employed ceases to be owned by the Company or a subsidiary;
 - transfer of employment to a subsidiary which does not participate in the Scheme or the employing subsidiary ceases to participate in the Scheme; or
 - any other circumstance with the specific consent of the Directors;

outstanding options held by the executive may be exercised at any time within 1 year from cessation of employment;
 - (d) if the relevant executive ceases employment for any reason other than as described above, the options will, as a general rule, lapse at the date of ceasing employment; and
 - (e) special provisions apply in the event of the takeover, reconstruction or winding up of the Company.
- 2 Unless exercised as provided by the Scheme, the options granted under the Scheme shall expire at the end of 58 months from the date of their grant.
- 3 The rules of the Scheme provide that the price per share payable on the exercise of an option shall be the greater of the last sale price of the shares recorded on Australian Stock Exchange Limited on the business day immediately preceding the date of grant of the option and the nominal amount thereof, subject to potential adjustment which is fair and reasonable following any pro-rata issue by the Company of additional shares by way of a rights or bonus issue.
- 4 No consideration is payable for an option and options cannot be transferred, assigned or charged.
- 5 The rules provide that no option shall be granted if the result would be that the aggregate of the number of shares over which subsisting options have been granted under the Scheme and shares outstanding under the Executive Share Scheme exceeds 5% of the aggregate number of fully and partly paid shares then on issue.

- 6 Shares allotted upon exercise of an option will rank in full for all dividends and other rights arising by reference to a record date on or after the date of allotment and will otherwise rank equally with other issued shares of the same class. The Company will apply for listing of the shares on Australian Stock Exchange Limited and any other Exchange on which the Company's shares are listed.

Indemnities and Insurance

During or since the end of the year, the Company has:

- entered into a deed of indemnity in favour of G A Tomlinson (who became a Director on 1 January 1999) in accordance with the terms of rules 69(a) and (b) of the Company's constitution which provide an indemnity in favour of the Director against liabilities incurred while acting as an officer of the Company to persons (excluding the Company or its related bodies corporate) to the extent permitted by law;
- confirmed in writing to S F Tanner, J W Priestley and P George that the Company agrees to perform and observe the provisions of rules 69(a) and (b) of the Company's constitution as referred to above in connection with their service on the Due Diligence Committee formed by the Company in relation to the proposed sale of the Company's shares in Cable & Wireless Optus Limited (formerly Cable & Wireless Optus Pty Limited and Optus Communications Pty Limited) and matters arising from that service;
- entered into deeds with R R Dalziel, S F Tanner and P George indemnifying them against liability incurred in their capacity as officers of Cable & Wireless Optus Limited and officers of the Company (involved with the Optus float). The indemnities do not extend to any act of fraud, conduct involving lack of good faith, or the commission knowingly of a criminal offence and only apply to the extent that the officers are not indemnified under any insurance policy effected for their benefit or under any other indemnity enforceable by them; and
- paid a premium in respect of a contract insuring Directors and executive officers of the Group against liability that is covered by subsection 241A(3) of the Corporations Law.

The class of executive officer covered by the insurance policy includes officers involved in the management of the Group. The insurance contract prohibits disclosure of the nature of the liabilities insured against and the amount of the premium.

No indemnity has been granted to auditors of the Company.

Environmental Regulations

The operations of the Group in Australia are subject to various environmental regulations under both Commonwealth and State legislation.

Based upon enquiries within the Group, the Directors are not aware of any breaches of any particular and significant environmental regulation affecting the Group's operations.

In making this report, the Directors note that the Group's operations commonly involve the use or development of land, the transport of goods, and the disposal of waste. These activities occasionally require a licence, consent or approval from Commonwealth or State regulatory bodies. For example, the Mayne Nickless Express, Armaguard and health care businesses are licensed in several States

Directors' Report

for the storage, handling or transport of dangerous goods, and Armaguard holds a number of trade waste agreements with State water authorities. Where the Group's activities potentially involve contaminated waste (e.g. medical waste), this waste is generally transported and disposed of by organisations outside of the Group which are appropriately licensed. This regulation of the Group's activities is ordinarily of a general nature, applying to all persons carrying out such activities, and does not in the Directors' view comprise particular and significant environmental regulation.

The Directors believe the environmental performance of the Group is sound and that the Group has appropriate systems in place for the management of its on-going corporate environmental responsibilities.

Rounding

The Company is a company of the kind referred to in the Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998. As a result, amounts in this report and accompanying financial report have, except where otherwise required, been rounded to the nearest thousand dollars or, where the amount is \$500 or less, zero in accordance with that Class Order.

This Directors' report is made on 28 September 1999 in accordance with a resolution of the Directors.



Chairman
M R Rayner



Managing Director
R R Dalziel

Financial Report for the financial year ended 4 July 1999

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This financial report incorporates full disclosure requirements under both Australian and United States generally accepted accounting principles.

Profit and Loss Statements for the financial year ended 4 July 1999

	Note 1(b)	Consolidated			Parent Entity	
		1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000
Revenue	2	4,002,191	2,725,649	2,901,551	2,283,097	1,199,602
Operating Profit before abnormal items and income tax	25	162,200	208,735	176,412	94,482	122,500
Abnormal Items before income tax	5, 25	478,812	(177,162)	(113,944)	442,866	(113,918)
Operating Profit before income tax	3	641,012	31,573	62,468	537,348	8,582
Income Tax (Expense)/Benefit	4	(157,905)	12,650	38,030	(154,544)	55,099
Operating Profit after income tax		483,107	44,223	100,498	382,804	63,681
Outside Equity Interests in Operating (Profits)/Losses after income tax	22	(615)	8	(207)	-	-
Operating Profit after income tax attributable to members of Mayne Nickless Limited		482,492	44,231	100,291	382,804	63,681
Retained Profits at the beginning of the financial year		121,627	184,020	177,508	20,461	63,404
Adjustments arising from the adoption of the equity method of accounting for associates	1(h)	(219,810)	-	-	-	-
Total available for Appropriation		384,309	228,251	277,799	403,265	127,085
Dividends	7	(103,234)	(106,624)	(93,779)	(103,234)	(106,624)
Retained Profits at the end of the financial year		281,075	121,627	184,020	300,031	20,461

The accompanying notes form part of this financial report

Balance Sheets as at 4 July 1999

	Note 1(b)	Consolidated		Parent Entity	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Current Assets					
Cash and Deposits	8	196,242	310,274	15,649	156,184
Receivables	9	402,225	418,791	1,055,148	858,092
Investments	13	-	627,437	-	627,437
Inventories	10	29,363	25,159	7,264	10,482
Other	11	28,988	30,891	7,681	11,991
Total Current Assets		656,818	1,412,552	1,085,742	1,664,186
Non-Current Assets					
Deposits	8	1,224	1,553	-	-
Receivables	12	1,600	1,836	1,600	1,600
Investments	13	22,909	35,762	921,935	775,978
Property, Plant & Equipment	14	1,088,402	999,286	194,027	266,517
Intangibles	15	533,251	363,848	31,751	27,249
Other	16	107,924	278,375	61,361	261,921
Total Non-Current Assets		1,755,310	1,680,660	1,210,674	1,333,265
Total Assets	25	2,412,128	3,093,212	2,296,416	2,997,451
Current Liabilities					
Accounts Payable	17	329,860	359,777	128,906	179,976
Borrowings	18	26,542	42,003	249,423	378,327
Provisions	19	169,698	178,441	100,873	97,130
Total Current Liabilities		526,100	580,221	479,202	655,433
Non-Current Liabilities					
Accounts Payable	17	6,518	10,349	210	8,493
Borrowings	18	704,474	1,194,118	682,337	1,129,955
Provisions	19	37,613	35,264	7,695	7,658
Total Non-Current Liabilities		748,605	1,239,731	690,242	1,146,106
Total Liabilities		1,274,705	1,819,952	1,169,444	1,801,539
Net Assets		1,137,423	1,273,260	1,126,972	1,195,912
Shareholders' Equity					
Mayne Nickless Limited Interest					
Share Capital	20	823,096	172,400	823,096	172,400
Reserves	21	(10,850)	977,439	3,845	1,003,051
Retained Profits		281,075	121,627	300,031	20,461
		1,093,321	1,271,466	1,126,972	1,195,912
Outside Equity Interests	22	44,102	1,794	-	-
Total Shareholders' Equity		1,137,423	1,273,260	1,126,972	1,195,912

The accompanying notes form part of this financial report

Statement of Cash Flows for the financial year ended 4 July 1999

	Note 1(b)	Consolidated			Parent Entity	
		1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000
Cash Flows from Operating Activities						
Cash receipts from customers		2,733,814	2,636,236	2,832,150	1,008,236	1,081,562
Cash payments to suppliers and employees		(2,516,234)	(2,409,066)	(2,575,071)	(966,535)	(1,019,436)
Dividends and trust distributions received		-	3,002	3,176	57,137	55,382
Interest received		22,103	31,971	35,887	47,937	61,550
Interest paid		(58,198)	(72,984)	(111,534)	(64,485)	(80,385)
Income taxes (paid)/refunded		(47,953)	(28,977)	(47,996)	1,713	(1,965)
Net operating cash flows	23	133,532	160,182	136,612	84,003	96,708
Cash Flows from Investing Activities						
Proceeds/(payments) on disposal of entities		(32,990)	145,259	5,172	20,048	103,642
Payments for acquisition of entities		(270,892)	(35,517)	(84,859)	(46,130)	(2,767)
Proceeds from sale of property, plant and equipment		94,695	22,565	37,450	125,929	8,253
Payments for property, plant and equipment		(191,456)	(219,016)	(227,309)	(91,424)	(178,492)
Proceeds from sale of investments		1,018,338	-	1,806	1,016,969	-
Payments for investments		(54,325)	(54,173)	(39,013)	(54,325)	(53,052)
Proceeds from loans repaid		134,804	919	11,519	134,356	-
Payments for additional equity in controlled entities		(434)	-	-	(20,390)	-
Payments for loans to controlled entities		-	-	-	(342,308)	(45,382)
Payments for loans to associated entities		-	(52,849)	-	-	(52,849)
Net investing cash flows		697,740	(192,812)	(295,234)	742,725	(220,647)
Cash Flows from Financing Activities						
Proceeds from issue of shares		13,711	186,782	13,192	13,581	186,782
Proceeds from borrowings		72,527	50,572	144,910	55,803	30,776
Repayments of borrowings		(513,309)	(201,051)	(22,854)	(441,775)	(121,903)
Finance lease principal		(481)	-	(3,149)	(481)	-
Proceeds from asset securitisation		92,000	-	-	-	-
Payments for share buy-back		(63,002)	-	-	(63,002)	-
Capital return		(349,324)	-	-	(349,324)	-
Dividends paid		(61,621)	(47,750)	(93,757)	(61,542)	(47,750)
Realised foreign exchange gains		23,840	35,410	16,974	26,498	35,906
Net financing cash flows		(785,659)	23,963	55,316	(820,242)	83,811
Net increase/(decrease) in cash held		45,613	(8,667)	(103,306)	6,486	(40,128)
Cash at the beginning of the financial year		155,766	148,864	227,868	7,541	47,669
Effect of exchange rate changes on cash held		(16,653)	15,569	24,302	-	-
Cash at the end of the financial year	23	184,726	155,766	148,864	14,027	7,541

The accompanying notes form part of this financial report

Notes to financial statements for the financial year ended 4 July 1999

1. Statement of Significant Accounting Policies

The financial report, being a general purpose financial report, has been prepared in accordance with the following significant accounting policies which, except where there is a change in accounting policy, are generally consistent with previous years and which are also in accordance with the Corporations Law, applicable Accounting Standards and Urgent Issues Group Consensus Views.

(a) Underlying Principles

The financial report has been prepared in accordance with conventional historical cost principles and has not been adjusted to take account of changing money values except to the extent that the revaluations of certain non-current assets partially reflect such changes.

(b) Financial Year

The economic entity operates on an accounting system based upon four and five week periods. The 1999 financial year comprised 52 weeks which commenced on 6 July 1998 and ended on 4 July 1999 compared to the 1998 financial year which comprised 52 weeks from 7 July 1997 through to 5 July 1998 and the 1997 financial year which comprised 53 weeks from 1 July 1996 through to 6 July 1997. The accounts have been prepared in accordance with the versions of applicable Accounting Standards in force for financial years ending on or after 30 June 1999.

(c) Revenue recognition

Sales revenue comprises revenue earned (net of discounts and allowances) from the provision of services to entities outside the economic entity. Sales revenue is recognised when the service has been performed. Prepaid revenue for freight satchels and stickers is deferred and recognised when the service has been completed using systems which monitor sales and service patterns.

Interest income is recognised as the interest accrues.

The gross proceeds of asset sales are recognised as revenue once a contract of sale has been finalised and the profit or loss on disposal is brought to account.

Dividend income from controlled entities is brought to account in the parent entity at the time the dividends have been declared by the controlled entities. Dividend income from associated entities is brought to account at the time the dividends are received.

(d) Foreign Currency

Transactions:

Foreign currency transactions are translated to Australian currency at average rates approximating the rates of exchange applicable at the transaction dates and gains and losses have been brought to account in determining period income.

Amounts receivable and payable in foreign currencies at balance date have been translated at the rates of exchange ruling on that date. Exchange differences relating to amounts receivable and payable in foreign currencies are brought to account as exchange gains or losses in the profit and loss account in the financial year in which the exchange rates change.

Translation of the financial statements of overseas controlled entities:

Assets and liabilities of overseas controlled entities have been translated at the rates of exchange ruling at balance date.

The profit and loss statements have been translated at an average rate for the year. Exchange differences arising on translation have been transferred to the Exchange Fluctuation Reserve.

Hedges:

Having regard to natural currency hedges, where foreign assets are offset against foreign liabilities, the Directors have, where prudent, entered into specific hedge transactions to protect the value of equity in and loans to overseas controlled entities. In accordance with the requirements of AASB 1012 – "Foreign Currency Translation" gains or losses resulting from these transactions relating to self-sustaining controlled entities have been transferred to the Exchange Fluctuation Reserve.

Where hedge transactions are designed to hedge the purchase or sale of goods or services, exchange differences arising up to the date of the purchase or sale, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the purchase or sale.

Any exchange differences on the hedge transaction after the date of the purchase or sale are included in the profit and loss account.

(e) Income Tax

Tax effect accounting is adopted in both the parent entity and economic entity financial statements. To the extent that timing differences occur between the time items are taken up in the financial statements and when they are taken into account for determination of taxable income, the related taxation liability or benefit calculated at current rates is disclosed in the financial statements as "Provision for Deferred Income Tax" or "Future Income Tax Benefit". It is the policy of the economic entity not to carry forward a tax benefit where there is any doubt as to its eventual recovery.

Withholding tax payable on the distribution of profits from overseas investments is brought to account at the time profits are distributed. Capital gains tax is provided in the profit and loss account in the period in which an asset is sold.

When an asset is revalued capital gains tax is not provided at the time of revaluation unless it is known that the asset will eventually be sold.

(f) Inventory Valuation

Inventory held for internal use, inventory held for resale and raw materials have been valued at the lower of cost and net realisable value. Overheads directly related to production are included in calculating inventory costs. Work in progress has been valued using the percentage of completion method.

(g) Receivables

Trade debtors are generally to be settled within 30 days and are carried at amounts due. Other debtors are carried at amounts due.

The collectibility of debts is assessed at balance date and specific provisions are made for any doubtful accounts. In addition a general provision is maintained.

(h) Investments

The economic entity financial report is a consolidation of the financial statements of the parent entity (holding company) and all its controlled entities (subsidiaries) and from 5 July 1998, equity consolidation of all of its associated entities.

Notes to financial statements for the financial year ended 4 July 1999

1. Statement of Significant Accounting Policies (continued)

(h) Investments (continued)

The controlled entities have been determined in accordance with the definition in AASB 1024 "Consolidated Accounts". AASB 1024 defines control as the capacity of an entity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable the other entity to operate with it in achieving the objectives of the controlling entity.

The associated entities have been determined in accordance with AASB 1016 "Accounting for Investments in Associates". This includes all associated entities over which the parent entity has the capacity to influence significantly the policies of that associate.

Outside interests in the equity and results of the entities that are controlled by the economic entity are shown as a separate item in the consolidated accounts.

All inter-entity transactions and balances have been eliminated on consolidation.

Accounts of foreign controlled entities prepared in accordance with foreign accounting principles are, for consolidation purposes, amended to conform with Australian generally accepted accounting principles.

Change in accounting policy:

The economic entity has adopted the revised AASB 1016 "Accounting for Investments in Associates" and has applied the equity method of accounting for investments in associates in the current financial year. In previous periods the economic entity accounted for investments in associates using the cost method.

To recognise the equity accounted amount of the investments on the initial application of the standard, consolidated retained profits were reduced by \$219.810 million which represents the net equity consolidated share of retained profits and accumulated losses of associates at 5 July, 1998. The consolidated carrying value of investments in associates decreased by \$215.710 million and the consolidated exchange fluctuation reserve increased by \$4.100 million to recognise the equity accounted amount of the investments on the initial application of the standard at 5 July 1998.

The change in accounting policy has resulted in an increase in consolidated profit after tax for the current financial year of \$218.841 million. This comprises operating losses after tax before abnormal items of \$0.959 million and an abnormal gain on the recoupment of equity accounted losses in Cable and Wireless Optus Limited of \$219.800 million. The consolidated carrying value of investments in associates was decreased by \$0.177 million to recognise the movements in equity accounted profits and losses for the period.

The consolidated carrying value of investments in associates was also decreased by \$437.103 million primarily due to the sale of investments in Cable & Wireless Optus Limited and the consolidation of P T Putramas Muliasantosa upon it becoming a controlled entity.

Had the new accounting policies always been applied, consolidated retained profits at the end of the 1998 financial year would have

decreased by \$219.810 million to (\$98.183) million for the share of profits and losses of associates relating to periods prior to 1998. Contributions from associates for 1998 amounted to a loss of \$25.549 million after tax, and consolidated profit and loss would therefore have been \$18.682 million.

(i) Property, Plant & Equipment

Acquisition:

Items of property, plant & equipment are recorded at cost and depreciated as outlined in Note 1(o).

Revaluations:

Land and buildings are independently revalued every three years on an existing use basis of valuation. This is in addition to the annual review for recoverable amount referred to in note 1(m).

No revaluations of land and buildings have taken into account the potential capital gains tax in relation to Australian assets.

(j) Intangibles

Goodwill:

Purchased goodwill and goodwill on consolidation, representing the difference between the cost of investments in certain businesses and controlled entities and the fair value of the net assets acquired, have been reviewed by the directors to confirm that the current valuation is appropriate and systematically amortised against operating income over the period of time, not exceeding twenty years, during which benefits are expected to arise.

Brand names and attendant licences:

The brand names and attendant licences, where applicable, have all been acquired with purchases of businesses or controlled entities. Acquired brands are only recognised where title is clear, brand earnings are separately identifiable and the brand could be sold separately from the rest of the business. The fair values at time of acquisition were determined by independent valuations of the brand names and licences using an imputed royalties methodology.

No annual amortisation is provided except where the end of the economic life of the acquired brand or attendant licence can be foreseen and is limited by technical, commercial or legal factors.

The value inherent in the brand names and licences is reliant on the ability of the brand to generate superior returns for the business. The economic entity has adopted a policy to review the useful life and recoverable amount of each brand on an annual basis in conjunction with a triennial independent valuation of each brand and attendant licences.

(k) Capitalisation of Interest

Building projects:

To establish the costs of capital projects, interest is capitalised on capital projects during development. The interest is amortised over the estimated useful life of the relevant fixed asset.

(l) Capitalisation of Leased Assets

Finance lease assets and liabilities are capitalised in the financial statements. Assets and liabilities have been recorded at the present value of the minimum lease payments from the beginning of the lease term. Leased assets are amortised over the lease term, or over the expected life of the leased property. The lease liabilities have been classified between current and non-current amounts.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

(m) Non-Current Assets

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

(n) Deferred Expenditure

Material items of expenditure are deferred to the extent that the benefits are recoverable out of future revenue, do not relate solely to revenue which has already been brought to account and will contribute to the future earning capacity of the economic entity.

