RIB LOC GROUP LIMITED

ABN 59 008 100 365

6 April 2004

Company Announcements Office
Australian Stock Exchange Ltd
Level 4, Stock Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sirs,

Please find attached the Target's Statement prepared in response to the off-market take over bid by First Process Limited for all the shares in Rib Loc Group Limited ("Rib Loc").

The Target's Statement is being sent today to Rib Loc Shareholders, First Process Limited and the Australian Securities and Investment Commission.

Yours Faithfully
RIB LOC GROUP LIMITED

S A Hardbottle
Company Secretary

587 Grand Junction Road, Gepps Cross, South Australia 5094 AUSTRALIA
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This is an important document

If you have any doubt as to its contents, please consult your stockbroker, legal or other professional adviser

TARGET'S STATEMENT

Dated 6 April 2004

by

RIB LOC GROUP LIMITED

ABN 59 008 100 365

in relation to an offer by

FIRST PROCESS LIMITED

Target's Statement of Rib Loc Group Limited ("Rib Loc") in response to the off-market takeover bid by First Process Limited ("FPL") for all of the shares in Rib Loc

Independent Experts
Leadenhall Australia Limited

Legal Adviser
Rankines Solicitors

IMPORTANT NOTICES

This is the Target's Statement dated 6 April 2004 given by Rib Loc under Part 6.5 of the Corporations Act. This Target's Statement is given in response to the Bidder's Statement of FPL dated 9 March 2004 which was served on Rib Loc on that date and sent by FPL to Rib Loc Shareholders on 23 March 2004.

Key Dates

Date of FPL Offer	22 March 2004
Date of this Target's Statement	6 April 2004
Close of offer period – 6:30pm Adelaide time (unless extended)	30 April 2004

Defined Terms

A number of definitions are used in this Target's Statement. These terms are explained in the Glossary in section 5.1.

No account of personal circumstances

This Target's Statement does not take into account the individual investment objectives, financial situation and particular need of each Rib Loc Shareholder. You may wish to seek independent financial and taxation advice before making a decision as to whether or not to accept the FPL Offer for your Shares.

Disclaimer regarding forward looking statements

This Target's Statement contains various forward-looking statements. As a general rule, statements other than statements of historical fact may be forward-looking statements. Shareholders should note that those forward-looking statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements express or implied in those forward-looking statements. Some statements of historical fact, particularly asset valuations, may now, as a result of changes to market conditions or the condition of the assets since valuation, be materially different from the time at which the historical statement was prepared. Many of these risks are identified in this Target's Statement. Rib Loc does not give any assurance that the asset value or anticipated results, performance or achievement expressed or implied in those statements will be achieved.

ASIC and ASX disclaimer

A copy of this Target's Statement was lodged with ASIC and sent to ASX on 6 April 2004. None of ASIC, ASX or any of their respective officers takes any responsibility for the contents of this Target's Statement or the Independent Expert's Report.

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1. LETTER FROM THE CHAIRMAN

RIB LOC GROUP LIMITED
ABN 59 008 100 365

6 April 2004

Dear Rib Loc Shareholder,

You should have recently received a Bidder's Statement from FPL in relation to its Offer to acquire all your Shares in Rib Loc.

This Target's Statement sets out the recommendations of the Independent Directors of Rib Loc in relation to the Offer. I recommend that you read carefully all the information contained in this document.

Recommendation

The Independent Directors recommend that you **ACCEPT** the FPL Offer.

The Non-independent Directors do not make a recommendation for the reasons set out in 2.2 of this Statement.

Reasons for the Independent Directors' recommendation

The key reasons for the recommendation to accept the Offer are the following:

- in the absence of another bid, your Independent Directors believe the offer is fair and reasonable;
- the Independent Expert has concluded that the offer is fair and reasonable;
- despite the Independent Directors' previous confidence that the improved 2003 financial performance would be sustained in 2004 and beyond, this has not occurred for a variety of reasons;
- the financial hurdles in the second and third year of the three year strategic plan included in the Employee Option Scheme, as detailed in the March 2003 Annual Report, will now not be achieved;
- Chevalier Group have continued to provide financial support to the company and its bankers;
- should the offer be successful Rib Loc will have access to world market networks through the recently enlarged Chevalier Group distribution networks; and
- Rib Loc's new platform technologies, are still in the process of commercialisation and this process will take longer than originally estimated.

A full discussion of these issues and the reasons for our recommendation are set out in this Target's Statement, which you should read in full.