Deferred expenditure is amortised over the period in which the related benefits are expected to be realised and is reviewed in accordance with the policy set out in Note 1(m).

(o) Depreciation and amortisation

Freehold Properties:

Depreciation of buildings on freehold land has been calculated on cost, or latest valuation where applicable. Buildings are depreciated at 2.5%.

Leasehold Properties:

The cost of revaluations of entity leaseholds are amortised by equal annual charges over the unexpired lease periods.

Plant and Equipment:

Provision for depreciation of these assets is calculated by the straight line method at various rates appropriate to their estimated useful lives.

Depreciation rates range from 5% to 33.3% dependent upon the nature and useful life of the asset.

(p) Accounts Payable

Trade creditors are generally settled within 30 days and are carried at amounts payable. Other creditors are carried at amounts payable.

(q) Employee Entitlements

Wages, Salaries, Annual Leave and Sick Leave:

The provisions for employee entitlements to wages, salaries, annual leave and vesting sick leave represent the amount which the economic entity has a present obligation to pay resulting from employee's services provided up to the balance date. The provisions have been calculated at nominal amounts based on prevailing wage and salary rates and including related on-costs.

Long Service Leave:

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the economic entity's experience with staff departures. Related on-costs have also been included in the liability.

Superannuation Funds:

The economic entity contributes to several superannuation funds. Contributions are charged against income as they are made.

Executive Share Option Plan:

The parent entity granted options to certain employees under an executive share option plan. Other than the costs incurred in administering the scheme, which are expensed as incurred, the scheme does not result in any expense to the economic entity.

Employee Share Acquisition Plan:

The economic entity granted shares to certain employees under an employee share acquisition plan. An interest free loan has been advanced to employees under this scheme. Other than this and the costs incurred in administering the scheme, which are expensed as incurred, the scheme does not result in any expense to the economic entity.

(r) Derivatives

The economic entity is exposed to changes in interest rates and foreign exchange rates from its activities. To hedge these exposures the economic entity uses derivative financial instruments, including interest rate swaps, cross currency interest rate swaps, foreign exchange swaps and interest rate options. The economic entity does not enter, hold or issue derivative financial instruments for trading purposes.

Controls have been put in place to monitor compliance with economic entity policy. Derivative financial instruments that are designated as hedges and are effective as hedges of underlying exposures are accounted for on the same basis as the underlying exposure.

Interest Rate Swaps:

Interest payments and receipts under interest rate swap contracts are recognised on an accruals basis in the profit and loss account as an adjustment to interest expense during the period.

Cross currency interest rate swaps:

Interest payments and receipts under cross currency interest rate swap contracts are recognised on an accruals basis in the profit and loss account as an adjustment to interest expense during the period. The accounting for principal amounts is set out in Note 1 (d).

Foreign Exchange Swaps:

Interest payments and receipts under foreign exchange swap contracts are recognised on an accruals basis in the profit and loss account as an adjustment to interest expense during the period.

Interest Rate Options:

Interest rate options are used to hedge interest rate exposures. The premiums paid on interest rate options and any realised gains or losses on exercise are included in other assets and are amortised to interest expense over the terms of the agreements.

(s) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(t) Use of estimates

The preparation of the consolidated financial report in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated

Notes to financial statements for the financial year ended 4 July 1999 (continued)

financial report and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

(u) Nature of operations

The economic entity operates substantial businesses in two core service industries: Health Care and Logistics. Health Care operations are predominantly in Australia, however there are operations in Indonesia with the participation of local investors. Logistics includes time-critical express and contract logistics (incorporating cash logistics). Logistics businesses operate predominantly in Australia, the United Kingdom and Canada.

	Consolidated			Parent Entity	
	1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000
2. Revenue					
Revenue from operating activities:					
Sales Revenue					
- Revenue from services	2,797,695	2,634,934	2,835,374	996,818	1,084,269
Other Revenue					
Dividends received					
- controlled Entities	-	-	-	49,050	43,920
- other Associated Entities	-	3,002	3,176	-	3,002
Interest received					
- controlled Entities	-	-	-	38,085	35,470
- other Associated Entities	4,034	9,402	6,184	4,034	9,402
- other persons	13,896	9,360	9,916	1,995	3,621
Revenue from outside operating activities:					
Proceeds on sale of non-current assets					
- property, plant and equipment	163,137	68,951	46,901	102,515	19,918
- investments	1,023,429	-	-	1,090,600	-
	4,002,191	2,725,649	2,901,551	2,283,097	1,199,602

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated			Parent Entity	
	1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000

3. Operating Profit

Operating Profit before income tax is after:

Charging/(crediting) the following items:

Interest expense					
- Controlled Entities	-	-	-	12,129	12,857
- Other persons	62,143	74,592	82,398	51,920	70,894
- Finance leases	894	574	4,734	32	-
	63,037	75,166	87,132	64,081	83,751
- Less interest capitalised	(870)	(5,751)	(1,935)	(924)	-
	62,167	69,415	85,197	63,157	83,751

Amortisation and depreciation of:

- Goodwill	17,975	14,996	15,737	2,700	2,692
- Property, plant and equipment	91,201	85,808	93,405	34,800	41,108
- Leased assets	2,074	2,051	3,207	186	-
- Deferred expenditure	3,882	3,426	2,607	2,266	1,326
Write down of plant and equipment to recoverable amounts	-	-	18,819	-	-
Brand names written off	-	41,265	-	-	41,265
Goodwill written off	-	8,597	-	-	8,597
Bad and doubtful debts expense	4,609	6,157	3,656	54	1,943
Loss on sale of non-current assets	25,152	1,900	1,857	23,213	1,000
Profit on sale of non-current assets	(11,331)	(7,631)	(5,649)	(8,015)	(4,101)
Profit on sale of investments	(330,409)	-	(41)	(443,668)	-
Loss on sale of investments	15	115	19,105	1,780	-
Recoupment of equity accounted losses on sale of associate	(219,800)	-	-	-	-
Equity accounted share of losses of associates	177	-	-	-	-
Provision for employee benefits	67,712	64,120	53,606	25,877	27,244
Operating lease rentals:					
- Property	69,859	53,612	71,261	35,896	31,306
- Plant and equipment	64,258	63,542	85,899	20,871	28,783
Provision for diminution in value of investments	-	19,787	-	-	19,787
Realised foreign exchange (gains)/losses	(30)	(20,177)	(202)	(26,639)	(35,958)
Unrealised foreign exchange (gains)/losses	(37)	901	(70)	(23,297)	79,264

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated			Parent Entity	
	1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000
3. Operating Profit (continued)					
Included in the above are the following amounts which form part of abnormal items as disclosed in Note 5:					
Charging/(crediting) the following items:					
Interest expense	16,325	38,738	39,720	16,325	38,738
Brand names written off	-	41,265	-	-	41,265
Goodwill written off	-	8,597	-	-	8,597
Profit on sale of investments	(329,931)	-	(41)	(435,432)	-
Recoupment of equity accounted losses on sale of associate	(219,800)	-	-	-	-
Provision for diminution in value of investments	-	19,787	-	-	19,787
Realised foreign exchange (gains)/losses	-	(19,902)	(6)	(26,498)	(35,907)
Unrealised foreign exchange (gains)/losses	-	620	-	(23,297)	79,244
<i>Items included in disposal/discontinuance of businesses</i>					
Amortisation and depreciation of:					
- Property, plant and equipment	1,204	4,462	5,640	1,197	3,017
- Leased assets	-	-	76	-	-
Write down of plant and equipment to recoverable amounts	-	-	18,819	-	-
Bad and doubtful debts expense	545	619	-	549	417
Profit on sale of non-current assets	(104)	(1,981)	(47)	(104)	(1,395)
Loss on sale of non-current assets	22,282	446	263	21,155	51
Loss on sale of investments	-	86	19,105	1,765	-
Provision for employee benefits	529	2,328	-	429	2,324
Operating lease rentals:					
- Property	1,331	3,177	2,818	1,331	2,863
- Plant and equipment	1,219	5,810	1,010	1,219	5,810

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated			Parent Entity	
	1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000
4. Income Tax					
The prima facie tax on operating profit differs from the income tax provided in the financial statements and is reconciled as follows:					
Prima facie tax on operating profit calculated at 36%	230,764	11,366	22,488	193,445	3,090
From which is deducted the tax effect of:					
Dividend income	-	(1,081)	(51)	(17,658)	(16,892)
Over provision in prior year	(6,277)	(2,474)	(10,322)	(3,256)	-
Overseas income tax rate differences	(1,337)	-	-	-	-
Utilisation of prior year tax losses	(637)	-	(1,380)	-	-
Capital allowances	(4,028)	(3,893)	(4,173)	(281)	(173)
Current year capital losses on which a tax benefit has been recognised	(1,089)	-	(494)	(1,089)	-
Non taxable capital profits	(1,728)	(1,509)	(763)	(3,294)	(69)
Non taxable trust income	-	-	-	-	(2,618)
Other variations	(5,715)	-	-	(4,162)	-
Abnormal items					
- Tax benefit on prior year capital losses brought to account	-	(19,800)	(50,158)	-	(19,800)
- Non taxable capital profits	-	-	-	(37,159)	-
- Current year capital losses on which a tax benefit has been recognised	(8,702)	(27,000)	(20,422)	(8,702)	(27,000)
- Accounting profit on sale of associate	(197,903)	-	-	(118,775)	-
- Debt forgiveness from controlled entity	-	-	-	-	(40,865)
- Non taxable exchange gains on foreign borrowings	-	-	-	(4,934)	(4,895)
	3,348	(44,391)	(65,275)	(5,865)	(109,222)
To which is added the tax effect of:					
Non-deductible depreciation/amortisation	9,934	7,478	8,409	1,300	1,233
Non-deductible expenditure	2,998	1,425	1,574	1,186	944
Under provision in prior year	-	-	-	-	3,202
Overseas income tax rate differences	-	765	2,018	-	-
Current year losses on which no tax benefit has been recognised	1,156	-	547	-	-
Withholding tax paid	-	241	455	-	241
Debt forgiveness to controlled entity	-	-	-	1,659	-
Other variations	-	38	588	-	198

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated			Parent Entity	
	1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000
4. Income Tax (continued)					
Abnormal items					
- Non deductible expenditure	502	195	2,990	1,107	195
- Capital gain on sale of associate	139,967	-	-	139,967	-
- Other taxable capital profits	-	-	-	13,286	-
- Current year losses on which no tax benefit has been recognised	-	3,684	-	-	-
- Non-deductible exchange losses on foreign borrowings	-	-	-	1,904	29,641
- Swap close out costs on disposal of business	-	-	-	-	554
- Non-deductible loss on divestment of investments	-	-	6,877	-	-
- Non-deductible write down of assets	-	17,915	3,787	-	17,915
Income tax expense/(benefit) attributable to operating profit	157,905	(12,650)	(38,030)	154,544	(55,099)

Benefit for Tax Losses incurred**(a) Benefit Recognised**

Included in the balance shown for future income tax benefit in Note 16 are the following amounts in respect of tax losses which have been tax effected for accounting purposes:

Included in future income tax benefit	12,151	148,060	107,382	10,123	135,509
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(b) Benefit Not Recognised

The potential future income tax benefit in controlled entities arising from tax losses (revenue and capital) not recognised as an asset because recovery is not virtually certain is estimated at:

	1,226	1,122	1,111	-	-
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This benefit for tax losses will only be obtained if:

- (i) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the economic entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the economic entity in realising the benefit from the deductions for the losses.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated			Parent Entity	
	1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000
5. Abnormal Items					
Realised exchange gains/(losses)	-	-	-	26,498	35,907
Unrealised exchange gains/(losses)	-	-	-	23,297	(79,244)
Net(gains)/ losses on disposal, discontinuance and restructure of businesses, contingencies and provision for onerous contract	(32,826)	(88,661)	(79,428)	84,476	17,920
Provision for diminution no longer required	-	-	5,204	-	-
Year 2000 compliance expenses (a)	(16,921)	-	-	(5,011)	-
Interest on discontinued investment	(16,325)	(38,738)	(39,720)	(16,325)	(38,738)
Profit on disposal of investment in associated entity (b)	549,731	-	-	329,931	-
Computer software written off	(4,847)	-	-	-	-
Goodwill & Brandnames written off	-	(49,763)	-	-	(49,763)
Abnormal items before income tax	478,812	(177,162)	(113,944)	442,866	(113,918)

Income tax benefit/(expense) on abnormal items

Realised exchange (gains)/losses	-	-	-	(11,144)	(8,544)
Unrealised exchange (gains)/losses	-	-	-	(3,631)	(5,802)
Net losses on disposal, discontinuance and restructure of businesses, contingencies and provision for onerous contract	19,546	28,885	14,772	934	33,571
Provision for diminution no longer required	-	-	(1,041)	-	-
Year 2000 compliance expenses	6,054	-	-	1,805	-
Interest on discontinued investment	5,877	13,945	14,299	5,877	13,945
Profit on disposal of investment in associated entity	(139,967)	-	-	(139,967)	-
Computer software written off	2,254	-	-	-	-
Tax benefit on capital losses	-	46,800	70,580	-	46,800
Income tax benefit/(expense) on abnormal items	(106,236)	89,630	98,610	(146,126)	79,970
Abnormal items after income tax	372,576	(87,532)	(15,334)	296,740	(33,948)

(a) Costs of a capital nature have been included in property, plant and equipment.

(b) Profit on disposal of investment in associated entity comprises:

Profit on book carrying value of investment	329,931
Recoupment of equity accounted losses	219,800
	549,731

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated		
	1999	1998	1997
6. Earnings per Share ⁽¹⁾			
Basic earnings per share:			
Before abnormal items disclosed in Note 5	31.7c	36.0c	26.3c
After Abnormal items	139.3c	5.6c	(12.5)c
Fully diluted earnings per share:			
Before abnormal items disclosed in Note 5	31.5c	35.6c	26.3c
After abnormal items	137.7c	5.6c	(12.5)c
	\$'000	\$'000	\$'000

Reconciliation of earnings used in calculation of fully diluted earnings per share:

Operating profit after tax and outside equity interests before abnormal items	109,916	120,591	82,049
Add:- Imputed earnings after tax on exercise of executive options and conversion of partly paid shares which are dilutive	730	2,091	98
Earnings used for fully diluted earnings before abnormal items	110,646	122,682	82,147
Operating profit after tax and abnormal items and outside equity interests	482,492	18,682	(39,019)
Add:- Imputed earnings after tax on exercise of executive options and conversion of partly paid shares which are dilutive	765	-	
Earnings used for fully diluted earnings after abnormal items	483,257	18,682	(39,019)

	Number		
Reconciliation of weighted average number of shares used in the calculation of earnings per share:			
Weighted average number of ordinary shares used	346,389,416	335,412,199	311,568,977
Add: Weighted average number of potential ordinary shares relating to executive options and partly paid shares	4,535,399	8,838,406	359,698
Weighted average number of shares used in calculation of diluted earnings per share before abnormal items	350,924,815	344,250,605	311,928,675
Add/(less): Weighted average number of potential ordinary shares (not considered to be dilutive above relating to executive options	72,788	(8,838,406)	(359,698)
Weighted average number of shares used in calculation of diluted earnings per share after abnormal items	350,997,603	335,412,199	311,568,977

The number of potential ordinary shares that are not considered to be dilutive because the notional exercise price would increase the basic earnings per share:

- in calculation of diluted earnings per share before abnormal items 72,788; (June 1998 - Nil; June 1997 - Nil)

- in calculation of diluted earnings per share after abnormal items Nil; (June 1998 - Nil; June 1997 - Nil).

(1) Basic and fully diluted earnings per share for 1998 and 1997 have been restated due to the adoption of equity accounting.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated			Parent Entity	
	1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000
7. Dividends and Other Appropriations					
Dividends:					
Under provision for prior period	(126)	(3,638)	(71)	(126)	(3,638)
Interim ordinary paid 30 April 1999 15.0c (50% franked Class C, 36%)(June 1998-15.0c (55% franked Class C, 36%) (June 1997-15.0c (50% franked Class C, 36%)	(51,508)	(51,162)	(46,805)	(51,508)	(51,162)
Provision for final ordinary payable 30 September 1999 15.0c (40% franked Class C, 36%) (June 1998-15.0c 55% franked Class C, 36%) (June 1997-15.0c 55% franked Class C, 36%)	(51,600)	(51,824)	(46,903)	(51,600)	(51,824)
	(103,234)	(106,624)	(93,779)	(103,234)	(106,624)

Dividend franking account:

Balance of franking accounts in the Parent Entity and Australian Controlled Entities adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements, and after deducting franking credits to be used in payment of the above dividends.

Class C (36%) franking credits	8,841	11,047	39,919	-	-
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Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated		Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
8. Cash and Deposits				
Current				
Cash on hand and at banks	88,586	93,907	13,349	21,828
Loans and deposits	107,656	82,011	2,300	-
Loans to associated entities	-	134,356	-	134,356
	196,242	310,274	15,649	156,184
Loans and deposits are denominated in the following currencies:				
Australian Dollars	6,733	139,156	2,300	134,356
United States Dollars	19,815	22,352	-	-
Canadian Dollars	39,482	52,633	-	-
Singapore Dollars	44	1,863	-	-
Hong Kong Dollars	156	363	-	-
Netherlands Guilders	41,087	-	-	-
New Zealand Dollars	339	-	-	-
	107,656	216,367	2,300	134,356
Weighted average interest rates	3.81%	6.83%	5.00%	7.84%
Non Current				
Loans and deposits	1,224	1,553	-	-
Loans and deposits are denominated in the following currencies:				
Australian Dollars	-	560	-	-
United States Dollars	658	644	-	-
Canadian Dollars	566	349	-	-
	1,224	1,553	-	-
9. Receivables (Current)				
Trade debtors	330,281	304,875	92,431	116,792
Provision for doubtful debts	(5,830)	(7,461)	(1,504)	(2,816)
	324,451	297,414	90,927	113,976
Other debtors	77,774	121,377	59,514	78,221
Amounts owing by controlled entities	-	-	904,707	665,895
	402,225	418,791	1,055,148	858,092

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated		Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
10. Inventories				
Raw materials and stores at cost	25,844	22,037	7,264	7,514
Work in progress	24	9	-	9
Finished goods at lower of cost and net realisable value	3,495	3,113	-	2,959
Total Inventories at Lower of Cost and Net Realisable Value	29,363	25,159	7,264	10,482
11. Other Current Assets				
Prepayments	28,988	30,891	7,681	11,991
12. Receivables (Non-Current)				
Other	1,600	1,836	1,600	1,600
	1,600	1,836	1,600	1,600
13. Investments				
Investment in controlled entities				
Not quoted on prescribed Stock Exchanges:				
- Shares at cost	-	-	828,458	671,100
- Shares at 1981 directors' valuation ^(a)	-	-	7,050	7,050
- Units at cost	-	-	72,197	72,197
	-	-	907,705	750,347
Investments in associated entities				
Equity accounted (Note 31)	577	-	-	-
Not quoted on prescribed Stock Exchanges:				
- Shares at cost ^(a)	-	653,287	-	652,787
- Shares at 1984 directors' valuation ^(a)	-	281	-	281
	577	653,568	-	653,068
Other Investments ^{(b) (c)}				
Quoted on prescribed Stock Exchanges:				
- Shares at market value	4	4	-	-
- Other securities at market value	8,102	9,615	-	-
	4	4	-	-
- Shares at cost	4	4	-	-
- Other securities at cost	8,098	9,627	-	-
Not quoted on prescribed Stock Exchanges:				
- Shares at cost	14,230	-	14,230	-
	22,332	9,631	14,230	-
Total Investments	22,909	663,199	921,935	1,403,415