Independent Expert's Report

This Target's Statement includes the Independent Expert's Report from Leadenhall. The Independent Expert has concluded that the offer is **FAIR** and **REASONABLE**. Their reasons are detailed in the attached Independent Expert's Report.

Shareholders attention is drawn to page 6 of the offer by FPL and in particular to the statement that:

> "Nevertheless , if and when FPL's voting power exceeds 50% then, subject to the Act and the constitution of Rib Loc, FPL will seek to ensure that the number of nominees of FPL on the board of directors of Rib Loc at least reflects FPL's percentage voting power in Rib Loc and cause its nominees on the board to:
>
> - maintain Rib Loc as a company on the official list of ASX, unless Rib Loc has less than the required spread of shareholders under the Listing Rules, in which case FPL will seek to have Rib Loc removed from the official list of ASX"

Therefore if sufficient shareholders accept the offer the spread of shareholders may be less than the number required to maintain ASX listing.

As a director of SWOM Pty Ltd and as the co-executor of the estate of the late SWO Menzel, I am in a position to influence the disposition of Rib Loc Shares held by SWOM Pty Ltd.

I inform shareholders that SWOM Pty Ltd may consider reducing its current level of shareholding of Rib Loc Group Ltd shares.

We will update Rib Loc Shareholders with any material developments in relation to the FPL Offer via announcements lodged for public release with the ASX.

Yours sincerely

Peter O Buttery
Chairman
Rib Loc Group Limited

2. OVERVIEW AND INDEPENDENT DIRECTORS' RECOMMENDATION

2.1 Key Features of FPL's Offer

The Offer

FPL offers to acquire all of your Rib Loc Shares, subject to the terms and conditions set out in its Bidder's Statement.

The Offer is open to all holders of Rib Loc Shares and to those entitled to become registered Shareholders.

Offer Consideration

The consideration offered by FPL is $0.75 cash for each Rib Loc Share.

Conditions of the FPL Offer

The FPL Offer is subject to a number of conditions which are set out in full in section 5.10 of FPL's Bidder's Statement. They involve:

- FPL and its associates having a relevant interest in at least 48% of the issued Rib Loc Shares at the end of the offer period; and
- no material adverse change in relation to the Rib Loc Group; and
- no Prescribed Occurrences (as defined in section 9 of the Bidder's Statement) occurring in relation to Rib Loc.

Offer Period

Unless FPL's Offer is withdrawn or extended, it is open for acceptance until 6:30pm Adelaide time on 30 April 2004.

The circumstances in which FPL may extend or withdraw the FPL Offer are set out in section 5.4 of the Bidder's Statement.

2.2 Independent Directors' Recommendation

The Directors of Rib Loc as at the date of this Target's Statement are:

- Peter O Buttery – Chairman and Non-executive Director
- Barry L Taylor – Chief Executive and Director
- Edmund L Luksch – Non-executive Director
- Oscar V T Chow – Non-executive Director

Both Edmund Luksch and Oscar Chow are directors of Chevalier-PRS which is a subsidiary of Chevalier, the parent entity of FPL. Given their positions, both Edmund Luksch and Oscar Chow have declared their conflict of interest in relation to the Offer and have advised that it is not appropriate for them to make a recommendation on the FPL Offer.

The remaining Directors are not associated with FPL and are, therefore, the Independent Directors. As such, they believe they are able to make a recommendation regarding the FPL Offer.

The Independent Directors, after having considered:

(a) the terms of the FPL Offer;

(b) the Independent Expert's Report; and

(c) the other relevant matters referred to in this Statement,

recommend that you **ACCEPT** the FPL Offer. The reasons for this recommendation are set out in section 3 of this Statement.

3. DETAILED REASONS FOR INDEPENDENT DIRECTORS' RECOMMENDATION

3.1 Assessment by the Independent Directors

In assessing the FPL Offer, the Independent Directors have had regard to a number of considerations, which are detailed below. The Independent Directors have also considered the matters set out in the Bidder's Statement and the Independent Expert's Report.

Based on this assessment and in the absence of another bid, the Independent Directors believe that the Offer Consideration is fair and reasonable.

The Independent Directors' recommendation to Rib Loc Shareholders is to **ACCEPT** the FPL Offer.

3.2 Offer Consideration

The FPL Offer Consideration of $0.75 per Share is within the Independent Expert's Report preferred valuation range of $0.65 to $0.79, fully diluted. Refer to section 10.3 of the Report.

3.3 Premium to the Market

For some time, the top twenty Shareholders have controlled over 80% of the Shares on issue. The remaining shares have been thinly traded and the Independent Directors do not believe the market prices represent a true indication of the value of the Rib Loc Shares.

The offer by First Process Limited has increased the level of market activity and improved the current market price for Rib Loc shares. Prior to the latest bid being received the shares were trading at a price of 40 cents on 23 February 2004, representing a premium of approximately 87.5% above the closing price on that day.

3.4 New Platform Technologies

Rib Loc has new platform technologies in the preliminary stages of commercialisation, these are described in the Independent Expert's Report in section 3.3. These technologies are in the early stages of commercialisation and while there has been a delay in the financial returns and forecast financial returns of these technologies the potential exists for the returns to exceed those included in the low end of the valuation of $0.65 provided by the Independent Expert.

3.5 Chevalier Group's Support

If the FPL Offer is successful, Rib Loc will gain greater access to Chevalier's market distribution network. The sharing of resources in overseas countries is expected to assist Rib Loc to gain greater access to additional markets (far in excess of what could otherwise be expected). Notwithstanding that Rib Loc's financial performance is below its current three year hurdles, Chevalier continues to support the company's current business plan.

Chevalier Group have continued to provide financial support to Rib Loc and its bankers.

4. ADDITIONAL INFORMATION

4.1 Continuous disclosure obligations

Rib Loc has continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

Rib Loc has disclosed to the ASX all information that a reasonable person would expect to have a material effect on the price or value of the Shares. These announcements are available from both Rib Loc (www.ribloc.com.au) and ASX (www.asx.com.au) websites.

4.2 Change in financial position of Rib Loc since last financial report

Rib Loc's last published financial statements were for the financial year ended 31 March 2003 and the half year ended 30 September 2003 . The most current release to the ASX regarding the forecast for the full year ending 31 March 2004 was made on 26 March 2004. This release also provided forecast earnings for 31 March 2005 and 31 March 2006. Except as referred to elsewhere in this Target's Statement, the Directors are not aware of any material change to the financial position of Rib Loc since 31 March 2004.

4.3 Intention of Directors

Mr Taylor intends to accept the FPL Offer in respect of Rib Loc Shares held by him or his associates and families as set out in section 4.4 below.

Mr Taylor does not intend to convert any of the Rib Loc options held by him as set out in section 4.4 below.

4.4 Interests of Directors and their associates in Rib Loc

At the date of this Target's Statement, the Directors (and their respective associated interests and families) have relevant interests in Rib Loc Shares as set out below.

Director	Interests held by each Director, their associated interests and families		
	Fully Paid Ordinary Shares	**Options**	**Convertible Notes**
Peter O Buttery	Nil	Nil	Nil
Barry L Taylor	41,000	300,000	Nil
Edmund L Luksch	Nil	Nil	Nil
Oscar V T Chow	Nil	Nil	Nil
Total	**41,000**	**300,000**	**Nil**

4.5 Interest in FPL or Chevalier Group

The relevant interests of the Directors in any securities of FPL or Chevalier Group are set out below.

Director	Relevant interest and nature
Peter O Buttery	Nil holding.
Barry L Taylor	Nil holding.
Edmund L Luksch	Holds an immaterial indirect interest in Chevalier-PRS . Edmund Luksch is a director of Chevalier-PRS.
Oscar V T Chow	Nil holding. Oscar Chow is a director of Chevalier-PRS. He is also the son of Dr CHOW Yei Ching, the beneficial owner of 50.27% of the issued capital of Chevalier, Executive Director of FPL and Chairman and Managing Director of Chevalier.

4.6 Dealings in Rib Loc Shares by Rib Loc Directors

To the knowledge of Rib Loc and any Director, except as disclosed in sections 8.2 and 8.4 of the Bidder's Statement, there have been no acquisitions or disposals of Rib Loc Shares by any Director or any of their respective associates in the period of four months immediately preceding the date of this Target's Statement.

4.7 Dealings in FPL Shares by Rib Loc Directors

There have been no acquisitions or disposals of shares in FPL by Rib Loc or, to the knowledge of Rib Loc and any Director, by any person associated with Rib Loc, in the period of four months immediately preceding the date of this Target's Statement (or at all).

4.8 Conditional agreements with Directors

There is no agreement made between any Director and any other person in connection with or conditional on the outcome of the FPL Offer.