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated		Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
13. Investments (continued)				
Investments are classified as:				
- Current assets	-	627,437	-	627,437
- Non-current assets	22,909	35,762	921,935	775,978
Total Investments	22,909	663,199	921,935	1,403,415
(a) Included in the cost at June 1998 is capitalised interest of \$66.633 million.				
(b) Other investments are denominated in the following currencies:				
Australian Dollars	14,234	4	-	-
Canadian Dollars	856	915	-	-
United States Dollars	7,242	8,712	-	-
	22,332	9,631	-	-
(c) Other investments have the following maturity profile:				
Fixed interest maturing in:				
One year or less	5,060	3,048	-	-
Over one to five years	3,038	4,380	-	-
	8,098	7,428	-	-
Non interest bearing	14,234	2,203	-	-
	22,332	9,631	-	-
Weighted average interest rates	5.663%	5.986%		
(d) Investments at 1981 and 1984 Directors' valuations were not part of a regular revaluation and were revalued on the basis of net asset values.				
14. Property, Plant and Equipment				
Freehold land and buildings				
At cost ^(a)	111,551	241,044	3,718	13,815
At 1999 independent valuation	512,959	-	17,213	-
At 1996 independent valuation	-	304,615	-	11,516
Total at cost/valuation	624,510	545,659	20,931	25,331
Provision for depreciation of buildings on freehold land				
At cost	(2,142)	(15,227)	(117)	(201)
At 1999 independent valuation	(5,696)	-	(124)	-
At 1996 independent valuation	-	(8,972)	-	(448)
Total provision for depreciation	(7,838)	(24,199)	(241)	(649)
Freehold land and buildings written down value				
At cost	109,409	225,817	3,601	13,614
At 1999 independent valuation	507,263	-	17,089	-
At 1996 independent valuation	-	295,643	-	11,068
Total written down value	616,672	521,460	20,690	24,682

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated		Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
14. Property, Plant and Equipment (continued)				
Leasehold improvements				
At cost	105,326	123,875	54,327	60,655
At 1999 independent valuation	38,198	-	38,198	-
At 1996 independent valuation	-	990	-	990
Total at cost/valuation	143,524	124,865	92,525	61,645
Provision for amortisation of leasehold improvements				
At cost	(16,702)	(19,914)	(5,824)	(9,792)
At 1999 independent valuation	(1,574)	-	(1,574)	-
At 1996 independent valuation	-	(101)	-	(101)
Total provision for amortisation	(18,276)	(20,015)	(7,398)	(9,893)
Leasehold improvements written down value				
At cost	88,624	103,961	48,503	50,863
At 1999 independent valuation	36,624	-	36,624	-
At 1996 independent valuation	-	889	-	889
Total written down value	125,248	104,850	85,127	51,752
Plant and equipment				
At cost	606,536	646,694	194,612	328,701
Provision for depreciation	(313,882)	(364,537)	(116,889)	(193,301)
Written down value	292,654	282,157	77,723	135,400
Assets under construction				
At cost	46,290	80,264	9,826	54,683
Leased plant and equipment				
At capitalised cost	15,682	18,216	761	-
Provision for amortisation	(8,144)	(7,661)	(100)	-
Written down value	7,538	10,555	661	-
Total property, plant and equipment written down value	1,088,402	999,286	194,027	266,517
(a) Included in the cost is capitalised interest of \$11.056 million (June 1998 \$10.232 million) of which \$0.870 million (June 1998 \$5.751 million) was capitalised during the current year.				
(b) Revaluation of properties During the period in accordance with the economic entity's policy of triennial revaluations certain freehold and long term leasehold land and buildings (including integral plant) owned by Mayne Nickless Limited and its controlled entities were independently revalued. The carrying values of the properties were written up or down in the respective accounts in accordance with those valuations.				
The resulting net increment of \$4.873 million (\$1.431 million parent entity) was credited to the asset revaluation reserve.				
Properties were valued on the basis of open market value of the properties concerned in their existing use. The directors are of their opinion that these values do not exceed the properties' recoverable amounts.				
The independent valuations of all properties other than hospital properties in Australia were carried out by Jones Lang LaSalle. The valuations were co-ordinated worldwide by Gary R Longden A.V.L.E (Val).				
Hospital properties in Australia were valued by R L Lister L.D.A., F.V.L.E. (Val) of Robert Lister and Company Pty Ltd.				
The properties shown at 1996 independent valuations were valued on the basis of open market value of the properties concerned in their existing use.				

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated		Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
15. Intangibles				
Goodwill at cost	403,829	268,665	41,714	38,903
Provision for amortisation	(76,098)	(65,494)	(16,652)	(16,254)
Written down value	327,731	203,171	25,062	22,649
Brand names and licences at cost	205,520	160,677	6,689	4,600
Written down value	533,251	363,848	31,751	27,249
During the year the economic entity introduced triennial independent valuations of brand names and attendant licences. These were valued by Ernst & Young Corporate Finance Pty Limited. These valuations resulted in a net increment over cost of \$144.8 million, which in accordance with accounting policy 1 ^(a) has not been recognised in these financial statements.				
16. Other Non-current Assets				
Deferred expenditure	52,269	42,238	32,531	29,127
Provision for amortisation	(7,905)	(6,296)	(3,256)	(3,030)
Written down value	44,364	35,942	29,275	26,097
Future income tax benefit	30,819	166,208	8,083	160,288
Cross currency swap principal	22,604	73,786	22,604	73,786
Loan to Employees re Share Acquisition Plan	8,076	-	-	-
Other	2,061	2,439	1,399	1,750
	107,924	278,375	61,361	261,921
17. Accounts Payable				
Current				
Trade creditors	132,499	133,672	27,182	48,966
Other creditors ^(a)	197,361	226,105	101,724	131,010
	329,860	359,777	128,906	179,976
Non current				
Cross currency swap principal	-	8,452	-	8,452
Other	6,518	1,897	210	41
	6,518	10,349	210	8,493

(a) Included in other creditors is a liability for self insured workers compensation in the following Australian States:
New South Wales \$14.315 million (June 1998 \$16.140 million)
Victoria \$6.176 million (June 1998 \$3.780 million)

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated		Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
18. Borrowings				
Current				
Bank overdrafts (unsecured - (a))	11,516	20,153	1,622	14,288
Bank term loans (unsecured - (a))	8,484	13,200	8,000	6,335
Other borrowings (unsecured - (a))	3,472	6,070	-	-
Lease liabilities ^(a)	3,070	2,580	306	-
Amounts owing to controlled entities	-	-	239,495	357,704
	26,542	42,003	249,423	378,327
(a) Bank and other borrowings				
These borrowings are denominated in the following currencies:				
Australian Dollars	12,741	23,831	9,928	20,623
Canadian Dollars	9,780	4,001	-	-
Pounds Sterling	-	1,236	-	-
Chinese Yuan	484	-	-	-
Singapore Dollars	65	-	-	-
Indonesian Rupiah	-	6,865	-	-
Malaysian Ringgit	3,472	6,070	-	-
	26,542	42,003	9,928	20,623
Non current				
United States dollar denominated bonds (unsecured - (b))	524,738	570,497	524,738	570,497
Bank term loans (unsecured - (b))	16,196	42,062	-	-
Commercial paper issues under international underwritten facilities (unsecured - (b))	-	388,309	-	388,309
Medium term notes (unsecured - (b))	157,421	171,149	157,421	171,149
Other borrowings (unsecured - (b))	196	16,356	-	-
Lease liabilities ^(b)	5,923	5,745	178	-
	704,474	1,194,118	682,337	1,129,955
(b) Bank and other borrowings				
These borrowings are denominated in the following currencies:				
Australian Dollars	22,017	375,845	178	328,000
Pounds Sterling	-	16,221	-	-
United States Dollars	682,159	801,955	682,159	801,955
Singapore Dollars	73	-	-	-
Hong Kong Dollars	29	-	-	-
Indonesian Rupiah	196	97	-	-
	704,474	1,194,118	682,337	1,129,955

The liabilities created by borrowings denominated in currencies other than Australian Dollars and attendant foreign currency swaps provide a hedge to the economic entity's net assets in self sustaining foreign operations.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

18. Borrowings (continued)

Maturity profile:

Type	Year ended 4 July 1999 Expected to mature in						1999 Totals \$'000
	1999/00 \$'000	2000/01 \$'000	2001/02 \$'000	2002/03 \$'000	2003/04 \$'000	Thereafter \$'000	
Bank overdrafts	11,516						11,516
Average rate - floating	7.95%						
US dollar denominated bonds						524,738	524,738
Average rate - fixed						6.25%	
Bank term loans	8,484	782	442	472	504	13,996	24,680
Average rate - floating	5.81%	5.81%	5.81%	5.81%	5.81%	5.81%	
Medium term notes			157,421				157,421
Average rate - fixed			8.65%				
Other loans and deposits	3,472	196					3,668
Average rate - floating	4.63%	-					
Lease liabilities	3,070	3,627	1,864	224	114	94	8,993
Average rate - fixed	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	
Totals	26,542	4,605	159,727	696	618	538,828	731,016

Type	Year ended 5 July 1998 Expected to mature in						1998 Totals \$'000
	1998/99 \$'000	1999/00 \$'000	2000/01 \$'000	2001/02 \$'000	2002/03 \$'000	Thereafter \$'000	
Bank overdrafts	20,153						20,153
Average rate - floating	7.95%						
US dollar denominated bonds						570,497	570,497
Average rate - fixed						6.25%	
Bank term loans	13,200	42,062					55,262
Average rate - floating	18.80%	5.30%					
Commercial paper			388,309				388,309
Average rate - floating			5.27%				
Medium term notes				171,149			171,149
Average rate - fixed				8.65%			
Other loans and deposits	6,070		16,356				22,426
Average rate - floating	7.51%		7.51%				
Lease liabilities	2,580	2,194	1,113	1,113	1,113	212	8,325
Average rate - fixed	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	
Totals	42,003	44,256	405,778	172,262	1,113	570,709	1,236,121

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated		Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
19. Provisions				
Current				
Dividends	51,600	51,824	51,600	51,824
Taxation	22,364	37,103	6,097	477
Employee benefits	95,734	89,514	43,176	44,829
	169,698	178,441	100,873	97,130
Non current				
Deferred tax liability	21,317	20,755	-	-
Employee benefits	16,296	14,509	7,695	7,658
	37,613	35,264	7,695	7,658

The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using an average discount rate of 2.5% after allowing for the assumed rate of increase in wage and salary rates.

20. Share Capital

Issued and paid up capital:

343,203,549 Ordinary Shares fully paid (344,795,204 Ordinary Shares of 50c each fully paid - June 1998)	823,096	172,397	823,096	172,397
Nil Ordinary shares paid to 1 cent each (270,000 Ordinary shares of 50c paid to 1 cent each - June 1998)	-	3	-	3
Total Issued and Paid Up Capital	823,096	172,400	823,096	172,400

Movements in share capital

Opening balance	172,400	156,125	172,400	156,125
Add:				
Transfer of balance at 6 July 1998 from share premium reserve following abolition of par value shares in the Corporations Law	1,000,637	-	1,000,637	-
Ordinary shares issued during the year :				
- Pursuant to exercise of options under the Mayne Nickless Executive Share Option Scheme	11,888	746	11,888	746
- Pursuant to calls on partly paid shares under Director and Executive Share Option Schemes	1,693	34	1,693	34
- Pursuant to the Dividend Reinvestment Plan	41,904	3,495	41,904	3,495
- Pursuant to the private placement	-	12,000	-	12,000
- Pursuant to the Employee Share Acquisition Plan	8,076	-	8,076	-
Less:				
Repayment of capital	(349,324)	-	(349,324)	-
Share buy back	(64,113)	-	(64,113)	-
Costs of share buy back	(65)	-	(65)	-
Closing balance	823,096	172,400	823,096	172,400

Notes to financial statements for the financial year ended 4 July 1999 (continued)

20. Share Capital (continued)

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 Parent Entity's share capital on 6 July 1998. As a result, the balance of the share premium reserve amounting to \$1,000.637 million was transferred to the share capital account on 6 July 1998 increasing share capital on that date to \$1,173.037 million. From 6 July 1998 share capital does not have a nominal (par) value.

Share Issues in the year ended 4 July 1999

The following ordinary shares were issued during the year:

Dividend reinvestment plan:

2,927,763 ordinary shares, fully paid at \$7.10 per share
4,173,180 ordinary shares, fully paid at \$5.06 per share

Executive Share Option Scheme:

1,771,000 ordinary shares, fully paid at a weighted average exercise price of \$6.71 per share

During the year the following ordinary shares paid to 1c became fully paid:

130,000 ordinary shares at \$5.99 per share
40,000 ordinary shares at \$6.41 per share
40,000 ordinary shares at \$6.31 per share
60,000 ordinary shares at \$6.76 per share

Mayne Nickless Employee Share Acquisition Plan

1,596,094 ordinary shares, fully paid at \$5.06 per share

Share Issues in the year ended 5 July 1998

The following ordinary shares of 50c each were issued during the previous year:

Dividend reinvestment plan:

3,741,900 ordinary shares, fully paid at \$7.56 per share
3,247,828 ordinary shares, fully paid at \$7.88 per share

Executive Share Option Scheme:

1,491,666 ordinary shares, fully paid at a weighted average exercise price of \$6.89 per share

Private placement:

24,000,000 ordinary shares, fully paid at \$7.45 per share

During the year the following ordinary shares paid to 1c became fully paid:

30,000 ordinary shares at \$5.99 per share
40,000 ordinary shares at \$7.02 per share

Stock Exchange Listings

Mayne Nickless Limited's shares are listed on the Australian Stock Exchange Limited.

The Mayne Nickless Executives' Share Option Scheme

The number of unissued shares for which options were outstanding as at the end of the year was 10,247,000 (June 1998 - 9,896,000). A brief summary of the Scheme, which was approved by shareholders on the 8th November 1988 is as follows:

- (a) The options are granted at no cost to the executive.
- (b) The price per share payable on the exercise of an option shall be the greater of the last sale price of the shares recorded on the Australian Stock Exchange Limited on the business day immediately preceding the Date of the Grant of the option and the nominal amount thereof after any adjustment appropriate following any pro rata issue of additional shares.

Options are granted to Executive Directors are also subject to other conditions as set out in Note 32.
- (c) The option may be exercised at any time in the period from the fourth anniversary of the Date of the Grant of the Option (or such earlier date as the Directors may, in their absolute discretion determine) to 58 months from the date of Grant, except in the case of the special conditions which apply if an executive by reason of death, injury, disability, redundancy, retirement or other prescribed circumstances, leaves the employment of the economic entity or if there is a takeover, reconstructions or winding up. Options that are not exercised at the end of the 58 months from the Date of Grant will lapse.
- (d) In general, if the option holder ceases employment for any reason other than reasons including death, retirement, injury, disability, redundancy or certain other prescribed circumstances, the option will lapse at the date of ceasing employment.
- (e) No further options shall be granted if the result would be that the aggregate number of shares over which subsisting options have been granted under the Scheme exceeds 5% of the aggregate number of fully paid shares then on issue.

Repayment of capital

At an extraordinary meeting of Shareholders on 18 December 1998, a motion was passed to repay \$1.00 per share of share capital based on the number of shares on issue on 31 December 1998, amounting to \$349.324 million.

Share Buy Back

During the year the parent entity brought back 12,329,692 ordinary shares at a cost of \$64.113 million, being an average cost of \$5.20 per share.

Paid up share capital was reduced by \$64.178 million, being the total cost of the buy back, inclusive of costs incidental to the transaction of \$0.065 million.

On 15 October 1998, the company filed a notice to buy back up to 5% of the issued shares, at that stage 17,500,000 shares. This notice expired on 15 April 1999, however it was extended to 15 October, 1999.

Since balance date, to 31 August 1999 a further 2,441,754 shares have been bought back.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

20. Share Capital (continued)

Employee Share Acquisition Plan

During the period the company introduced an employee share acquisition plan (ESAP).

A brief summary of the ESAP, which was approved by shareholders on the 17 November 1998, is as follows:

- (a) The company has advanced funds to the Mayne Nickless Employee Share Plan Trust to enable the trust to acquire shares in the company.
- (b) The company has established a wholly owned subsidiary to act as Trustee and Plan Manager of the ESAP.
- (c) Eligible employees who have three years service are invited to purchase shares from the Plan Manager. The purchase price will be at a discount to the market price of the shares on the day of purchase.
- (d) The purchase price is repayable from dividends payable on the shares, from any proceeds of a sale of bonus shares or rights or a return of capital, from any sale of the shares under a takeover or compulsory acquisition, from the net proceeds of a sale consequent to the cessation of employment or death of the employee or from a voluntary payment by the employee.
- (e) No interest is payable on the unpaid purchase price.
- (f) Except in the case of cessation of employment, an employee cannot dispose of an interest in the shares until three years from the date of purchase.
- (g) When the purchase price has been fully paid and the restrictions on disposal have ceased, the employee may require the Plan Manager to transfer the shares into the employee's name or to sell the shares and to account to the employee for the proceeds.
- (h) If an employee ceases to be employed before the purchase price has been paid in full, the shares must be sold by the Plan Manager unless, in specified periods, the employee or his or her executors voluntarily pay the balance of the purchase price to the Plan Manager. If the balance is paid, the shares will be transferred to the employee or his or her executors.
- (i) If the Plan Manager sells the shares, the proceeds must be applied in or towards paying the outstanding purchase price but the employee will have no obligation to pay the balance of the price if the proceeds are insufficient. If there is a surplus, the surplus must be paid to the employee. If the proceeds from selling the shares would be insufficient to fully pay the outstanding purchase price, the Plan Manager may defer the sale and the employee will then have no further obligation to pay the outstanding price and no further rights in respect to the shares.
- (j) The Plan Manager may seek a direction from the employee as to voting in respect of the shares and in the absence of a direction may vote or abstain as it decides.
- (k) At 4 July 1999 1,596,094 shares had been allotted on behalf of 8,102 Australian employees under the ESAP at a price of \$5.06 per share.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated			Parent Entity	
	1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000
23. Statements of Cash Flows					
(a) Reconciliation of Cash					
For the purpose of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits with maturity within 3 months, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows:					
Cash	88,586	93,907	84,707	13,349	21,828
Short term deposits	107,656	216,367	155,295	2,300	134,356
Less short term deposits with maturity over 3 months	-	(134,355)	(72,255)	-	(134,355)
Bank overdraft	(11,516)	(20,153)	(18,883)	(1,622)	(14,288)
	184,726	155,766	148,864	14,027	7,541

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated			Parent Entity	
	1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000
23. Statements of Cash Flows (continued)					
(b) Reconciliation of Operating Profit after Income Tax to Net Cash Provided by Operating Activities					
Operating Profit after income tax	483,107	44,223	100,498	382,804	63,681
Add/(Less): Adjustments of non-cash items:					
Depreciation and amortisation	115,132	156,143	114,956	39,952	94,988
Computer software written off	4,847	-	-	-	-
(Profit)/Loss on sale of non-current assets	(316,573)	(5,616)	14,593	(426,690)	(3,101)
Recoupment of equity accounted losses on sale of associate	(219,800)	-	-	-	-
Interest capitalised	(870)	(5,751)	(1,935)	(924)	-
Undistributed (profits)/losses of associated entities	177	-	-	-	-
Unrealised exchange (gains)/losses	(37)	901	(70)	(23,297)	79,264
Write down of non-current assets to recoverable amounts	-	19,787	19,819	-	19,787
Gain on debt forgiven	-	-	-	(4,608)	(113,513)
Other	(320)	(281)	(198)	444	255
Add/(Less): Items classified as investing/financing activities:					
Realised exchange (gains)/losses	(30)	(20,177)	(202)	(26,639)	(35,958)
Payments in respect of discontinued businesses	24,293	-	-	19,286	-
Changes in assets and liabilities net of effects from acquisitions/disposals of businesses and controlled entities:					
(Increase)/Decrease in trade debtors/other debtors	(53,262)	(12,970)	(40,971)	28,770	242
(Increase)/Decrease in inventories	(2,138)	1,268	3,057	(847)	(75)
(Increase)/Decrease in prepayments	(1,401)	(3,043)	7,114	541	(921)
Increase/(Decrease) in trade creditors/other creditors	7,802	14,191	141	(42,779)	31,238
Increase/(Decrease) in provisions	7,550	1,338	1,597	3,149	3,420
Increase/(Decrease) in income taxes payable	(21,601)	18,461	(3,628)	5,620	7,491
Increase/(Decrease) in deferred taxes	(2,203)	269	1,117	-	5,354
(Increase)/Decrease in future income tax benefits	108,859	(47,660)	(79,276)	129,221	(55,444)
(Increase)/Decrease in other assets	-	(901)	-	-	-
Net operating cash flows	133,532	160,182	136,612	84,003	96,708