4.9 Payments and benefits

As a result of the FPL Offer, no benefit (other than a benefit permitted by the Corporations Act) has been or will be given to a person:

(1) in connection with the retirement of a person from the Board or managerial office in Rib Loc; or

(2) who holds, or has held a Board or managerial office in Rib Loc or a related body corporate, or a spouse, relative or associate of such a person, in connection with the transfer of the whole or any part of the undertaking or property of Rib Loc.

4.10 Interests of Directors in any contract with FPL

No Director has an interest in any contract entered into by FPL or its related bodies corporate, as at the date of this Target's Statement, except as detailed in section 4.11.

4.11 Material contracts

Licence Agreement

Rib Loc has entered into a ten year licence agreement with Chevalier-PRS, granting it the rights to pipe rehabilitation technology in various countries at current market terms and conditions. For further details, refer to Note 33 of Rib Loc's Annual Report for the year ended 31 March 2003 (mailed to Shareholders on 18 July 2003).

Service Agreement

A subsidiary of Rib Loc has entered into an agreement with Chevalier-PRS pursuant to which Chevalier-PRS agrees to provide the services of Edmund Luksch for the purposes of presenting and otherwise promoting and supporting Rib Loc's interests in Europe. These service fees are on normal commercial terms and conditions. Further details are included in Note 32(d)(ii) of the Rib Loc Annual Report.

Start Grant

A subsidiary of Rib Loc is currently the recipient of the Federal Governments Industrial Research and Development Board's *Start* Grant. The Industry Research and Development Board have the right to review the Grant in the event that there is a change in the control of Rib Loc. If the Industrial Research and Development Board believes the change in control adversely affects or may adversely affect the objectives of the IR&D Start Program it may suspend the Grant and require that funds received under the Grant be repaid with interest.

4.12 Effect of change of control on Rib Loc banking facilities

Under the terms of the banking facility, Westpac have the right to review the facility.

4.13 Effect of acceptance

The effect of the acceptance of the FPL Offer is set out in section 5.8 of the FPL Bidder's Statement. Rib Loc Shareholders should read these provisions in full and understand the effect which acceptance will have on their ability to exercise the Rights attaching to their Rib Loc Shares and the representations and warranties which they give by accepting the FPL Offer. In particular Rib Loc Shareholders should note the following:

- once a Rib Loc Shareholder accepts the FPL Offer, they will only be able to withdraw that acceptance in very limited circumstances including:
  - (i) if the FPL Offer remains conditional at the expiry of the time that it may be freed from conditions; or
  - (ii) if FPL varies the FPL Offer in such a way that postpones the time when FPL needs to satisfy its obligations by more than one month (this would occur if FPL extends the FPL Offer period by more than one month while the FPL Offer is subject to a defeating condition); and
- upon the FPL Offer becoming free of conditions or upon the fulfilment of those conditions, once a Rib Loc Shareholder accepts the FPL Offer the Rib Loc Shareholder is taken to have appointed the Directors of FPL to attend and vote on your behalf all the Shares in respect of which you have accepted the FPL Offer.

4.14 Taxation consequences

As a result of accepting the FPL Offer, Rib Loc Shareholders could incur a liability for taxation depending on their individual circumstances. The extent of that liability will depend on each Rib Loc Shareholder's individual circumstances. Rib Loc Shareholders are encouraged to seek professional advice on their specific circumstances if they are concerned about the tax implications of the FPL Offer.

4.15 Other information reasonably required by Shareholders and their professional advisers to make an informed assessment

This Target's Statement is required to include all the information that Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the FPL Offer but:

- only to the extent to which it is reasonable for investors and their professional advisers to find this information in this Target's Statement; and
- only if the information is known to any of the Directors.

The Directors are of the opinion that there is no other information material to the making of a decision by a Rib Loc Shareholder whether or not to accept the FPL Offer, being information that is known to any of the Directors and which has not been previously described as:

- the information contained in the Bidder's Statement;
- the information contained in Rib Loc's releases to ASX prior to the date of this Target's Statement; and
- the information contained in this Target's Statement (including the Independent Expert's Report).

4.16 Consents

Leadenhall has given and not withdrawn its consent before the date of this Target's Statement to being named in this Target's Statement as Independent Expert to Rib Loc, to the distribution of its Independent Expert's Report dated 31 March 2004 by Rib Loc with this Target's Statement and to the statements based on its Report contained in the Letter from the Chairman and in sections 3.2 and 3.4 of this Target's Statement. With the exception of its Report, Leadenhall does not make or purport to make any statement that is included in this Target's Statement. Leadenhall specifically disclaims responsibility for any other statement included in this Target's Statement.

Rankines Solicitors has given and not withdrawn its consent before the date of this Target's Statement to being named in this Target's Statement as legal adviser to Rib Loc. Rankines Solicitors does not make or purport to make any statement that is included in this Target's Statement and there is no statement in this Target's Statement which is based on any statement of Rankines Solicitors. Rankines Solicitors specifically disclaims responsibility for any statement included in this Target's Statement.

This Target's Statement contains statements made by, or statements based on statements made by Peter O Buttery, Barry L Taylor, Edmund L Luksch and Oscar V T Chow. Each of the Directors has consented to the inclusion of each statement they have made and each statement, which is based on a statement they have made, and in the form and context in which the statement appears. None of the Directors has withdrawn that consent prior to the date that this Target's Statement was lodged with ASIC. (This paragraph is to be read in conjunction with section 2.2 of this Statement.)

4.17 Approval of Target's Statement

This Target's Statement, has been approved by a resolution passed by the Directors on 1 April 2004.

5. GLOSSARY

5.1 Definitions

In this Target's Statement, the following definitions apply, unless the contrary intention appears or the context requires otherwise:

Announcement Date	24 February 2004
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange (ABN 98 008 624 691)
Bidder's Statement	The bidder's statement in relation to the FPL Offer, prepared by FPL and dated 9 March 2004
Board	The board of directors of Rib Loc Group Limited
Chevalier	Chevalier International Holdings Limited a company incorporated in Bermuda and listed in Hong Kong
Chevalier Group	Chevalier and its Related Bodies Corporate, including Chevalier-PRS and FPL
Chevalier-PRS	Chevalier-PRS (Asia) Holdings Limited, a company incorporated in Hong Kong and a subsidiary of Chevalier
Convertible Notes	Any or all of the 1,000,000 convertible notes issued by Rib Loc , which convertible notes are on issue on 9 March 2004
Corporations Act	Corporations Act 2001
Directors	The current directors of Rib Loc
FPL	First Process Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of Chevalier
FPL Offer	The takeover offer by FPL for Rib Loc Shares under Chapter 6.5 of the Corporations Act as described in the Bidder's Statement
Independent Directors	Peter O Buttery and Barry L Taylor
Independent Expert or Leadenhall	Leadenhall Australia Limited (ABN 63 007 997 248)
Independent Expert's Report or Report	The report prepared by the Independent Expert as to whether the FPL Offer is fair and reasonable
Listing Rules	The official listing rules of the ASX
Offer Consideration	The consideration offered under the FPL offer, which, as at the date of this Target's Statement, is $0.75 per Rib Loc Share
Offer Period	Has the same meaning as given in the Bidder's Statement

Options	Any or all of the 1,710,000 options issued by Rib Loc to subscribe for Rib Loc Shares, which options are on issue on 9 March 2004.
Related Body Corporate	Has the meaning given ti that term in the Corporations Act
Rib Loc	Rib Loc Group Limited (ABN 59 008 100 365)
Rib Loc Group	Rib Loc and its Related Bodies Corporate
Rib Loc Shares or Shares	Fully paid ordinary shares in Rib Loc and all Rights attaching to them the subject of the Offer, in respect of which you are registered as holder as at 9 March 2004 and in respect of which you become registered as the holder in the register of Shareholders of Rib Loc in the period from 9 March 2004 until the end of the Offer Period by virtue of an issue to you of Rib Loc Shares due to the exercise of Options or the redemption of Convertible Notes (or either)
Rib Loc Shareholder	Registered holder of Rib Loc Shares
Rights	All accretions and rights attaching to or arising from Rib Loc Shares after the Announcement Date (including, without limiting the generality of the foregoing, all rights to receive dividends, bonuses or other share of Rib Loc's profits and assets as well as all rights to receive or subscribe for shares, stock, units, notes or options and all other distributions or entitlements declared, paid or issued by Rib Loc)
Target's Statement	This document including the Independent Expert's Report
Westpac	Westpac Banking Corporation Limited (ABN 33 007 457 141)

5.2 Interpretation

In this Target's Statement, capitalised terms are defined in section 5.1.

Unless specified otherwise, or otherwise required by the context, all words and phrases in this Target's Statement have the meanings given to them in the Corporations Act.