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated			Parent Entity	
	1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000
23. Statements of Cash Flows (continued)					
(c) Acquisitions of Entities/Businesses					
Cash	273,724	35,977	72,404	46,130	2,429
Non-cash consideration	27,865	-	-	166,460	-
Amounts due in future periods	3,658	-	-	215	-
Consideration	305,247	35,977	72,404	212,805	2,429
Fair value of net assets acquired:					
Fixed and non-current assets	205,715	73,385	58,828	204,907	1,050
Current assets - cash	2,832	798	645	-	-
Current assets - other	5,844	6,755	13,825	-	10
Creditors and borrowings	(20,264)	(55,501)	(19,364)	(1,993)	(31)
	194,127	25,437	53,934	202,914	1,029
Outside equity interest at acquisition	(14,820)	(450)	-	-	-
Group equity interest at acquisition	(14,820)	-	-	-	-
Goodwill	140,760	10,990	18,470	9,891	1,400
	305,247	35,977	72,404	212,805	2,429
Cash consideration	273,724	35,977	72,404	46,130	2,429
Less: Cash acquired	2,832	798	645	-	-
	270,892	35,179	71,759	46,130	2,429
Payments relating to acquisitions in prior periods	-	338	13,100	-	338
Outflow of cash	270,892	35,517	84,859	46,130	2,767
(d) Disposal of Entities/Businesses					
Cash	(32,963)	156,228	5,172	20,075	103,642
Non-cash consideration	-	-	-	166,460	-
Disposal price/(cost)	(32,963)	156,228	5,172	186,535	103,642
Assets and liabilities disposed of:					
Fixed and non-current assets	23,467	276,361	1,318	137,282	103,642
Current assets - cash	27	10,969	-	27	-
Current assets - other	23,095	90,923	3,315	26,812	-
Creditors and borrowings	(7,269)	(204,640)	(64)	(18,945)	-
Net assets disposed of:	39,320	173,613	4,569	145,176	103,642
Inflow/(outflow) of cash	(32,990)	145,259	5,172	20,048	103,642

(e) Non-cash Financing and Investing Activities

During the financial year the economic entity acquired property, plant and equipment with an aggregate fair value of \$0.428 million (1998 - \$2.108 million; 1997 - \$1.200 million) by means of finance leases.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated		
	1999 \$'000	1998 \$'000	1997 \$'000
23. Statements of Cash Flows (continued)			
(f) Financing Facilities			
Committed Facilities (note 1):	581,585	619,915	584,837
Less: Utilisation	-	16,221	40,000
Available Committed Facilities	581,585	603,694	544,837
Drawn Term Financings (note 2):	682,159	741,646	605,133
Uncommitted Facilities and Programs (note 3):			
Commercial Paper	1,099,700	1,151,996	831,986
Less: Utilisation	-	388,309	504,994
Available Uncommitted Facilities	1,099,700	763,687	326,992
Cash Advance Facilities	-	6,335	16,800
Less: Utilisation	-	6,335	16,800
Available Cash Advance Facilities	-	-	-

Notes:**1. Committed Facilities Lines include:**

(a) Syndicated Standby Facility - USD 280 million syndicated variable rate facility providing support for Commercial Paper facilities and available for working capital. The facility expires in November 2001.

(b) AUD Bi-lateral Stand Facility - AUD 150 million. Evergreen.

(c) UK committed facility - GBP 5 million. Evergreen.

2. Drawn term financings include:

(a) Medium Term Notes - USD 105 million notes maturing in April 2002.

(b) US\$ Bond - USD 350 million maturing in February 2006.

3. Uncommitted facilities and programs:

Major programs include:

(a) Commercial Paper - The economic entity has three Commercial Paper programs under differing dealer arrangements according to the particular markets.

Commercial Paper (continued):
These programs are:

Location	Number of Dealers	Facility Limit	Drawings at balance date
		Millions	Millions
London	3	USD 200	USD Nil
New York	1	USD 200	USD Nil
Australia	4	AUD 500	AUD Nil

(b) The economic entity has a number of other uncommitted facilities which are bilateral bank facilities available to various entities within the economic entity. They have various maturities but are generally short term.

(c) Bank overdraft facilities are arranged in each country in which the economic entity operates. Terms and conditions are agreed from time to time.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

24. Additional Financial Instruments Disclosure

(a) Interest Rate Risk

Interest Rate Risk Exposures

The economic entity's exposures to interest rate risk and the effective weighted interest rates for loans and deposits are set out in note 8, for investments are set out in note 13, for borrowings are set out in note 18 and for employee benefits are set out in note 19. The economic entity's other financial assets and liabilities, being cash, receivables, accounts payable and dividends payable, are non interest bearing.

The economic entity enters into interest rate swaps and interest rate options to lower funding costs or to alter interest rate exposures arising from mismatches between assets and liabilities. Similar arrangements are used to manage risks arising from cash balances held.

Interest Rate Swaps

An interest rate swap is an agreement to swap interest payment streams based on a notional principal amount. Interest rate swaps allow the economic entity to raise borrowings at fixed or floating rates and swap them into appropriate exposures.

The following table indicates the types of swaps used, their notional amounts, maturity date, and weighted average interest rates. The average floating rate is the implied market rate for the term of the swap plus a margin where applicable, weighted by the face value of the instrument. The interest rates may change significantly, affecting future cash flows.

	Year ended 4 July 1999						Total \$'000	Fair value \$'000
	1999/00 \$'000	Expected to mature in 2000/01 \$'000	2001/02 \$'000	2002/03 \$'000	2003/04 \$'000	Thereafter \$'000		
Receive - fixed rate swaps								
Australian Dollars						39,101	39,101	(156)
Average fixed rate						8.18%		
Average floating rate						8.26%		
United States Dollars		127,436				524,738	652,174	(5,958)
Average fixed rate		6.30%				6.28%		
Average floating rate		6.15%				6.81%		
Pay - fixed rate swaps								
Australian Dollars			115,000	35,000	56,287		206,287	(4,114)
Average fixed rate			5.99%	5.62%	8.05%			
Average floating rate			6.11%	6.26%	7.63%			
Pounds Sterling	7,077	9,436	42,463				58,976	(868)
Average fixed rate	8.02%	6.86%	6.48%					
Average floating rate	5.23%	5.57%	5.98%					

Notes to financial statements for the financial year ended 4 July 1999 (continued)

24. Additional Financial Instruments Disclosure (continued)

(a) Interest Rate Risk (continued)

	Year ended 5 July 1998						Total \$'000	Fair value \$'000
	1998/99 \$'000	Expected to mature in 1999/00 \$'000	2000/01 \$'000	2001/02 \$'000	2002/03 \$'000	Thereafter \$'000		
Receive - fixed rate swaps								
Australian Dollars	150,000						150,000	2,060
Average fixed rate	7.79%							
Average floating rate	5.37%							
United States Dollars	57,050				130,399	570,497	757,946	9,549
Average fixed rate	6.51%				6.34%	6.23%		
Average floating rate	5.75%				5.80%	5.89%		
Pay - fixed rate swaps								
Australian Dollars	170,000		25,000		115,000	9,000	319,000	(4,802)
Average fixed rate	7.50%		6.26%		6.13%	6.13%		
Average floating rate	5.33%		5.61%		5.76%	5.92%		
United States Dollars	40,750						40,750	(9)
Average fixed rate	5.73%							
Average floating rate	5.75%							
Pounds Sterling		14,868	10,814	35,145			60,827	142
Average fixed rate		7.85%	7.30%	7.02%				
Average floating rate		7.85%	7.46%	7.17%				

Notes to financial statements for the financial year ended 4 July 1999 (continued)

24. Additional Financial Instruments Disclosure (continued)

(a) Interest Rate Risk (continued)

Interest Rate Options

Interest rate options are purchased to reduce the impact of changes in interest rates on floating rate long-term debt. An interest rate option gives the purchaser the right but not the obligation to pay or receive interest flows for a specified period of time at a specified rate at a specified date in the future.

The economic entity's option contracts have terms up to 3 years. The premiums paid for interest rate options purchased are included in other assets and are amortised to interest expense over the terms of the agreements.

The economic entity had in place interest rate options with a gross face value of \$16.513 million (1998 - \$189.716 million). The payer swaption and receiver swaption were sold to reduce the cost of interest rate protection in Pounds Sterling. (The premium earned on the swaption was used to reduce the fixed interest rate payable on a matching swap).

	Year ended 4 July 1999						Total \$'000	Fair value \$'000
	1999/00 \$'000	Expected to mature in						
	2000/01 \$'000	2001/02 \$'000	2002/03 \$'000	2003/04 \$'000	Thereafter \$'000			
Sold								
Payer swaption								
Pounds Sterling	9,436					9,436	(1)	
Average rate	7.40%							
Receiver swaption								
Pounds Sterling		7,077				7,077	(2)	
Average rate		4.50%						

	Year ended 5 July 1998						Total \$'000	Fair value \$'000
	1998/99 \$'000	Expected to mature in						
	1999/00 \$'000	2000/01 \$'000	2001/02 \$'000	2002/03 \$'000	Thereafter \$'000			
Bought								
Caps								
Pounds Sterling	81,103					81,103	-	
Average rate	8.50%							
United States Dollars	97,800					97,800	-	
Average rate	7.00%							

Sold								
Payer swaption								
Pounds Sterling			10,814			10,814	(14)	
Average rate			7.40%					

Notes to financial statements for the financial year ended 4 July 1999 (continued)

24. Additional Financial Instruments Disclosure (continued)

(b) Foreign Exchange Risk

The primary objective of the economic entity's foreign exchange hedging policy is the protection of the economic entity's consolidated shareholders' funds. This is achieved by matching the currency exposures of debt raised to the currency of the underlying assets.

In order to provide appropriately denominated foreign currency borrowings the economic entity borrows principally in US Dollars and swaps the US Dollars through the foreign exchange market into the required currencies. The economic entity also uses the foreign exchange market to hedge transactional exposures, such as firm purchase or sale commitments denominated in foreign currencies, or internal loans between wholly owned offshore controlled entities.

Foreign Currency Swap Agreements

A foreign currency swap is an agreement to buy and sell one currency against another at two different dates. This effectively denominates

the debt issued by the economic entity into the currency received from the swap counterparty.

The terms of these commitments are rarely more than six months.

Cross Currency Interest Rate Swap Agreements

The economic entity had in place cross currency swaps with a gross face value of \$571.929 million (June 1998 - \$663.694 million) under which it had contracted to exchange both currency and interest rate obligations (all floating) with various banks. The terms of these commitments varies from one to seven years.

The following tables set out the gross face values of foreign currency swap and cross currency interest rate swap agreements. Foreign currency amounts are translated to Australian Dollars (AUD) at rates current at reporting date. The "buy" amounts represent the AUD equivalents of commitments to purchase foreign currencies, and the "sell" amounts represent the AUD equivalent of commitments to sell foreign currencies. The tables show the contract rates, maturities and fair values.

	Year ended 4 July 1999						Total \$'000	Fair value \$'000
	1999/00 \$'000	2000/01 \$'000	Expected to mature in					
	2001/02 \$'000	2002/03 \$'000	2003/04 \$'000	Thereafter \$'000				
Sell								
Canadian Dollars								
Average contracted rate						79,528	79,528	2,029
Pounds Sterling						230,006	230,006	2,954
Average contracted rate						0.4206		
Netherlands Guilders						47,009	47,009	2,174
Average contracted rate						1.3696		
Euro								
Average contracted rate						25,454	25,454	426
Buy								
Pounds Sterling								
Average contracted rate						52,874	52,874	4,968
Netherlands Guilders						33,314	33,314	(2,496)
Average contracted rate						1.3407		
United States Dollars						400,819	610,714	19,170
Average contracted rate						0.6635		0.7475

Notes to financial statements for the financial year ended 4 July 1999 (continued)

24. Additional Financial Instruments Disclosure (continued)

(b) Foreign Exchange Risk (continued)

	Year ended 5 July 1998						Total \$'000	Fair value \$'000
	1998/99 \$'000	Expected to mature in						
	1999/00 \$'000	2000/01 \$'000	2001/02 \$'000	2002/03 \$'000	Thereafter \$'000			
Sell								
Canadian Dollars	79,991					79,991	(2,038)	
Average contracted rate	0.9232							
Pounds Sterling	185,323	46,499				231,822	(20,669)	
Average contracted rate	0.3919	0.4821						
Netherlands Guilders	57,446	53,691				111,137	(4,445)	
Average contracted rate	1.2549	1.3696						
Buy								
Pounds Sterling		60,589				60,589	12,854	
Average contracted rate		0.4672						
Netherlands Guilders	20,612	93,072				113,684	14,144	
Average contracted rate	1.3576	1.4621						
United States Dollars	435,378	63,673			228,199	727,250	85,261	
Average contracted rate	0.6572	0.7926			0.7475			

Notes to financial statements for the financial year ended 4 July 1999 (continued)

24. Additional Financial Instruments Disclosure (continued)

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On-Balance Sheet Financial Instruments

The credit risk on financial assets, excluding investments, of the economic entity which have been recognised on the balance sheet is the carrying amount, net of any provision for doubtful debts.

The economic entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various countries.

The economic entity is not materially exposed to any individual overseas country or to any individual customer. Concentrations of credit risk on trade debtors due from customers occur only in the Health Care segment in Australia, where the private health insurance funds account for 66% (1998 64%) of segment trade debtors.

Concentrations of credit risk on short term deposits are a subordinated debt due from an associate which was repaid during the period and at June 1998 accounted for 62% of total short term deposits.

Off-Balance Sheet Financial Instruments

Swaps and options are subject to the credit worthiness of counterparties, which are principally large banks. Counterparty limits are based upon credit ratings issued by major ratings agencies.

The company does not enter into such agreements with counterparties whose long-term credit ratings from Standard & Poors and Moodys are below A and A2 respectively.

Foreign Currency Swap Agreements and Interest Rate Swaps Agreements

The theoretical risk in using these instruments is the cost of replacing, at market rates, these swaps in the event of default by the counterparty. In order to control this risk, management assigns counterparty risk weightings to each transaction. Additionally the economic entity deals only with strong financial intermediaries, principally major banks and their controlled entities and as a result, the economic entity does not expect any counterparties to fail to meet their obligations given their high credit ratings.

The credit exposure of interest rate and foreign exchange contracts is represented by the aggregate of positive fair value contracts at the reporting date, reduced by the effects of netting arrangements with financial institution counterparties.

	Consolidated	
	1999 Exposure \$'000	1998 Exposure \$'000
Foreign currency swaps	5,118	4,329
Cross currency interest rate swaps	41,451	91,466
Interest rate swaps	2,322	10,945

Notes to financial statements for the financial year ended 4 July 1999 (continued)

24. Additional Financial Instruments Disclosure (continued)

(d) Net fair value of financial assets and liabilities

Net fair values of financial assets and liabilities are determined by the economic entity on the following basis:

On-Balance Sheet Financial Instruments

Assets

Cash, Short Term Deposits and Debtors

- the carrying amount approximates fair value because of the short maturity of these instruments.

Long Term Investments

- the fair values of quoted investments are based on quoted market prices for these investments. A reasonable estimate of the fair value of long term investments with no quoted market prices was not made as no loss will crystallise if they are held to maturity.

Liabilities

Short Term Debt

- the carrying amount approximates fair value because of the short maturity of these instruments.

Long Term Debt

- the fair value of long term debt has been estimated based on the current rates offered in the secondary market.

The carrying amounts and estimated fair values of the economic entity's financial assets and liabilities are as follows:

	Consolidated			
	1999 \$'000 Carrying Amount	1999 \$'000 Net Fair Value	1998 \$'000 Carrying Amount	1998 \$'000 Net Fair Value
Financial Assets:				
Cash	88,586	88,586	93,907	93,907
Loans and deposits	108,880	108,880	217,920	217,920
Receivables current	402,225	402,225	418,791	418,791
Receivables non current	1,600	1,600	1,836	1,836
Other investments				
- Fixed interest securities - listed	8,102	8,102	9,631	9,615
- Shares in other corporations - unlisted	14,230	14,230	-	-
Financial Liabilities:				
Accounts payable current	329,860	329,860	359,777	359,777
Borrowings current	26,542	26,542	42,003	42,003
Provisions current	169,698	169,698	178,441	178,441
Accounts payable non current	6,518	6,518	10,349	10,349
Borrowings non current	704,474	693,882	1,194,118	1,211,603
Provisions non current	37,613	37,613	35,264	35,264

Notes to financial statements for the financial year ended 4 July 1999 (continued)

24. Additional Financial Instruments Disclosure (continued)

(d) Net fair value of financial assets and liabilities (continued)

Off-Balance Sheet Financial Instruments

Foreign Currency Contracts

The fair value of foreign currency contracts, used for hedging purposes, is estimated using market data and quotes from banks.

Interest Rate Contracts

The fair value of interest rate contracts is estimated by obtaining quotes from banks.

The net fair values of off-balance sheet financial instruments held as at the reporting date are:

	Consolidated	
	1999 Net Fair Value \$'000	1998 Net Fair Value \$'000
Interest rate swaps	(11,096)	6,939
Foreign exchange contracts	5,101	2,278
Cross currency interest rate swaps	24,125	82,829
Interest rate options	(4)	(14)

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Sales Revenue			Assets		
	1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000	1997 \$'000
25. Segmental Reporting						
Industry Segments						
Hospitals	766,691	634,574	617,099	1,043,185	906,245	851,197
Diagnostic Services	259,473	179,991	103,169	310,485	213,441	143,075
Health Care Services	1,026,164	814,565	720,268	1,353,670	1,119,686	994,272
Time Critical Express Services	1,111,886	1,088,411	957,636	374,813	426,526	374,867
Contract and Cash Logistics Services	621,082	539,398	531,039	401,727	265,486	244,878
Total Logistics Services	1,732,968	1,627,809	1,488,675	776,540	692,012	619,745
Other	38,563	192,560	626,431	22,600	77,395	470,337
				2,152,810	1,889,093	2,084,354
Unallocated	-	-	-	259,318	1,204,119	930,824
Consolidated	2,797,695	2,634,934	2,835,374	2,412,128	3,093,212	3,015,178
Geographical Segments						
Australia	1,785,045	1,555,081	1,483,180	1,810,322	2,499,682	2,081,309
Other Pacific Regions	33,544	15,510	11,552	113,454	49,300	66,376
Australia & Pacific Regions	1,818,589	1,570,591	1,494,732	1,923,776	2,548,982	2,147,685
North America	395,596	374,637	309,915	142,996	153,751	112,283
Europe	544,947	497,146	404,296	322,756	313,084	284,873
Other	38,563	192,560	626,431	22,600	77,395	470,337
Consolidated	2,797,695	2,634,934	2,835,374	2,412,128	3,093,212	3,015,178

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Profit before tax & Abnormal Items			Abnormal Items before tax		
	1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000	1997 \$'000
25. Segmental Reporting (continued)						
Industry Segments						
Hospitals	59,010	84,767	85,300	(1,395)	(1,285)	-
Diagnostic Services	28,666	22,487	10,462	(465)	-	-
Health Care Services	87,676	107,254	95,762	(1,860)	(1,285)	-
Time Critical Express Services	56,936	60,681	49,240	(15,717)	-	(12,807)
Contract and Cash Logistics Services	52,110	62,831	61,248	(16,117)	(13,959)	(7,138)
Total Logistics Services	109,046	123,512	110,488	(31,834)	(13,959)	(19,945)
Other	(1,616)	(2,990)	5,377	(19,973)	(110,121)	(50,541)
	195,106	227,776	211,627	(53,667)	(125,365)	(70,486)
Unallocated	(4,995)	(7,126)	(5,838)	548,804	(13,059)	(3,738)
Earnings before Interest and Tax	190,111	220,650	205,789	495,137	(138,424)	(74,224)
Net Interest (Expense)	(27,911)	(11,915)	(29,377)	(16,325)	(38,738)	(39,720)
Consolidated	162,200	208,735	176,412	478,812	(177,162)	(113,944)
Geographical Segments						
Australia	142,630	169,950	161,870	542,869	(21,199)	(20,981)
Other Pacific Regions	1,287	934	165	(25)	-	-
Australia & Pacific Regions	143,917	170,884	162,035	542,844	(21,199)	(20,981)
North America	12,739	17,153	11,753	(20,964)	(213)	3,475
Europe	35,071	35,603	26,624	(6,770)	(6,891)	(6,177)
Other	(1,616)	(2,990)	5,377	(19,973)	(110,121)	(50,541)
Earnings before Interest and Tax	190,111	220,650	205,789	495,137	(138,424)	(74,224)
Net Interest (Expense)	(27,911)	(11,915)	(29,377)	(16,325)	(38,738)	(39,720)
Consolidated	162,200	208,735	176,412	478,812	(177,162)	(113,944)

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Depreciation and Amortisation			Capital expenditure on Property, Plant and Equipment		
	1999 \$'000	1998 \$'000	1997 \$'000	1999 \$'000	1998 \$'000	1997 \$'000

25. Segmental Reporting (continued)

Industry Segments

Hospitals	45,487	36,608	33,526	98,796	144,232	112,240
Diagnostic Services	10,824	6,911	3,180	8,139	6,178	3,339
Health Care Services	56,311	43,519	36,706	106,935	150,410	115,579
Time Critical Express Services	29,916	35,666	29,862	47,404	24,669	21,527
Contract and Cash Logistics Services	26,933	36,917	21,027	42,882	38,053	40,241
Total Logistics Services	56,849	72,583	50,889	90,286	62,722	61,768
Other	1,204	40,041	27,361	-	4,767	48,841
	114,364	156,143	114,956	197,221	217,899	226,188
Unallocated	768	-	-	1,169	1,118	1,280
Consolidated	115,132	156,143	114,956	198,390	219,017	227,468

Geographical Segments

Australia	85,121	92,241	69,073	163,679	172,844	148,015
Other Pacific Regions	3,799	1,037	242	5,662	20,778	17,343
Australia & Pacific Regions	88,920	93,278	69,315	169,341	193,622	165,358
North America	7,305	6,364	4,406	12,663	4,896	6,798
Europe	17,703	16,460	13,874	16,386	15,732	6,471
Other	1,204	40,041	27,361	-	4,767	48,841
Consolidated	115,132	156,143	114,956	198,390	219,017	227,468

Notes:

- (i) The economic entity operates predominantly in the following industries:
- "Hospitals" comprises the management of private hospitals and medical centres.
- "Diagnostic Services" comprises pathology and diagnostic imaging services.
- "Time Critical Express Services" comprises priority and specialised express freight, couriers and messengers.
- "Contract and Cash Logistics Services" comprises container handling, warehousing and distribution, distribution fleet management and armoured cars.
- "Other" comprises discontinued businesses.
- "Unallocated" comprises expenditure which is not recovered from the operating businesses and cash, deposits and investments not attributable to the operating businesses.
- (ii) The above figures are after elimination of inter-entity transactions. There are no material inter-segment sales.
- (iii) The 1997 and 1998 figures have been restated in line with the current segmental structure.
- (iv) Depreciation and amortisation includes abnormal amounts as disclosed in note 3.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated		Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000

26. Capital Expenditure Commitments

Estimated capital expenditure contracted for at balance date but not provided for, payable -

Within one year	54,850	68,447	3,041	10,593
Later than one and less than two years	2,431	5,099	783	5,032
Later than two and less than five years	8,269	14,005	2,385	14,005
Later than five years	17,142	24,558	17,142	24,558
	82,692	112,109	23,351	54,188

Commitments by type:

Premises and improvements	45,733	100,444	16,429	50,406
Motor vehicles, plant and equipment	36,959	11,665	6,922	3,782
	82,692	112,109	23,351	54,188

Amounts due in future periods in respect of:

Acquisitions of businesses, payable -				
Within one year	53,101	-	101	-
Later than one and less than two years	114	-	114	-
Equity commitments for Cable & Wireless Optus, payable -				
Within one year	-	53,693	-	53,693
	53,215	53,693	215	53,693

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated		Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
27. Lease Commitments				
(a) Finance lease commitments payable -				
Within one year	4,019	3,542	341	-
Later than one and less than two years	3,328	2,365	124	-
Later than two and less than five years	2,417	3,602	78	-
Later than five years	104	228	-	-
Minimum lease commitments	9,868	9,737	543	-
Future finance charges	(875)	(1,412)	(59)	-
Total Finance Lease Liabilities	8,993	8,325	484	-
Classified as:				
Current liabilities	3,070	2,580	306	-
Non-current liabilities	5,923	5,745	178	-
Total Finance Lease Liabilities	8,993	8,325	484	-
(b) Operating lease commitments payable -				
(i) Property -				
Within one year	55,056	50,277	9,299	28,643
Later than one and less than two years	44,779	39,455	7,857	22,165
Later than two and less than five years	97,130	82,819	19,401	45,225
Later than five years	128,425	101,324	32,784	31,768
Total	325,390	273,875	69,341	127,801
(ii) Plant and equipment -				
Within one year	58,510	46,537	9,626	18,152
Later than one and less than two years	46,976	33,407	9,889	11,775
Later than two and less than five years	56,861	34,395	18,572	9,711
Later than five years	24,654	3,754	20,684	690
Total	187,001	118,093	58,771	40,328
Total Operating Lease Commitments	512,391	391,968	128,112	168,129

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated		Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
28. Auditors' Remuneration				
Amounts received or due and receivable by the auditors for:				
Auditing accounts	1,662	1,666	834	780
Other services	3,140	2,262	1,887	1,127
Included in the above are amounts received or due and receivable by other KPMG member firms.				
Audit services	462	426	-	-
Other services	253	1,135	-	-
29. Contingent Liabilities				
(a) Claims for which no reserves are considered appropriate	8,300	3,845	1,796	460
Contingencies relating to sale of businesses	27,690	31,859	9,820	11,224
Performance bonds	-	5,889	29,986	32,600
Other	505	250	250	250
	36,495	41,843	41,852	44,534

- (b) The economic entity at 4 July 1999 had service agreements with certain Non-Executive Directors which provide benefits upon retirement. The full extent of the liabilities of the parent entity under these agreements is being provided for in the financial statements over the period to the planned dates of retirement. At 4 July 1999 the maximum amount to be provided in future periods was \$2.281 million (1998 \$2.081 million). Service agreements also exist with certain executives under which termination benefits may in some circumstances become payable.
- (c) The parent entity has agreed to indemnify Directors of a controlled entity (Mayne Nickless Europe plc) against liabilities that such Directors may incur through their participation in the divestment of another controlled entity. At this time, no liabilities the subject of the indemnity have been identified and, accordingly, it is not possible to quantify the financial obligation of the parent entity under the indemnity.
- (d) The parent entity has confirmed its obligation to certain executive officers who were members of the Mayne Nickless Due Diligence Committee (established in relation to the sale of the parent entity's shares in Cable & Wireless Optus Limited) to indemnify those officers in the terms of the provisions relating to indemnification in the parent entity's constitution in connection with their service on the Committee and matters arising from that service. As no liabilities the subject of the indemnities have been identified, it is not possible to quantify the financial obligation of the parent entity.
- (e) The parent entity has entered into deeds with certain of its officers who serve or served as officers or former officers of associated companies to indemnify them against liability incurred in their capacity as officers of the associated companies and, in some cases, as officers of the parent entity (involved with the Cable & Wireless Optus float). The indemnities do not extend to any act of fraud, conduct involving lack of good faith, or the commission knowingly of a criminal offence and only apply to the extent that the officers are not indemnified under any insurance policy effected for their benefit or under any other indemnity enforceable by them. As no liabilities the subject of the indemnities have been identified, it is not possible to quantify the financial obligation of the parent entity.
- (f) The parent entity has entered into deeds of indemnity in favour of its Directors (including IE Webber who ceased to be a Director on 8 April 1997, B R Catchlove who ceased to be a Director on 11 August 1998, J C Trethowan who retired as a Director on 17 November 1998 and L A Bytheway who retired as a Director on 30 March 1999) in accordance with the terms of Rules 69(a) and (b) of the parent entity's constitution which include an indemnity in favour of officers of the parent entity against liabilities incurred while acting as such an officer to persons (excluding the parent entity or its related bodies corporate) to the extent permitted by law. As no liabilities the subject of the indemnities have been identified, it is not possible to quantify the financial obligation of the parent entity.
- (g) Unsecured unascertainable contingent liabilities have been undertaken in the ordinary course of business.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

Notes	Country of Incorporation	Mayne Nickless Limited's direct and indirect interest held	
		1999 %	1998 %
30. Particulars in relation to Controlled Entities			
Parent Entity			
Mayne Nickless Limited	Australia		
Controlled Entities			
Stonehenge Properties Pty Ltd	(a)(b) Australia	100	100
The Ward Corporation Pty Limited	Australia	100	100
Mayne Finance Limited	(c) Australia	100	100
Mayne Nickless Properties Pty Ltd	Australia	100	100
Mayne Nickless Employee Share Acquisition Plan Pty Ltd	Australia	100	-
Mayne Nickless Employee Share Acquisition Plan Trust		100	-
MPG Logistics Pty Limited	(c) Australia	75	-
- Mayne Nickless Asian Holdings Pty Ltd	Australia	75	100
Hospitals of Australia Limited	(c) Australia	100	100
Hospital Corporation Australia Pty Limited	(c) Australia	100	100
- HCA Management Pty Limited	Australia	100	100
- Dabuvu Pty Limited	(c) Australia	100	100
Malahini Pty Limited	Australia	100	100
HOA Investment Fund	Australia	100	100
- Tilemo Pty Limited	Australia	100	100
- Hospital Affiliates of Australia Pty Ltd	Australia	100	100
- C.R.PH. Pty. Limited	Australia	100	100
- P.M.PH. Pty. Limited	Australia	100	100
- Hospital Developments Pty. Limited	Australia	100	100
- Pruinosa Pty. Limited	Australia	100	100
Sugerman's Pathology Pty. Ltd.	Australia	100	100
Relkban Pty. Limited	Australia	100	100
Relkmet Pty. Limited	Australia	100	100
Votraint No. 664 Pty. Limited	Australia	100	100
Votraint No. 665 Pty. Limited	Australia	100	100
Tugun Hospital Holding Trust		-	100
- Tugun Hospital Property Trust		-	100
Australian Medical Enterprises Limited	(c) Australia	100	100
- AME Hospitals Pty Ltd	Australia	100	100
- AME Trust		100	100
- Victoria House Holdings Pty Limited	Australia	100	100
- Larches Pty Ltd	Australia	100	100
- AME Properties Pty Ltd	Australia	100	100
- AME Property Trust		100	100
- Attadale Hospital Property Pty Ltd	Australia	100	100
- Glengarry Hospital Property Pty Ltd	Australia	100	100
- Hallcraft Constructions Pty Ltd	Australia	100	100
- Jamison Private Hospital Property Pty Ltd	Australia	100	100
- AME Trading Trust		100	100
- Hadassah Pty Ltd	Australia	100	100
- Rannes Pty Ltd	Australia	100	100

Notes to financial statements for the financial year ended 4 July 1999 (continued)

Notes	Country of Incorporation	Mayne Nickless Limited's direct and indirect interest held	
		1999 %	1998 %
30. Particulars in relation to Controlled Entities (continued)			
- Glengarry Hospital Unit Trust No 2		100	100
- Glengarry Hospital Unit Trust No 1		100	100
- Hallcraft Pty Ltd	Australia	100	100
- Hallcraft Unit Trust		100	100
- Jandale Pty Ltd	Australia	100	100
- AME Medical Services Pty Ltd	Australia	100	100
- Integrated Health Care Pty Ltd	Australia	100	100
- Kelldale Pty Ltd	Australia	100	100
- Seacresh Pty Limited	(c) Australia	51	51
- Seacrest Unit Trust		51	51
- Pacific Medical Centres Pty Limited	Australia	100	100
- Link Medical Laboratory Holdings Pty Ltd	Australia	100	100
Treize Services Pty Ltd	Australia	100	100
Hillsands Pty Ltd	Australia	100	100
Pathology Services Pty Ltd (formerly Hampson Pathology Pty Ltd)	(c) Australia	100	100
- Gynaelab Pty Limited (formerly Dr Colin Laverty & Associates Pty Ltd)	(c) Australia	100	-
HCoA Holdings (Australia) Pty Ltd	Australia	100	100
- Mayne Nickless Pathology Holdings Pty Ltd	Australia	100	-
- Dorevitch Pathology Pty Ltd	(c) Australia	100	100
- Metropolitan Pathology Services Unit Trust		100	100
- Dorevitch Laboratory Services Pty Ltd	Australia	100	100
- HCoA Diagnostic Imaging Holdings Pty Limited	Australia	100	100
- Healthcare Imaging Services Pty Ltd (formerly Sydney Imaging Group Pty Limited)	(c) Australia	100	100
- Healthcare Imaging Services (Vic) Pty Ltd	Australia	100	-
- HCoA Hospital Holdings (Australia) Pty Ltd	Australia	100	100
- HCoA Operations (Australia) Pty Ltd	(c) Australia	100	100
- Mayne Nickless Medical Centre Holdings Pty Ltd	Australia	100	-
- Mayne Nickless Aged Care Holdings Pty Ltd (formerly HCoA Holdings Pty Ltd)	Australia	100	100
- Mayne Nickless Aged Care Operations Pty Ltd (formerly HCoA Hospital Holdings Pty Ltd)	Australia	100	100
- HCoA Operations Pty Ltd	Australia	100	100
HCoA Hospital Holdings 1997 Pty Ltd	Australia	100	100
- HCoA International Holdings Pty Ltd	Australia	100	-
- HOAIF Pty Ltd	Australia	100	-
Carrying on Business in New Zealand			
Mayne Nickless Limited	New Zealand	100	100
- Mayne Nickless Holdings (NZ) Limited	New Zealand	100	100
Carrying on Business in Singapore			
Transport Security Insurance (Pte) Ltd	Singapore	100	100
- Mayne Nickless Transportation (S) Pte. Ltd	Singapore	100	100

Notes to financial statements for the financial year ended 4 July 1999 (continued)

Notes	Country of Incorporation	Mayne Nickless Limited's direct and indirect interest held	
		1999 %	1998 %
30. Particulars in relation to Controlled Entities (continued)			
Carrying on Business in Hong Kong			
Rangeton Ltd.	Hong Kong	100	100
Mayne Nickless Logistics (Far East) Limited (In Liquidation)	Hong Kong	65	65
Classic Oriental Limited	Hong Kong	-	100
- Gold Reserve Limited	Hong Kong	75	100
Carrying on Business in China			
- China-Australia Cold Store and Warehouse Co. Ltd	Peoples Republic of China	71.25	95
Carrying on Business in Malaysia			
- Online Distribution Services Sdn. Bhd.	Malaysia	75	100
- Etika Gelora Sdn. Bhd.	(d) Malaysia	22.5	-
Carrying on Business in Thailand			
- Mayne Nickless Logistics (Thailand) Limited	(d) Thailand	45	-
Carrying on Business in Indonesia			
- PT Health Care of Surabaya	Indonesia	99	85
- PT Putramas Muliasantosa	Indonesia	60	-
- PT Mitrajaya Medikatama	Indonesia	52.8	-
- PT Simponi Sigmanera	Indonesia	59.7	-
Carrying on Business in Germany			
- Mayne Nickless Deutschland GmbH	Germany	100	100
Carrying on Business in Italy			
- Mayne Nickless Italia S.r.l.(In Liquidation)	Italy	100	100
- Bergaglio Trasporti S.r.l. (In Liquidation)	Italy	100	100
Carrying on Business in Republic of Ireland			
- Interlink Ireland Limited	Ireland	100	100
Carrying on Business in Belgium			
- Mayne Nickless SNC	(e) Belgium	100	100
Carrying on Business in The Netherlands			
- Mayne International B.V.	The Netherlands	100	100
- Mayne Nickless Eindhoven B.V.	The Netherlands	100	100

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Country of Incorporation	Mayne Nickless Limited's direct and indirect interest held	
		1999 %	1998 %
30. Particulars in relation to Controlled Entities (continued)			
Carrying on Business in United Kingdom			
- Mayne Nickless Europe plc.	United Kingdom	100	100
- Mayne Nickless (U.K.) Limited	United Kingdom	100	100
- Mayne Nickless European Holdings Limited	United Kingdom	100	100
- Armaguard Limited	United Kingdom	100	100
- Security Express Limited	United Kingdom	100	100
- Parceline Limited	United Kingdom	100	100
- D.P.E. International Limited	United Kingdom	100	100
- Security Express Guards Limited	United Kingdom	100	100
- Security Express Alarms Limited	United Kingdom	100	100
- Direct Parcel Distribution (U.K.) Limited	United Kingdom	100	100
- Cash-In-Transit Limited	United Kingdom	100	100
- Interlink Express plc	United Kingdom	100	100
- Interlink Express Parcels Limited	United Kingdom	100	100
Carrying on Business in Bermuda			
Transport Security Insurance Co. Limited	Bermuda	100	100
Carrying on Business in Canada			
Mayne Nickless Canada Inc.	Canada	100	100
- Loomis Armored Car Service Ltd.	Canada	100	100
- Mayne Nickless Transport Inc.	Canada	100	100
Carrying on Business in United States of America			
- Mayne Nickless Incorporated	United States	100	100

- (a) All Australian controlled entities are audited by KPMG. All overseas controlled entities are audited by KPMG member firms.
- (b) Entities not directly held by Mayne Nickless Limited are indented.
- (c) These Australian controlled entities are public or large proprietary companies as defined by the Corporations Law and are required to be audited for statutory purposes, or are partly owned. All other Australian controlled entities are small proprietary companies and are not required to prepare audited financial reports
- (d) The economic entity has arrangements in place whereby it controls the company.
- (e) Owned 99% by Mayne Nickless (U.K.) Limited and 1% by Mayne Nickless European Holdings Limited.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

30. Particulars in relation to Controlled Entities (continued)

Acquisition and Disposal of Controlled Entities:

The following controlled entities were acquired during the financial year:

	Date of Acquisition	Consideration \$'000	Proportion of Shares Acquired %
PT Putramas Muliasantosa	1/4/99	14,619	20
MPG Pty. Limited	31/5/99	107,939	75

Other unincorporated entities were purchased during the year for total consideration of \$182.5 million.

PT Putramas Muliasantosa was formerly an associated entity.

No incorporated entities were disposed of during the year. IPEC Road Express, a division of Mayne Nickless Limited was sold on 4 October 1998.

The following controlled entities were acquired during the previous financial year:

	Date of Acquisition	Consideration \$'000	Proportion of Shares Acquired %
Mayne Finance Limited	3/7/98	1,051	70
China Australia Cold Store & Warehouse Co. Limited	6/1/98	816	45

Mayne Finance Limited and China Australia Cold Store & Warehouse Co. Limited were formerly associated entities.