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise:

- a reference to:
  - any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any statutory instrument issued under, that legislation or legislative provision;
  - any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;
  - any person referred to in this Target's Statement, or any other document or arrangement, includes that person's executors, administrators, substitutes, successors and permitted assigns;
  - a section is a reference to a section of this Target's Statement; and
  - 'dollars' or '$' is to an amount in Australian currency;
- a word denoting:
  - the singular number includes the plural number and vice versa;
  - an individual or person includes a corporation, firm, authority, government or governmental authority and vice versa; and
  - a gender includes all genders;
- the provisions of any paragraph or sub-paragraph that contains any subordinate sub-paragraph shall be read distributively to that subordinate sub-paragraph and that subordinate sub-paragraph shall be construed accordingly; and
- where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning.

ANNEXURE A – INDEPENDENT EXPERT'S REPORT

LEADENHALL AUSTRALIA LIMITED
A.C.N. 007 997 248
CORPORATE ADVISERS

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Independent Expert's Report

for

Rib Loc Group Limited

Prepared By

Leadenhall Australia Limited

31 March 2004

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APPENDICES

1. EXECUTIVE SUMMARY

This Independent Expert's Report [“IER” and/or “Report”] has been prepared accordance with Section 640 of the *Corporations Act 2001* ["Corporations Act"], which requires that an Expert's Report be prepared where the bidder's voting power in the target is 30% or more.

Chevalier International Holdings Ltd via its wholly owned subsidiary First Process Limited [“FPL”], (collectively referred to as "the Chevalier interests") has offered $0.75 cash per Rib Loc share and this values Rib Loc at approximately $23.4 million (on a fully diluted basis).

The Chevalier interest in Rib Loc totalled 32.15% of the issued shares prior to this bid and on 30 March 2004 they announced that they had increased their interest to 36.07% of the issued shares.

Accordingly, this Report has been prepared to assist the shareholders of Rib Loc Group Limited [“Rib Loc”], other than The Chevalier interests, in considering the offer made by Chevalier International Holdings Ltd [“Chevalier”] via its wholly owned subsidiary First Process Limited [“FPL”].

Leadenhall Australia Limited [“Leadenhall”] was appointed as the independent expert by Rib Loc's independent directors to prepare a Report as to whether the offer made by FPL is fair and reasonable.

The results of Rib Loc have been variable. Rib Loc's reported net profit before tax results are summarised in the following table.

Months Year Ended	**12 31 March 2001 Actual $ million**	**12 31 March 2002 Actual $ million**	**12 31 March 2003 Actual $ million**	**12 31 March 2004 Forecast $ million**
Net Profit Before Tax [4]	0.73	(6.54)[1]	1.45[2]	(1.49) [3]

Note: (1) After writing off research and development expenses of $3.73 million.
(2) This result consisted of a loss for the half year ended 30 September 2002 of $73,000 and a profit for the half year ended 31 March 2003 of $1.51 million.
(3) The reasons for this forecast loss are discussed in Section 6.1.
(4) Reported Results per Statutory Accounts (including air-conditioning)

The Directors and management of Rib Loc are disappointed with the March 2004 results and expect the performance of the business to improve in future years and for there to be significant growth potential based upon the commercialisation of new products, technology and the entry into new markets.

Accordingly, the past performance of Rib Loc should be viewed in the context of expectations of future improvements in performance.

Conclusion as to whether FPL's Offer is Fair and Reasonable

The range of values of an ordinary share in Rib Loc has been assessed by Leadenhall to be between $0.65 and $0.79 (on a diluted basis), as set out in Section 10.3.

The offer from FPL is $0.75 cash per share.

Accordingly, in our opinion the offer **is fair** as the offer price of $0.75 per share is within Leadenhall's preferred valuation range for Rib Loc's shares.

In the absence of any higher bid, in our opinion, the offer **is reasonable** because of:

- the variable past results;
- the under-performance in the year ending March 2004;
- the high multiples implied by the valuation;
- the past prices at which Rib Loc shares have been traded and at which they could be expected to trade in the absence of the offer;
- the low trading volume and hence liquidity of Rib Loc's shares on the ASX;
- the uncertainty regarding the achievability of the future growth and corresponding increase in profitability;
- the current non dividend paying status of Rib Loc;
- the fact that the full benefit of the expected growth is yet to be achieved and proven on a sustained basis;
- the existing shareholding position of Chevalier;
- the expectation that, if the offer is successful, Chevalier will obtain effective control of the company; and
- the difficulty minority shareholders may have in disposing of their shares if the company is delisted.

The offer provides for a known cash receipt compared with the uncertainty of the future growth and profitability of Rib Loc.

Other Considerations

The attention of shareholders is drawn to the issues set out in Section 12, Considerations as to Whether to Accept and Section 13, Conclusion and Opinion.

Before taking any action, shareholders should consider the whole of this IER. Acceptance or rejection of the offer is a matter for individual shareholders based on their own views as to value, future market conditions, risk profile, liquidity preference, portfolio strategy and tax position. Shareholders' decisions as to whether to accept the offer may be influenced by their particular circumstances and, if shareholders are in doubt, they should consult an independent adviser.

2. PURPOSE OF THE REPORT

On 24 February 2004, Chevalier announced to the Australian Stock Exchange ["ASX"] that FPL, one of its subsidiaries, intended to make an offer to acquire all of the shares in Rib Loc that it did not already own.

Prior to this bid, the Chevalier's interests in Rib Loc totalled 32.15% of the issued shares.

FPL's Bidder's Statement was lodged with the Australian Securities and Investments Commission ["ASIC"] on 9 March 2004 and on 23 March 2004 FPL dispatched a Bidder's Statement to Rib Loc's shareholders offering to purchase all of the outstanding shares in Rib Loc for a cash consideration of $0.75 per share.

As discussed in Section 5.10 of the Bidder's Statement, the Offer is subject to there being:

- a minimum acceptance of an additional 15.85% of the number of Rib Loc shares on issue, resulting in Chevalier and its associates having a relevant interest in 48% or more of the issued share capital of Rib Loc;
- no material adverse change in relation to Rib Loc's financial position; and
- no Prescribed Occurrences occurring in relation to Rib Loc (other than as specified in the Bidder's Statement).

The Offer is open to option holders and convertible note holders, who become the registered holders of Rib Loc Shares prior to the end of the Offer Period.

Pursuant to Section 638 of the Corporations Act, Rib Loc is required to prepare and lodge a Target's Statement with the ASIC for the purpose of providing shareholders with all the information that they would reasonably require to make an informed assessment whether to accept the offer under the bid.

In addition, the Corporations Act at Section 641(1) [Need for Expert's Report] states:

> "*If:*
>
> *(a) the bidder's voting power in the target is 30% or more; ...*
>
> *….*
>
> *a target's statement given in accordance with section 638 must include, or be accompanied by, a report by an expert that states whether, in the expert's opinion, the takeover offers are fair and reasonable and gives the reasons for forming that opinion.*"

Accordingly, as the voting power of Chevalier and associated companies is in excess of 30%, it is necessary for Rib Loc to commission an IER to assist the Directors and Shareholders in their consideration of FPL's offer.

Leadenhall has been appointed by the independent directors of Rib Loc to prepare an IER in relation to the bid in accordance with Section 641 (1).

3. RIB LOC BACKGROUND INFORMATION

3.1. Overview

Mr S W O [Bill] Menzel, OBE AO was one of the early pioneers in the plastic industry in Australia and developed the concept of spirally wound plastic pipes.

Mr Menzel became the Chairman of Rib Loc on its incorporation in May 1986, oversaw its float on the ASX in January 1987 and remained Chairman until he passed away in January 2001. He played an active role in the company's research and development activity.

Rib Loc is the world leader in spirally wound plastic pipe technology, a unique process of manufacturing pipes and tubes by spirally winding an extruded plastic strip to make pipes. The technology provides users with the advantages of lower manufacturing, handling, transportation and installation costs over traditional products.

Rib Loc products are used throughout the world for many activities, including storm drains, culverts, sewers, subsoil drainage, irrigation pipes and to create concrete column forms for the construction of buildings. Rib Loc has also developed an innovative process for rehabilitating drainage pipes, especially sewers, without excavation. This latter technology has been awarded two prestigious "No-Dig" awards by the Society for Trenchless Technology.

The company's products are discussed in more detail in the following section.

3.2. The Company's Core Business

The company's core business is based on the development of a unique process for producing plastic pipes and tubes. First patented in 1978, the Rib Loc system comprises a special plastic profile or strip.

The profile is manufactured by extruding rigid unplasticised polyvinyl chloride ["uPVC"] or high density polyethylene ["HDPE"]. This profile has a T-ribbed outer surface, smooth inner-face and interlocking edges. The extruded profile is stored on large capacity spools, which allow easy and cost effective transportation.