The following controlled entities were disposed during previous the financial year:

	Date of Disposal	Consideration \$'000	Consolidated Profit/(Loss) on Disposal	Proportion of Shares Sold %
Mayne Nickless Netherlands B.V.	7/7/97	7,409	-	100
Van Der Heijden Logistics Services B.V.	7/7/97	50,959	-	100
France Distribution System S.A. (Group)	7/7/97	97,860	-	100

Notes to financial statements for the financial year ended 4 July 1999 (continued)

31. Equity Accounting Information

Associated Entity	Principal Activity	% Interest in Equity Capital		Accounted Year Ended	Investment Carrying amount		Dividends Received		Equity share of Operating Profits & Losses After Tax & Extraordinary Items & Outside Equity Interests	
		1999	1998		1999 Value \$'000	1998 Book Value ^(a) \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
China-Australia Cold Store & Warehouse Co. Ltd	Cold Store & Warehouse - Peoples Republic of China	(b)	(b)	30 June	-	-	-	-	(7)	(238)
Misuzu Kaihatsu Kabushiki Kaisha	Country Club - Japan	(c)	30.30%	31 March	-	281	-	44	(123)	(50)
Cable & Wireless Optus Limited	Communications Investment - Australia	(d)	24.99%	(d)	-	627,437	-	-	-	(23,841)
Onelink Holdings Pty Ltd	Transport Systems - Australia	(e)	33.00%	30 June	-	11,756	-	-	-	-
AFC Equipment Co Pty Ltd	Equipment Hire - Australia	(e)	33.30%	30 June	-	2,000	-	-	-	-
PT Putramas Muliasantosa	Hospitals - Indonesia	(f)	40.00%	30 June	-	11,594	-	1,605	(95)	(952)
St George Private Hospital Nuclear Medicine Pty Ltd	Medical Services - Australia	50.00%	50.00%	30 June	560	500	-	-	31	30
Campsie Nuclear Medicine Pty Ltd	Medical Services - Australia	50.00%	0.00%	30 June	17	-	-	-	17	-
					577	653,568	-	1,649	(177)	(25,051)

(a) As equity accounting for investments in associates was applied for the first time in 1999, the investment carrying amount for 1998 is not calculated in accordance with the equity method, but is based on cost or valuation.

(b) China Australia Cold Store & Warehouse Co Ltd became a controlled entity on 6 January 1998.

(c) The investment in Misuzu Kaihatsu Kabushiki Kaisha was divested on 26 May 1999. The equity accounted profit on sale has been determined after taking into account \$0.782 million of equity accounted profits to the date of sale.

(d) The investment in Cable & Wireless Optus Pty Limited was divested on 17 November 1998. The equity accounted profit on sale has been determined after taking into account \$219.800 million of equity accounted losses to 30 June 1998, which was the most recent published financial information available to equity holders.

(e) During the prior period the parent entity's investment in Onelink Transit Systems Pty Ltd was transferred to Onelink Holdings Pty Ltd under a revised shareholder agreement. As a result of this agreement the parent entity considers that it no longer has significant influence over Onelink Holdings Pty Ltd and AFC Equipment Co Pty Ltd and therefore will not equity account these investments. The investments continue to be carried at cost.

(f) PT Putramas Muliasantosa became a controlled entity on 4 April 1999.

(g) At June 1998 PT Putramas Muliasantosa had notional goodwill of \$10.233 million. No notional goodwill is attributable to the other associated entities.

(h) The market values of investments in associated entities are represented by their equity carrying values.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

31. Equity Accounting Information (continued)

	1999 \$'000	1998 \$'000
Financial Information relating to Associates:		
The economic entity's share of profits and losses, assets and liabilities of associates, in aggregate is:		
Profit & Loss		
Share of operating profit/(loss) before tax of associates	649	(21,915)
Share of income tax expense attributable to operating profit/(loss) of associates	(247)	(540)
Share of net profit/(loss) of associates	402	(22,455)
Equity accounting adjustments:		
- goodwill amortisation	(415)	(117)
- amortisation of fair value adjustments	(164)	(830)
- reversal of dividends received	-	(1,649)
Equity accounted share of net profit/(loss) of associates	(177)	(25,051)
Adjustments on disposal of associates:		
- recoupment of equity accounted losses on sale of associate	219,800	-
- reversal of equity accounted profits on sale of associate	(782)	(498)
Share of associates net profit equity accounted	218,841	(25,549)
Balance Sheet		
Reserves:		
Equity share of reserves of associated entities at the beginning of the year	4,100	34
Equity share of reserves in the current year	(4,100)	4,100
Adjustment for associate with negative carrying value	-	(34)
Equity accounted share of reserves of associates at the end of the year	-	4,100
Retained Profits:		
Equity share of retained profits of associated entities at the beginning of the year	(219,810)	(194,849)
Equity share of retained profits in the current year	218,841	(25,549)
Adjustment for associate upon becoming a controlled entity	1,047	588
Equity accounted share of retained profits of associates at the end of the year	78	(219,810)
Movements in carrying amount of investments:		
Carrying amount of investments in associates at the beginning of the year	653,568	622,219
Adjustment on initial adoption of equity accounting	(215,710)	-
Investments in associates acquired /(disposed of) during the year	(627,718)	31,349
Investments no longer equity accounted due to loss of significant influence over associates	(13,756)	-
Investments no longer equity accounted due to associates becoming controlled entities	(14,648)	-
Share of associates net profit equity accounted	218,841	-
Carrying amount of investments in associates at the end of the year	577	653,568

Notes to financial statements for the financial year ended 4 July 1999 (continued)

32. Transactions with Related Entities

	1999 \$'000	1998 \$'000
Wholly Owned Group		
Dividends and interest received by the parent entity from controlled entities are disclosed in Note 2.		
Interest paid by the parent entity to controlled entities is disclosed in Note 3.		
Details of investments in controlled entities are disclosed in Notes 13 and 30.		
Amounts due to and receivable from controlled entities within the wholly owned group are disclosed in Notes 9 and 18.		
These balances comprise:		
Receivables	17,176	885
Loans at call	886,758	664,493
Accrued interest	773	517
Amounts owing by controlled entities	904,707	665,895
Payables	1,677	764
Loans at call	236,779	355,162
Accrued interest	1,039	1,778
Amounts owing to controlled entities	239,495	357,704

Associated Entities:

Cable & Wireless Optus Limited

The parent entity divested its investment in Cable and Wireless Optus Limited on 17 November 1998.

From 1 July 1998 until 17 November 1998 entities within the economic entity purchased communications services from Cable & Wireless Optus Limited to the value of \$2.379 million (1998 \$6.112 million).

During this period entities within the economic entity provided transport, logistics and related services to Cable & Wireless Optus Limited to the value of \$5.643 million (1998 \$9.956 million). The parent entity charged Cable & Wireless Optus Limited management fees of \$nil million (1998 \$1.275 million).

At 5 July 1998 \$1.955 million was owed to entities within the economic entity and \$0.148 million was owed by entities within the economic entity by Cable & Wireless Optus Limited.

During the period Cable & Wireless Optus Limited incurred interest of \$4.034 million (1998 \$9.402 million) with the parent entity on subordinated debt which was repaid during the period (1998 balance \$133.374 million). Interest of \$nil million (1998 \$0.981 million) was owed to the parent entity at balance date.

All these transactions were within normal customer supplier relationships on an arm's length basis.

PT Putramas Muliasantosa

PT Putramas Muliasantosa became a controlled entity on 4 April 1999.

During the 1998 year PT Putramas Muliasantosa paid dividends of \$1.605 million to the parent entity. These dividends were reinvested in equity in PT Putramas Muliasantosa.

Misuzu Kaihatsu Kabushiki Kaisha

Misuzu Kaihatsu Kabushiki Kaisha was divested on 26 May 1999.

During the 1998 year Misuzu Kaihatsu Kabushiki Kaisha paid dividends of \$0.044 million to the parent entity.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

32. Transactions with Related Entities (continued)

Directors' Interests

The names of the Directors of Mayne Nickless Limited who held office at any time during the financial year:

Parent Entity	Director since
P C Barnett	1996
L A Bytheway ⁽¹⁾	1981
B R Catchlove ⁽²⁾	1994
R R Dalziel	1996
I R L Harper	1978
P E Mason	1992
M R Rayner	1995
J Sloan	1995
G G Spurling	1997
G A Tomlinson ⁽³⁾	1999
J C Trethowan ⁽⁴⁾	1983

(1) Retired as a Director on 30/3/99.

(2) Retired as a Director on 11/8/98.

(3) Appointed as a Director on 1/1/99.

(4) Retired as a Director on 17/11/98.

Directors' holdings of shares and options:

The interests of Directors and their Director related entities in shares and options of entities within the economic entity at balance date was:

	1999	1998
Mayne Nickless Limited:		
Ordinary shares fully paid	172,620	229,676
Ordinary shares paid to 1 cent	Nil	120,000
Options over ordinary shares	1,600,000	1,462,000

Share Transactions:

The aggregate number of shares acquired and disposed of by Directors and their Director related entities was:

	1999	1998
Mayne Nickless Limited:		
Shares acquired:		
Ordinary shares fully paid	137,349	32,859
Ordinary shares paid to 1 cent converted to fully paid	120,000	40,000
Options over ordinary shares	600,000	Nil
Shares disposed of:		
Ordinary shares fully paid	67,300	52,000

Notes to financial statements for the financial year ended 4 July 1999 (continued)

32. Transactions with Related Entities (continued)

The 1c paid shares were issued pursuant to the Mayne Nickless Executive Share Scheme which was established by authority of shareholders at an extraordinary general meeting of the parent entity held on 7 June 1976, and amended at the annual general meeting of the parent entity held on 8 November 1988 to permit participation by Non-Executive Directors. There are no 1c paid shares held non-beneficially. Dividends paid by the parent entity during the year on Directors' shareholdings were \$0.085 million (1998 \$0.069 million).

The Directors held no shares in the capital of any corporation related to the economic entity under Section 50 of the Corporations Law as at the date of these accounts. Particulars of any interest of the Directors in a contract or proposed contract with the economic entity are as follows:

- (a) In prior periods, I R L Harper, P E Mason, M R Rayner, J Sloan and P C Barnett, being Non Executive Directors of the parent entity, have entered into service agreements with the parent entity pursuant to which a retirement allowance in excess of that permitted by the Corporations Law as authorised by shareholders at the Annual General Meetings of the parent entity held on 8 November 1988 and 8 November 1994 may be paid to each of them on their retirement from office. The remaining Non-Executive Directors, G G Spurling and G A Tomlinson, will be invited to enter into similar service agreements following the second anniversary of their appointments as Non-Executive Directors.
- (b) R R Dalziel, Managing Director, has entered into a service contract with the parent entity relating to the making of payments to him in connection with his employment and the cessation of his employment.
- (c) From time to time Directors of the parent entity or its controlled entities may use the transport, security or health care services provided by entities within the economic entity. These services are provided under normal employee or customer relationships on terms and conditions no more favourable than those available on similar transactions to other employees or customers.
- (d) Certain wholly-owned controlled entities pay amounts to (or receive amounts from) their Directors or entities associated with their Directors for services rendered on an arms length basis at fair market value.

These services comprise:

	1999 \$'000	1998 \$'000
Management services	155	148
Accounting services	8	16
Legal services	-	185
Warehousing and transport services	308	340
Warehousing and transport services	(123)	(605)
Consulting services	254	-

(e) Directors of the parent entity are Directors of other entities which trade with the economic entity under normal customer supplier relationships on terms and conditions no more favourable than those available on similar transactions with other customers or suppliers. None of these Directors is able individually or jointly to significantly influence the commercial relationship of these entities with the Mayne Nickless economic entity.

(f) S F Tanner and J W Priestley are Directors, and P George was formerly a Director of certain controlled entities. They were members of the Due Diligence Committee (established in relation to the sale of the parent entity's shares in Cable & Wireless Optus Limited). The parent entity has confirmed its obligation to indemnify them in terms of the provisions relating to indemnification in the parent entity's constitution in connection with their services on the Committee and matters arising from that service. As no liabilities the subject of the indemnities have been identified, no amount has been recognised in respect of the indemnities.

(g) The parent entity has entered into deeds with R R Dalziel (a Director of the parent entity), S F Tanner (a Director of controlled entities) and P George (formerly a Director of controlled entities) to indemnify them against liability incurred in their capacity as officers of Cable & Wireless Optus Limited and officers of the parent entity (involved with the Optus float). The indemnities do not extend to any act of fraud, conduct involving the lack of good faith, or the commission knowingly of a criminal offence and only apply to the extent that the officers are not indemnified under any insurance policy effected for their benefit or under any other indemnity enforceable by them.

(h) The parent entity has entered into a deed of indemnity in favour of G A Tomlinson, in accordance with the terms of Rules 69(a) and (b) of the parent entity's constitution which include an indemnity in favour of officers of the parent entity against liability incurred while acting as such an officer to persons (excluding the parent entity or its related bodies corporate) to the extent permitted by law. The indemnity is in format similar to deeds of indemnity previously entered into with other Directors of the parent entity.

(i) The parent entity has entered into deeds in favour of its Directors (including B R Catchlove who ceased to be a Director on 11 August 1998, J C Trethowan who retired as a Director on 17 November 1998 and L A Bytheway who retired as a Director on 30 March 1999) in accordance with the terms of rules 68 and 69(c) of the parent entity's constitution which include basically for a period of seven years after ceasing to be a Director:

- rights of access and use with respect to Board papers, minutes of Board and of Committee meetings and other related documents in connection with proceedings in which the Director may be involved, subject to reasonable limitations where issues of confidentiality or privilege arise; and

- obligations of the parent entity to arrange directors' and officers' liability insurance on terms which are reasonable having regard to various factors relating to the parent entity and the insurance market.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

33. Superannuation Commitments

As at 4 July 1999 entities within the economic entity participated in four superannuation plans, all of which are defined benefit plans.

The four plans provide benefits to employees or their dependants on retirement, resignation, disablement or death. Members and entities within the economic entity make contributions as specified in the rules of the respective funds. Contributions by these entities are based on percentages of current salaries actuarially assessed to meet defined benefits based on multiples of final average salaries determined by length of service and are enforceable in accordance with the respective rules so long as they are parties to the funds.

Actuarial assessments of the various funds have been made by the following independent actuaries on the dates indicated:

Australia:	1 July 1996	D.A. Scott, F.I.A.
United Kingdom:	6 April 1997	A. Woodhouse, F.I.A.
Canada:	Plan A 1 October 1997	William M Mercer
	Plan B 31 December 1997	Eckler Partners Ltd.

The assets of each fund are sufficient to satisfy all benefits that would have been vested in the event of the termination of the fund, or in the event of the voluntary or compulsory termination of the employment of each employee. Contributions are also made to a number of industry accumulation funds in accordance with various awards.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

33. Superannuation Commitments (continued)

	Mayne Nickless Limited Superannuation Fund	Mayne Nickless (UK) Limited Pension Scheme	Loomis Canadian Pension Plans A and B	Total
	\$'000	\$'000	\$'000	\$'000
At 4 July 1999				
Dates at which the following amounts were determined:				
Market Value of Plan Assets	30 June 1998	6 April 1999	4 July 1999	
Accrued Benefits	1 July 1996	6 April 1999	4 July 1999	
Vested Benefits	30 June 1998	6 April 1999	4 July 1999	
Net Market Value of Plan Assets				
Assets	109,749	116,084	30,075	255,908
Accrued Benefits	89,315	126,917	25,902	242,134
Excess/(Deficiency) of Plan Assets Over Accrued Benefits	20,434	(10,833)	4,173	13,774
Vested Benefits	88,514	113,650	21,528	223,692
Employer Contributions Recognised in the Financial Statements	2,444	3,138	348	5,930

	Mayne Nickless Limited Superannuation Fund	Mayne Nickless Limited Superannuation Plan*	Mayne Nickless (UK) Limited Pension Scheme	Loomis Canadian Pension Plans A and B	Total
	\$'000	\$'000	\$'000	\$'000	\$'000

At 5 July 1998

Dates at which the following amounts were determined:

Market Value of Plan Assets	30 June 1997	30 June 1997	6 April 1998	30 June 1998	
Accrued Benefits	1 July 1996	30 June 1997	6 April 1998	30 June 1998	
Vested Benefits	30 June 1997	30 June 1997	6 April 1998	30 June 1998	
Net Market Value of Plan Assets					
Assets	94,628	17,687	129,713	27,159	269,187
Accrued Benefits	69,791	17,046	124,088	24,108	235,033
Excess/(Deficiency) of Plan Assets Over Accrued Benefits	24,837	641	5,625	3,051	34,154
Vested Benefits	65,368	13,522	112,192	19,936	211,018
Employer Contributions Recognised in the Financial Statements	2,494	644	2,986	293	6,417

*The assets and liabilities of the Plan were transferred to the Fund on 20 May 1998.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated		Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000

34. Remuneration of Directors and Executives

(a) Amounts received, or due and receivable, by Directors of: economic entity	6,016	8,995		
Amounts received, or due and receivable, by Directors of: parent entity			2,185	2,645

(b) The number of Directors of the parent entity whose remuneration was within the following bands:

\$			
30,000 – 39,999	1	1	
50,000 – 59,999	2		
60,000 – 69,999	1	5	
70,000 – 79,999	4		
100,000 – 109,999		1	
210,000 – 219,999		1	
220,000 – 229,999	1		
800,000 – 809,999		1	
1,160,000 – 1,169,999		1	
1,450,000 – 1,459,999	1		

(c) Details of fees paid or payable to currently serving Non-Executive Directors during the period are set out in the Directors' Report.

(d) B R Catchlove resigned as an Executive Director on 11/8/98. His remuneration is excluded from the table above, however, it is included in the following table relating to executive officers and is set out in the Directors' Report.

(e) The economic entity provides for retirement benefits for Non-Executive Directors pursuant to special resolutions passed by shareholders at the Annual General Meetings of the parent entity on 8 November 1988 and 8 November 1994. The provision balance is \$0.863 million (1998 \$1.259 million). The amount charged to the profit and loss was \$0.261 million (1998 \$0.455 million). During the period \$0.656 million was paid out from the provision to two directors who retired during the period and is excluded from the above table (1998 \$nil million).

(f) Any amounts paid to superannuation funds on account of Executive Directors are included on a notional basis in the total remuneration of Directors in note (b) above. The Executive Directors are principally part of a defined benefit superannuation scheme and the amounts paid by the economic entity to the scheme are not necessarily attributable to the Executive Directors. The Directors, having regard to the number of persons to whom these particulars would relate and the nature of these particulars, believe the provision of full particulars would be unreasonable for the economic entity to disclose.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

	Consolidated		Parent Entity	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000

34. Remuneration of Directors and Executives (continued)

(f) Aggregate of income received or due and receivable by executive officers, including Executive Directors, whose remuneration exceeded \$100,000	20,501	14,709	20,501	14,709
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The number of executive officers whose income was at least \$100,000 is shown in the following income bands:

\$		Number		Number
110,001 – 120,000	1	1	1	1
120,001 – 130,000		1		1
130,001 – 140,000	1	1	1	1
140,001 – 150,000	1	3	1	3
150,001 – 160,000	3	3	3	3
160,001 – 170,000	4	8	4	8
170,001 – 180,000	4	3	4	3
180,001 – 190,000	2	3	2	3
190,001 – 200,000	2	3	2	3
200,001 – 210,000	6	1	6	1
220,001 – 230,000	1	4	1	4
230,001 – 240,000	3	1	3	1
240,001 – 250,000	2	3	2	3
250,001 – 260,000	1	2	1	2
260,001 – 270,000	2		2	
270,001 – 280,000	4	4	4	4
280,001 – 290,000		1		1
290,001 – 300,000	2		2	
300,001 – 310,000	1	1	1	1
310,001 – 320,000	2	1	2	1
320,001 – 330,000		1		1
330,001 – 340,000	1	2	1	2
340,001 – 350,000	1		1	
350,001 – 360,000	1	1	1	1
360,001 – 370,000		1		1
370,001 – 380,000	2		2	
380,001 – 390,000		1		1
390,001 – 400,000	3		3	
430,001 – 440,000	1		1	
470,001 – 480,000	1		1	
490,001 – 500,000	1		1	
500,001 – 510,000	1		1	
520,001 – 530,000		1		1
540,001 – 550,000	1		1	
580,001 – 590,000		1		1
670,001 – 680,000		1		1
800,001 – 810,000		1		1
840,001 – 850,000	1		1	
1,110,001 – 1,120,000	2		2	
1,160,001 – 1,170,000		1		1
1,450,001 – 1,460,000	1		1	
1,500,001 – 1,510,000	1		1	
	60	55	60	55

Notes:

1. Disclosure encompasses the total compensation cost attached to each Director and executive, inclusive of fringe benefits taxes, superannuation costs and retirement payments but excludes possible benefits arising through participation in the Executive Share Option Scheme because the options issued during the year were priced at market value on the date of issue.
2. The 1999 and 1998 figures include payments for a number of other senior executives who have left during that year.
3. The remuneration of executives who work wholly or mainly outside Australia are not included in the disclosure.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles (US GAAP) Disclosures

Major differences between Australian GAAP and US GAAP:

The consolidated financial report of the economic entity is prepared in accordance with Generally Accepted Accounting Principles applicable in Australia ("Australian GAAP") (refer note 1), which differ in certain significant respects from Generally Accepted Accounting Principles in the United States ("US GAAP").

The following is a summary of the major differences between Australian GAAP and US GAAP which provides an expansion of certain information included in the notes to the financial statements.

The following table includes profit and loss account information prepared in accordance with Australian GAAP but presented in US GAAP format:

	Consolidated		
	1999 \$'000	1998 \$'000	1997 \$'000
Sales revenue	2,797,695	2,634,934	2,835,374
Costs and expenses			
Operating, selling, general and administrative expenses	2,530,980	2,396,565	2,588,854
Depreciation and amortisation	115,132	156,143	114,955
Total costs and expenses	2,646,112	2,552,708	2,703,809
Operating profit before interest and tax	151,583	82,226	131,565
Other income - net gain on disposal of associated entities	533,843	-	-
Interest income	17,930	18,762	16,100
Interest expense	(62,167)	(69,415)	(85,197)
Income tax (expense)/benefit	(157,905)	12,650	38,030
Operating profit after interest and tax	483,284	44,223	100,498
Equity share of associated entities after tax	(177)	-	-
Minority interest in operating (profits)/losses after interest and tax	(615)	8	(207)
Net profit after income tax	482,492	44,231	100,291

Had the balance sheet been presented in a US GAAP format (prepared in accordance with Australian GAAP):

- (a) The indebtedness of related parties of \$134.356 million in the prior year would have been included on the face of the balance sheet rather than included in cash and deposits;

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles (US GAAP) Disclosures (continued)

- (b) Other Creditors under current liabilities would have been further dissected in note 17 as follows and the provision for workers compensation would have been reclassified from accounts payable to provisions.

	Consolidated	
	1999 \$'000	1998 \$'000
Provision for workers compensation	22,178	21,758
Payroll related payables	50,972	60,853
Interest payable	20,981	18,846
Insurance payables	8,338	10,174
Provision for loss on discontinued operations	13,921	56,946
Accrued taxes	11,024	10,325
Cross currency swap principal	17,072	-
Accrued expenses	52,875	47,203
Other creditors per note 17 under Australian GAAP	197,361	226,105

(a) Property and integral plant

Certain property and integral plant has been revalued by Mayne Nickless Limited at various times. These revaluation increments have increased the carrying value of the assets and accordingly the depreciation charges have been increased above those which would be required on a historical cost basis. For US GAAP purposes the carrying value of assets are restated to historical cost by adjusting the effect of the revaluation increments and decrements and by reversing the additional depreciation charge.

The above policy also causes differences in reported gains and losses on the sale of property, and integral plant. Gains and losses for Australian GAAP are based on consideration less revalued amounts net of accumulated depreciation and amortisation. For US GAAP purposes, gains and losses are determined having regard to historical cost, and revaluation reserves applicable to assets sold are reported as income.

(b) Goodwill amortisation

Under Australian GAAP write downs of revalued properties to their fair values can be made against the asset revaluation reserve. For US GAAP purposes these write downs, to the extent that they result in values lower than the amortised historical cost, are reported against income.

Under Australian GAAP goodwill was, until 2 July 1995, amortised using the inverse sum of the digits rate over periods not exceeding 20 years. In addition, a minimum annual write off is applied to small items to recognise that future benefits arising from these acquisitions are expended sooner than those from large acquisitions.

With effect from 3 July 1995 the unamortised balance of goodwill must be amortised under Australian GAAP on a straight line basis over a period not exceeding 20 years from the original acquisition

date. Additions since 3 July 1995 are amortised on a straight line basis over a maximum period of 20 years.

For US GAAP purposes where the useful life is considered to be 20 years or longer, the economic entity has maintained the method of straight line amortisation over 40 years. The unamortised balance is reviewed semi-annually and any diminution in value is charged to the Profit and Loss Account. The recoverability of goodwill is assessed by determining whether the amortisation of the asset balance over its remaining life can be recovered through projected undiscounted future operating cash flows.

Additionally, the interest costs capitalised on an investment in an associate were not amortised under Australian GAAP. Under US GAAP, such amounts are amortised over the estimated useful life of the associate's fixed assets, approximately 10 years. Such amounts of amortisation are included in goodwill amortisation for the reconciliation to US GAAP. This investment was divested in the 1998/99 year.

(c) Brand names and attendant licences

Brand names and attendant licences are not amortised under Australian GAAP. Under US GAAP brand names and attendant licences must be amortised over the period of their estimated useful lives, not exceeding 40 years.

To comply with US GAAP an adjustment has been made to amortise these brand names and attendant licences on a straight line basis over 40 years.

(d) Deferred expenditure recognised as a period expense

The economic entity has capitalised certain expenditure the benefits for which will be received in future periods. Refer to Note 1 (n). This expenditure is treated as a period expense under US GAAP.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles (US GAAP) Disclosures (continued)

(e) Income Taxes

Under US GAAP the economic entity applies SFAS 109 "Accounting for Income Taxes". Under Australian GAAP income taxes are accounted for in accordance with the liability method. SFAS 109 is materially consistent with Australian GAAP.

SFAS 109 requires deferred tax amounts to be raised in respect of certain purchase price allocation adjustments made as a result of business combinations. A deferred tax asset or liability is recognised for differences between the assigned values and the tax basis of assets and liabilities resulting from a business combination.

Deferred tax reconciliation

The types of temporary differences that give rise to significant portions of the deferred tax liabilities and deferred tax assets (future income tax benefit) are comprised of the following at 4 July 1999 and 5 July 1998:

	Consolidated	
	1999 \$'000	1998 \$'000
Gross deferred tax liability:		
Primarily depreciation	21,317	20,755
Gross deferred tax assets:		
Net operating and capital loss carry forwards ⁽¹⁾	12,151	148,060
Timing differences on capital (gains)/losses	9,689	-
Self insurance provisions	885	3,064
Employee benefit provisions	18,525	15,860
Unrealised foreign exchange (gains)/losses	(6,949)	(3,489)
Accrued income	(8,697)	(5,365)
Other, net	5,215	8,078
	30,819	166,208

(1) Of the total net operating and capital loss carry forwards, \$nil (June 1998 \$1.156 million) expire between 30 June 2001 and 30 June 2008 and \$12.151 million (June 1998 \$146.904 million) are available indefinitely.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles (US GAAP) Disclosures (continued)

(f) Provisions

The term "provisions" is used in Australian GAAP to designate accrued expenses with no definitive payment date. This can include such items as employee leave entitlements not yet taken. Classification between current and non-current is generally based on management assessments, as subject to audit.

Provisions disclosed in note 19 comply in all material respects with US GAAP, except the provision for dividends, which are not formally declared until shortly after balance sheet date. Under US GAAP, dividends are recorded as liabilities only if formally declared prior to balance date. This difference in treatment has been adjusted in the US GAAP reconciliation of shareholders' equity.

(g) Minority interests

Minority interests are frequently included as part of total shareholders' equity under Australian GAAP. The reconciliation to US GAAP has excluded these from shareholders' equity consistent with US GAAP treatment.

(h) Segment reporting

In June 1997, the United States Financial Accounting Standards Board issued SFAS 131, "Disclosures about Segments of an Enterprise and Related Information". This statement became effective for fiscal years beginning after 15 December, 1997. This statement requires disclosure of certain information about operating segments and geographic areas of operation.

Operating segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The economic entity's chief operating decision maker is the Managing Director.

For the purposes of segment reporting the following operating segments have been aggregated to form:

- Contract and Cash Logistics Services:-
Australian and North American Cash Logistics Services and
Australian and Asian Contract Logistics Services;
- Time Critical Express Services:-
Australian, North American and European Time Critical Express
Services

The accounting policies of the operating segments are the same as those described in note 1. The required disclosures are included in note 25.

(i) Earnings Per Share

Under Australian Accounting Standards basic earnings per share is calculated by dividing operating profit after tax and minority shareholders' interests by the weighted average number of shares on issue for the year .

Under US GAAP the calculation of basic earnings per share is the same as Australian GAAP. However, the calculation of diluted earnings per share is different under Australian and US GAAP in that under US

GAAP the weighted average number of shares that are dilutive in respect of options is determined by application of the treasury stock method and added to the denominator, whereas under Australian GAAP the funds that would have been received on the exercise of options are used to impute earnings which are added to the numerator in the calculation of diluted earnings per share.

(j) Adjustments relating to Associates

From 6 July 1998 the economic entity now reports under Australian GAAP on an equity accounted basis. Prior to the current year the profit and loss statements included only dividend income from associated entities and the balance sheets included investments in associated entities at cost. Accordingly, adjustments were made in the US GAAP reconciliation to equity account for these investments. In addition, the prior years US GAAP reconciliation includes US GAAP adjustments relating to an associate which was divested in the current year.

(k) Pension plans

The economic entity is party to four pension plans in Australia, Canada and the United Kingdom.

The economic entity makes annual contributions to the plans. The contributions which are equal to the amount charged as pension expense for Australian GAAP purposes are determined on an actuarial basis.

The actuarial calculations, revised at least triennially, take account of the defined benefits set out in the plans having regard to the contributions made by the employees, estimated future increments and cost of living increases in salaries and pensions, expected investment rates on new monies and the expected returns on monies invested.

Contributions to the various plans by employees, together with specified annual returns thereon comprises vested benefits. Contributions by the economic entity together with total returns on investment in excess of those necessary to meet the requirements of the specified annual returns are non-vested until such time as a member reaches a certain number of years of service, retires or dies prior to retirement, when the defined benefit is calculated and the appropriate amount is considered vested.

In addition to the pension plans referred to above, the economic entity also contributes to union sponsored/industry (multi-employer) defined contribution accumulation plans and has an ongoing commitment to do so under various union awards and/or workplace agreements. The amount contributed to such plans, and charged to expense, for the year ended 4 July 1999 was approximately \$37.8 million (1998 \$25.8 million and 1997 \$24.0 million).

The economic entity and its controlled entities are not parties to the administration of these funds and are generally not responsible for unfunded deficits.

A detailed level of reporting in respect of pension plans is not presently required by Australian GAAP. Under Australian GAAP contributions to the various pension plans are recorded as an expense in the income statement.

The adjustment made as set out below recognizes the effect of the application of US SFAS 87 and SFAS 88 to each of the pension plans.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles
(US GAAP) Disclosures (continued)

(k) Pension plans (continued)

Net periodic pension cost for 4 July 1999, 5 July 1998 and 6 July 1997 included the following components:

	Year ended 4 July 1999			Totals
	Australian plan	Canadian plans	United Kingdom plan	
	\$'000	\$'000	\$'000	\$'000
Service cost-benefits earned during the period	10,721	2,858	4,924	18,503
Interest cost on projected benefit obligation	5,159	1,535	7,608	14,302
Expected return on plan assets	(7,688)	(2,133)	(7,963)	(17,784)
Net amortisation and deferred cost	(1,649)	(987)	572	(2,064)
	6,543	1,273	5,141	12,957

Assumptions used in the accounting were:

Discount rate	6.00%	7.00%	6.50%
Rate of increase in future salary levels	4.00%	4.50%	5.00%
Expected long-term rate of return on assets	7.50%	7.00%	8.00%
Rate of increase to pensions in payment	n/a	2.10%	2.75%

	Year ended 5 July 1998			Totals
	Australian plan	Canadian plans	United Kingdom plan	
	\$'000	\$'000	\$'000	\$'000
Service cost-benefits earned during the period	11,298	2,493	3,165	16,956
Interest cost on projected benefit obligation	4,918	1,332	6,789	13,039
Expected return on plan assets	(13,836)	(2,769)	(22,531)	(39,136)
Net amortisation and deferred cost	4,289	(661)	14,603	18,231
	6,669	395	2,026	9,090

Assumptions used in the accounting were:

Discount rate	6.00%	7.00%	8.50%
Rate of increase in future salary levels	4.00%	4.50%	6.50%
Expected long-term rate of return on assets	7.50%	7.00%	8.50%
Rate of increase to pensions in payment	n/a	2.10%	3.75%

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles
(US GAAP) Disclosures (continued)

(k) Pension plans (continued)

	Australian plan	Year ended 6 July 1997 Canadian plans	United Kingdom plan	Totals
	\$'000	\$'000	\$'000	\$'000
Service cost-benefits earned during the period	10,420	2,208	2,353	14,981
Interest cost on projected benefit obligation	5,452	1,089	4,423	10,964
Expected return on plan assets	(20,205)	(5,212)	(14,611)	(40,028)
Net amortisation and deferred cost	10,214	3,044	8,822	22,080
	5,881	1,129	987	7,997

Assumptions used in the accounting were:

Discount rate	7.00%	7.00%	9.00%
Rate of increase in future salary levels	4.00%	4.50%	7.00%
Expected long-term rate of return on assets	8.00%	7.00%	9.00%
Rate of increase to pensions in payment	n/a	2.10%	4.00%

The US GAAP adjustment to period income to recognise the net periodic pension cost is as follows:

	1999 \$'000	1998 \$'000	1997 \$'000
Pension expense recognised in Australian GAAP financial statements - note 33	5,930	6,417	5,821
Pension expense recognised under SFAS 87	12,957	9,090	7,997
Adjustment for US GAAP	7,027	2,673	2,176

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles (US GAAP) Disclosures (continued)

(k) Pension plans (continued)

The following tables set forth reconciliations of the change in projected benefit obligation, change in plan assets and the funded status of the plans for the periods ended 4 July 1999 and 5 July 1998 under US GAAP:

	Australian plan	Year ended 4 July 1999 Canadian plans	United Kingdom plan	Totals
	\$'000	\$'000	\$'000	\$'000
Change in projected benefit obligation				
Projected benefit obligation at the beginning of the period	94,355	23,486	124,088	241,929
Service cost	10,721	2,858	4,924	18,503
Interest cost	5,159	1,535	7,608	14,302
Employee contributions	344	575	2,128	3,047
Amounts received from other funds	1,627	839	16	2,482
Actuarial (gains)/losses	-	(1,015)	11,559	10,544
Benefits paid	(29,039)	(864)	(3,598)	(33,501)
Plan expenses	(1,019)	(372)	(486)	(1,877)
Tax paid	(236)	-	-	(236)
Amounts transferred to other funds	-	(28)	(1,525)	(1,553)
Foreign currency exchange rates	-	(1,664)	(17,797)	(19,461)
Projected benefit obligation at the end of the period	81,912	25,350	126,917	234,179
Change in plan assets				
Value of plan assets at the beginning of the period 271,898		109,749	32,436	129,713
Actual employer contributions	2,444	348	3,138	5,930
Actual return on plan assets	9,614	210	3,530	13,354
Employee contributions	344	575	2,128	3,047
Amounts received from other funds	1,627	839	16	2,482
Benefits paid	(29,039)	(864)	(3,598)	(33,501)
Plan expenses	(1,019)	(372)	(486)	(1,877)
Tax paid	(236)	-	-	(236)
Amounts transferred to other funds	-	(28)	(1,525)	(1,553)
Foreign currency exchange rates	-	(2,691)	(16,833)	(19,524)
Value of plan assets at the end of the period	93,484	30,453	116,083	240,020
Reconciliation of funded status				
Excess/(deficiency) of plan assets compared to projected benefit obligation	11,572	5,103	(10,834)	5,841
Unrecognised net (gain)/loss	(6,472)	(11,876)	14,728	(3,620)
Unrecognised prior service cost	-	626	455	1,081
Unrecognised net (asset) existing at adoption of SFAS 87	(8,246)	(1,028)	(2,229)	(11,503)
Prepaid/(accrued) pension cost	(3,146)	(7,175)	2,120	(8,201)

Note:

Plan assets include a mixed portfolio of investments, including fixed interest securities, Australian and overseas listed securities and real estate investments.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles (US GAAP) Disclosures (continued)

(k) Pension plans (continued)

	Australian plan	Year ended 5 July 1998 Canadian plans	United Kingdom plan	Totals
	\$'000	\$'000	\$'000	\$'000
Change in projected benefit obligation				
Projected benefit obligation at the beginning of the period	90,282	18,391	76,413	185,086
Service cost	11,298	2,493	3,165	16,956
Interest cost	4,918	1,332	6,789	13,039
Employee contributions	509	-	1,736	2,245
Amounts received from other funds	1,297	-	27	1,324
Actuarial (gains)/losses	3,177	(294)	21,840	24,723
Benefits paid	(16,217)	(1,268)	(3,895)	(21,380)
Plan expenses	(626)	(104)	(568)	(1,298)
Tax paid	(283)	-	-	(283)
Amounts transferred to other funds	-	-	(423)	(423)
Foreign currency exchange rates	-	2,936	19,004	21,940
Projected benefit obligation at the end of the period	94,355	23,486	124,088	241,929
Change in plan assets				
Value of plan assets at the beginning of the period	112,315	26,622	87,127	226,064
Actual employer contributions	2,513	272	2,754	5,539
Actual return on plan assets	10,241	2,769	22,531	35,541
Employee contributions	509	-	1,736	2,245
Amounts received from other funds	1,297	-	27	1,324
Benefits paid	(16,217)	(1,268)	(3,895)	(21,380)
Plan expenses	(626)	(104)	(568)	(1,298)
Tax paid	(283)	-	-	(283)
Amounts transferred to other funds	-	-	(423)	(423)
Foreign currency exchange rates	-	4,145	20,424	24,569
Value of plan assets at the end of the period	109,749	32,436	129,713	271,898
Reconciliation of funded status				
Excess of plan assets over projected benefit obligation	15,394	8,950	5,625	29,969
Unrecognised net (gain)/loss	(4,545)	(15,537)	1,348	(18,734)
Unrecognised prior service cost	-	944	597	1,541
Unrecognised net (asset) existing at adoption of SFAS 87	(9,895)	(1,344)	(3,066)	(14,305)
Prepaid/(accrued) pension cost	954	(6,987)	4,504	(1,529)

Note:

Plan assets include a mixed portfolio of investments, including fixed interest securities, Australian and overseas listed securities and real estate investments.

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles (US GAAP) Disclosures (continued)

(l) Cash Flow Reconciliation

Under Australian GAAP cash flows are reconciled to cash and deposits net of bank overdrafts. For US GAAP bank overdrafts are not included in the reconciliation of cash and movements in bank overdraft are reclassified as movements in borrowings.

Cash Flows under US GAAP are reconciled as follows:

	1999 \$'000	1998 \$'000	1997 \$'000
Cash at the beginning of the financial year per Australian GAAP	155,766	148,864	227,868
Add back bank overdrafts	20,153	18,883	21,695
Cash at the beginning of the financial year per US GAAP	175,919	167,747	249,563
Increase/(decrease) in cash held	45,613	(8,667)	(103,306)
Add back movement in bank overdrafts	(8,637)	1,270	(2,812)
Foreign exchange movements	(16,653)	15,569	24,302
Cash at the end of the financial year per US GAAP	196,242	175,919	167,747

(m) Investment securities

For US GAAP purposes, the Company applies SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities" in accounting for investment securities. In accordance with SFAS 115, the Company classifies securities as either held to maturity or available for sale. Securities are classified as held to maturity when the Company has the positive intent and ability to hold such securities to maturity. Securities held to maturity are recorded at amortised cost. Securities available for sale are securities other than those held to maturity or trading and are recorded at fair value, with unrealised gains and losses excluded from earnings and recorded in accumulated other comprehensive income within shareholders' equity.

Realised gains and losses on securities classified as available-for-sale are recorded in earnings in the year of sale based on the specific identification of each individual security sold.

A decline in the fair value of available-for-sale securities below cost that is deemed other than temporary is charged to earnings, resulting in the establishment of a new cost basis for the security.

The Company does not hold securities for trading purposes. In 1999 the Company has recorded a net unrealised holding loss of \$0.029 million (1998, loss of \$0.01 million, 1997, loss of \$0.28 million), net of income tax, directly to shareholders' equity for US GAAP purposes.

	Year ended 4 July 1999			
	Amortised cost	Gross unrealised gains	Gross unrealised losses	Market value
	\$'000	\$'000	\$'000	\$'000
Available for sale				
European government securities	1,057	-	2	1,055
Other government securities	750	-	8	742
Multi European government securities	980	-	1	979
European corporate securities	2,188	-	35	2,153
Other corporate securities	1,124	-	-	1,124
Canadian treasury securities	856	-	-	856
	6,955	-	46	6,909
Held to maturity				
Other debt securities	1,143	50	-	1,193

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles (US GAAP) Disclosures (continued)

(m) Investment securities (continued)

The portfolio of investments at 4 July 1999 has maturities as follows:

	Available for sale		Held to maturity	
	Amortised cost	Market value	Amortised cost	Market value
	\$'000	\$'000	\$'000	\$'000
Within one year	3,931	3,930	1,143	1,193
From one to seven years	3,024	2,979	-	-
	6,955	6,909	1,143	1,193

	Amortised cost	Year ended 5 July 1998		Market value
		Gross unrealised gains	Gross unrealised losses	
	\$'000	\$'000	\$'000	\$'000
Available for sale				
European government securities	910	5	11	904
Other government securities	653	5	8	650
Multi European government securities	1,239	6	14	1,231
European corporate securities	2,710	12	2	2,720
Other corporate securities	979	1	3	977
Canadian treasury securities	937	-	7	930
	7,428	29	45	7,412
Held to maturity				
Other debt securities	2,203	-	-	2,203

The portfolio of investments at 5 July 1998 has maturities as follows:

	Available for sale		Held to maturity	
	Amortised cost	Market value	Amortised cost	Market value
	\$'000	\$'000	\$'000	\$'000
Within one year	3,046	3,048	2,199	2,199
From one to seven years	4,382	4,364	4	4
	7,428	7,412	2,203	2,203

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles (US GAAP) Disclosures (continued)

(n) Stock compensation

At 4 July 1999 the economic entity has in place an executive share option scheme as described in Note 20. Details of the status of options outstanding for each of the years 1996-97 through 1998-99 are set out below. The economic entity applies APB Opinion No. 25 and related Interpretations in calculating its net income according to US GAAP. Accordingly no compensation cost has been recognised for the executive share option scheme.

The following table summarises information about share options outstanding at 4 July 1999:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding at 4 July 1999	Weighted average remaining contractual life	Weighted average exercise prices	Number exercisable at 4 July 1999	Weighted average exercise prices
\$3.80 – 5.08	359,000	0.59	\$4.30	359,000	\$4.30
\$4.64 – 4.66	1,400,000	1.51	\$4.65	1,400,000	\$4.65
\$4.52 – 5.80	1,741,000	1.51	\$5.11	–	–
\$6.60 – 6.71	56,000	2.09	\$6.68	–	–
\$5.38 – 6.66	1,352,000	2.51	\$5.82	–	–
\$5.59 – 6.87	2,411,000	3.58	\$6.16	–	–
\$5.24	2,328,000	4.65	\$5.24	–	–
\$5.24	600,000	5.81	\$5.24	–	–
\$3.80 – 6.87	10,247,000	3.07	\$5.41	1,759,000	\$4.58

The fair value of each share option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Options granted to certain executives are subject to satisfaction of ASX 100 index hurdles.

The fair value is before allowing any discount for these hurdles. The intrinsic value of each option at the date of issue was nil.

	1999 \$'000	1998 \$'000	1997 \$'000
Weighted average risk free interest rates	6.30%	5.25%	5.62%
Dividend yield	5.70%	3.80%	3.80%
Expected lives	5 years	5 years	5 years
Volatility	24.00%	21.74%	19.75%

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles (US GAAP) Disclosures (continued)

(n) Stock compensation (continued)

A summary of the status of the Company's executive share option plan for fiscal 1999, 1998 and 1997 and the changes during those years is as follows:

	1999	1999	1998	1998	1997	1997
	Options	Weighted average exercise prices	Options	Weighted average exercise prices	Options	Weighted average exercise prices
Outstanding at beginning of year	9,896,000	\$7.32	8,981,998	\$7.08	9,600,793	\$6.90
Granted	2,971,000	\$5.24	2,823,000	\$7.87	2,238,000	\$7.66
Exercised	(1,771,000)	\$6.77	(1,491,666)	\$6.89	(1,909,666)	\$6.83
Forfeited	(849,000)	\$6.80	(417,332)	\$7.42	(947,129)	\$7.25
Outstanding at end of year	10,247,000	\$5.41	9,896,000	\$7.32	8,981,998	\$7.08
Options exercisable at year end	1,759,000	\$4.58	593,000	\$8.28	418,000	\$6.91
Weighted average fair value of options granted during the year		\$1.05		\$1.52		\$1.42

Had the compensation cost for the executive share option scheme been determined in accordance with SFAS 123 the economic entity's net income/(loss) and earnings per share in Australian cents would have been reduced to the pro forma amounts indicated below:

		1999 \$'000	1998 \$'000	1997 \$'000
Net Income/(loss)	As reported	676,842	7,942	(81,987)
	Pro forma	673,429	5,155	(83,915)
Basic earnings per share	As reported	195.4c	2.4c	(26.3)c
	Pro forma	194.4c	1.5c	(26.9)c
Diluted earnings per share	As reported	194.4c	2.4c	n/a
	Pro forma	193.4c	1.5c	n/a

n/a Not presented as anti dilutive

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles (US GAAP) Disclosures (continued)

(o) Recent changes in US GAAP

In June 1998, the United States Financial Accounting Standards Board issued SFAS 133 "Accounting for Derivative Instruments and Hedging Activities". The statement establishes accounting (measurement) and reporting (disclosure) standards for derivative instruments and hedging activities. The standard requires that an entity recognise all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The economic entity will be analysing this statement in conjunction with monitoring the progress of the harmonisation of International Accounting Standards and thus is not yet in a position to determine its impact on its financial report. In June 1999, the United States Financial Accounting Standards Board issued SFAS 137 which effectively postpones the effective date of SFAS 133 to periods beginning after 15 June 2000.

(p) Statement of comprehensive income

In June 1997, the United States Financial Accounting Standards Board issued SFAS 130, "Reporting Comprehensive Income". This statement establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) for each period presented. Comprehensive income for the periods ended 4 July 1999, 5 July 1998 and 6 July 1997 and accumulated other comprehensive income as at 4 July 1999, 5 July 1998 and 6 July 1997 are included in the US GAAP reconciliation set out below.

(q) Employee Share Acquisition Plan

During the year eligible employees were entitled to participate in the employee Share Acquisition Plan as described in note 20. Under US GAAP the loan to employees (note 16) should be classified as a reduction in shareholders' equity. The difference in treatment has been adjusted in the US GAAP reconciliation of assets and shareholders' equity.

This plan is accounted for using variable plan accounting as determined under APB Opinion No. 25. Shares were issued under this plan just prior to 4 July 1999; consequently, compensation expense related to this plan is immaterial for the year ended 4 July 1999.

(r) Restructuring costs

As a result of the requirements of the US Emerging Issues Task Force (EITF) in Consensus 94-3, in respect to liability recognition for certain employee termination benefits and other costs to exit an activity (including certain costs incurred in a restructuring), certain amounts provided under Australian GAAP did not qualify for recognition as a period expense for the fiscal year ended 30 June 1996, however they were recognised as expenses when incurred in the fiscal year ended 6 July 1997.

(s) Securitisation of rental income

During the period the economic entity recognised income from the sale of its right to a rental stream and wrote-off the written down value of the non-current asset from which this rental stream is derived. For US GAAP purposes the sale of future revenues is treated as a financing transaction. The relevant non-current asset has been reinstated in the balance sheet at its original written down value and depreciated over its economic useful life, also being 20 years.

(t) Gain recognised on exchange of assets for a controlling equity interest

During the period the parent company exchanged assets for a controlling interest in MPG Logistics Pty Ltd. Under US GAAP a gain is recognised on this exchange of assets for a controlling equity interest, in accordance with EITF 90-13 "Accounting for Simultaneous Common Control Mergers".

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles (US GAAP) Disclosures (continued)

	Note	1999 \$'000	1998 \$'000	1997 \$'000
Reconciliation to US GAAP				
Consolidated Profit and Loss Statements				
Net profit reported using Australian GAAP:		482,492	44,231	100,291
Write down of assets against asset revaluation reserve recognised as a period expense	(a)	(3,620)	(9,341)	(8,065)
Depreciation charged on difference between revalued amount and historical cost of buildings	(a)	363	798	(7)
Adjustments for amortisation of goodwill	(b)	37,456	1,048	4,796
Amortisation of brand names and attendant licences	(c)	(15,383)	15,219	(4,627)
Deferred expenditure recognised as a period expense	(d)	(8,421)	(17,016)	(8)
Accrued pension cost, including effect of settlement and curtailment gains	(k)	(7,027)	(4,105)	(1,525)
Provision for termination benefits and other costs not qualifying for recognition as a period expense until incurred	(r)	-	-	(17,797)
Net adjustment on deferral of securitised income stream and reinstatement of related asset	(s)	(5,225)	-	-
Gain recognised on exchange of assets for a controlling equity interest	(t)	25,934	-	-
Adjustments relating to associates	(j)	165,026	(33,571)	(161,110)
Tax effect of above adjustments, net		5,247	10,679	6,065
Net income/(loss) according to US GAAP		676,842	7,942	(81,987)
Other comprehensive income, net of taxes:				
Foreign currency translation reserve		7,475	(16,290)	(639)
Unrealised gains/(losses) on investments		(19)	18	(10)
Comprehensive income/(loss) according to US GAAP	(p)	684,298	(8,330)	(82,636)
Accumulated other comprehensive income balances:				
Foreign currency translation reserve		(19,388)	(26,863)	(10,573)
Unrealised gains/(losses) on investments		(29)	(10)	(28)
Total accumulated other comprehensive income	(p)	(19,417)	(26,873)	(10,601)

Income tax expense allocated to foreign currency translation adjustments was \$14.838 million, \$5.671 million and \$6.929 million in 1999, 1998 and 1997 respectively.

Income tax benefit allocated to unrealised losses on investments was \$0.016 million, \$0.006 million and \$0.016 million in 1999, 1998 and 1997 respectively.

Basic and diluted earnings per share according to US GAAP (Australian cents):

Basic earnings per ordinary share:				
Net income		195.4	2.4	(26.3)
Number of shares used in calculation ⁽¹⁾		346,389,416	335,412,199	311,568,977
Diluted earnings per ordinary share:				
Net income		194.4	2.4	n/a
Number of shares used in calculation ⁽²⁾		348,244,472	336,268,605	n/a

(1) Based on weighted average shares outstanding

(2) Based on weighted average shares outstanding, adjusted for options calculated under the Treasury Stock Method (being the only reconciling item when compared to (1))

n/a Not presented as anti dilutive

Notes to financial statements for the financial year ended 4 July 1999 (continued)

35. United States Generally Accepted Accounting Principles (US GAAP) Disclosures (continued)

	Note	1999 \$'000	1998 \$'000
Reconciliation to US GAAP (continued)			
Consolidated Balance Sheets			
Total Assets reported using Australian GAAP:		2,412,128	3,093,212
Revaluation surplus of land and buildings	(a)	(23,008)	(14,515)
Adjustment for provision for depreciation on buildings revalued	(a)	1,086	723
Amortisation of brand names and attendant licences	(c)	(20,907)	(7,015)
Unrealised gain/(loss) on investment securities available for sale, net of tax	(m)	(29)	(10)
Adjustment for amortisation of goodwill	(b)	32,038	(5,418)
Deferred expenditure recognised as a period expense	(d)	(23,825)	(28,806)
Loan to employees under share acquisition plan offset to equity	(q)	(8,076)	-
Net adjustment on deferral of securitised income stream and reinstatement of related asset	(s)	88,656	-
Goodwill arising from gain recognised on exchange of assets for a controlling equity interest	(t)	22,566	-
Adjustments relating to associates	(j)	-	(380,736)
Total Assets according to US GAAP		2,480,629	2,657,435
Shareholders' Equity at Year End			
Shareholders' Equity reported using Australian GAAP:		1,137,423	1,273,260
Adjustment relating to outside equity interests	(g)	(44,102)	(1,794)
Elimination of revaluation surplus of land and buildings (net of revaluation increments on disposals)	(a)	(18,543)	(11,353)
Cumulative adjustment for provision for depreciation on buildings revalued	(a)	715	482
Cumulative adjustment for amortisation of brand names and attendant licences	(c)	(20,907)	(7,015)
Adjustment required to recognise US GAAP pension liability, net of tax	(k)	(6,208)	(1,711)
Unrealised gain/(loss) on investment securities available for sale, net of tax	(m)	(29)	(10)
Provision for final cash dividend	(f)	51,600	51,824
Cumulative adjustment for amortisation of goodwill	(b)	32,038	(5,418)
Deferred expenditure, net of tax, recognised as a period expense	(d)	(23,825)	(18,436)
Loan to employees under share acquisition plan offset to equity	(q)	(8,076)	-
Net adjustment on deferral of securitised income stream and reinstatement of related asset	(s)	(3,344)	-
Gain recognised on exchange of assets for a controlling equity interest	(t)	22,566	-
Adjustments relating to associates	(j)	-	(380,736)
Total Shareholders' Equity according to US GAAP		1,119,308	899,093

Directors' Declaration

In the opinion of the directors of Mayne Nickless Limited ("the Company") :

- (a) the financial statements and notes to those statements, set out on pages 44 to 116, are in accordance with the Corporations Law, including:
 - (i) giving a true and fair view of the financial position of the Company and the Economic Entity as at 4 July 1999 and of their performance, as represented by the results of their operations and their cash flows for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



M R Rayner
Director



R R Dalziel
Director

28 September 1999

Independent Auditors' Report

To the members of Mayne Nickless Limited Scope

We have audited the financial report of Mayne Nickless Limited for the financial year ended 4 July 1999, consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes, and the Directors' declaration set out on pages 44 to 117. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards (which are substantially the same as auditing standards generally accepted in the United States of America) to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Mayne Nickless Limited is in accordance with:

- (a) the Corporations Law, including:
- i) giving a true and fair view of the Company's and consolidated entity's financial position as at 4 July 1999 and 5 July 1998 and of their performance for the years ended 4 July 1999, 5 July 1998 and 6 July 1997; and
 - ii) complying with the Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

Accounting principles generally accepted in Australia vary in certain respects from accounting principles generally accepted in the United States of America. An explanation of the major differences between the two sets of principles is presented in Note 35 to the financial report. The application of the United States principles would have affected the determination of consolidated net profit for each of the three years in the period ended 4 July 1999 and the determination of consolidated total assets and consolidated shareholders' equity as at 4 July 1999 and 5 July 1998 to the extent summarised in Note 35 to the financial report.

KPMG

KPMG
Chartered Accountants



D.N. Bartley
Partner

Melbourne
28 September 1999

Comparative Summary Consolidated Financial Information

Financial Years	1999 \$'000	1998 \$'000	1997 \$'000	1996 \$'000	1995 \$'000
Assets Employed					
Property, plant and equipment	1,088,402	999,286	1,127,498	1,050,732	838,882
Investments	22,909	35,762	53,347	19,191	498,285
Non-current assets	643,999	645,612	563,374	409,320	479,615
Current assets	656,818	1,412,552	1,270,959	1,331,007	877,822
Total Assets	2,412,128	3,093,212	3,015,178	2,810,250	2,694,604
Financed by					
Share capital	823,096	172,400	156,125	155,130	153,727
Reserves	(10,850)	977,439	778,682	776,085	771,226
Retained profits	281,075	121,627	184,020	177,508	264,306
Shareholders' interests	1,093,321	1,271,466	1,118,827	1,108,723	1,189,259
Outside equity interests	44,102	1,794	2,283	1,420	-
Non-current liabilities	748,605	1,239,731	1,258,870	1,064,227	652,766
Current liabilities	526,100	580,221	635,198	635,880	852,579
Total Funds Employed	2,412,128	3,093,212	3,015,178	2,810,250	2,694,604
Sales revenue	2,797,695	2,634,934	2,835,374	2,917,346	3,000,732
Operating profit after tax before abnormal items*	110,531	131,763	115,625	84,946	126,791
Operating profit after tax and abnormal items*	482,492	44,231	100,291	11,551	79,230
Dividends	103,234	106,624	93,779	99,355	107,660
Operating profit after tax before abnormal items/Sales revenue	4%	5%	4%	3%	4%
Operating profit after tax and abnormal items/Shareholders' interests*	44%	4%	9%	1%	7%
Net tangible asset backing per share **	\$1.60	\$2.11	\$2.00	\$2.45	\$2.48
Earnings per share**	139.3c	13.2c	32.2c	1.7c	24.5c
Earnings per share before abnormal items* **	31.7c	39.3c	37.1c	26.2c	39.6c
Dividends per share	30.0c	30.0c	30.0c	32.0c	35.0c

* Adjusted for outside equity interests

** Adjusted for bonus issues and bonus element of rights issue

This schedule does not form part of the financial report for year ended 4 July 1999.

Information

Registered office

Level 21
390 St Kilda Road
Melbourne 3004
Victoria Australia
Telephone: (61) 03 9868 0700
Facsimile: (61) 03 9867 1179
Email: mnlcorp.info@maynick.com.au
Web: www.maynick.com.au

Company Secretary

K M Sleep

Auditors

KPMG, Chartered Accountants

Stock Exchange Listing

The ordinary shares of Mayne Nickless Limited are listed on Australian Stock Exchange Limited under the code "MAY".

Share Registry

C/-Perpetual Registrars Limited
Level 4, 333 Collins Street
Melbourne Victoria 3000 Australia
Telephone: (61) 03 9205 4999
Toll free: 1800 331 721 (from outside Melbourne)
Facsimile: (61) 03 9205 4900
Facsimile: (61) 03 9205 4848 (for receipt of proxies)
Email: registry_melb@perpetual.com.au

Share correspondence to:
GPO Box 2785Y Melbourne
Victoria 3001 Australia

Please quote your shareholder number on all communications with the ShareRegistrar or the Company.

American Depository Receipts

The ADR program is administered on behalf of Mayne Nickless Limited by Citibank NA and specific queries about the administration should be addressed to:

Citibank NA
Attention: ADR Department
111 Wall Street
5th Floor New York
New York 10043 USA
Telephone: (212) 657 7321, (212) 657 7322
Facsimile: (212) 248 8503

Calendar

Dividends for Ordinary Shares:
Interim paid 30 April 1999
Final payable September 1999


Results and Annual General Meeting:

Interim profit statement announced late February
Preliminary final profit statement announced September
Annual review and annual financial report issued October
Annual general meeting held November

Dividend reinvestment plan

The dividend reinvestment plan applies to the final dividend payable on 30 September 1999





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