After being extruded, the profile is spirally wound using patented machinery into a continuous pipe with an exceptionally high strength to weight ratio. This conversion to a pipe can either occur in the factory or, if required, on the worksite, or inside an existing pipe that requires rehabilitation.

Internationally registered patents protect the core technology and pipe winding equipment, as well as major improvements.

Rib Loc's 2003 Annual Report provides a summary of both rehabilitation and new pipe products and how they are installed.

Applications of Rib Loc's pipe systems include:

- **Pipeline Rehabilitation**

For the rehabilitation of deteriorated buried pipes, the profile is sent to the work site and a structural liner is wound inside the host pipes by patented machinery directly into the deteriorating pipe, in one of three ways:

- a liner is installed at a fixed diameter slightly smaller than the inside of the diameter of the host pipe;
- a liner is installed at a reduced diameter but then "released" and radially expanded until it is intimate with the wall of the host pipe; or
- a liner is installed, intimate with the host pipe, by the machine travelling along the inside of the host pipe laying profile on the pipe's wall to build a new pipe inside the host pipe.

Using these methods, pipes of 150 mm diameter to 2,000 mm diameter have been rehabilitated and the technology is capable of being extended to 2,700 mm. The company produces a rehabilitation solution with steel inserted into the T shape of the profile to provide greater strength capability. The company has developed a profile which incorporates steel, providing the additional strength of the steel enhanced product without requiring the additional process of inserting steel during installation. While this technology is yet to be widely commercialised a demonstration of this technique was provided to a client in Singapore during February 2004.

Rehabilitation products include:

- Ribsteel®;
- Expanda®; and
- Rotaloc®.

Emerging market opportunities in several countries for the relining of larger diameter pipes have resulted in the company planning to adopt the Rotaloc technology faster than was originally anticipated, to meet this new demand.

Rotaloc is one of Rib Loc's platform technologies and is described further in Section 3.3 below.

- **New Plastic Pipe**

Lightweight HDPE pipes manufactured in a factory are used for the installation and construction of new stormwater, culverts, subsoil drainage and irrigation infrastructure.

For new pipe applications, the profile (which contains a steel reinforced rib) is wound into pipe in the factory through welding of the edges of the profile. Manufactured in discrete lengths, generally six metres or less, these pipes are then sent to sites for installation and are connected using a joiner. These pipes provide advantages to the end user in the form of lower handling and installation costs over traditional products.

In addition, the concept of making pipes on site has been developed. The means and method for producing this pipe on site have been developed and is in the early stages of commercialisation.

A machine has been designed which will be capable of producing long lengths of pipe of a fixed diameter in a variety of situations. The machine and the required profiles will be transported on a truck to the desired location. This will result in significant savings in transporting pipes to the location where installation is required.

The first commercial application outside of Australia of the SRP onsite pipe winding technique was the construction of pipes in the Ukraine during October 2003.

New pipe products include:

- Series 2000; and
- Steel Reinforced Profile [“SRP”].

SRP is one of Rib Loc’s platform technologies and is described further in Section 3.3 below.

- **Pipe Equipment Manufacturer**

In addition, Rib Loc has commenced negotiating the necessary agreements to become a supplier of "turn key" pipe manufacturing lines to other companies around the world. The aim is to develop a partnership with a leading international manufacturer of pipe extruding equipment who will already have in place the sales, marketing and distribution network targeting plastic pipe manufacturers.

Although still in the early stages of negotiation, we understand that two of the world's leading providers of extrusion equipment have expressed interest in developing an association with Rib Loc.

We understand that Rib Loc anticipates an agreement being finalised later this year and the first SRP manufacturing line being delivered within the year ending March 2005.

3.3. Platform Technologies

The technology developments of Rib Loc can currently be viewed under two platform technology headings:

- Rotaloc; and
- Steel Reinforced Profile ["SRP"]

The developments of these platform technologies are expected to provide the company with ongoing competitive advantages and patent protection on its products.

3.3.1. Rotaloc

The Rotaloc system involves a machine traversing the inside of a pipe and winding profile onto the inside of the pipe to line the pipe. To date, this system has been used on a restricted range of pipe sizes. Patents have been established for the Rotaloc process and equipment in Australia. Patents have been established for the Rotaloc process and equipment in Australia, the USA, New Zealand, South Africa, China, Singapore, Turkey, Morrocco, Turkmenistan and there are patents pending in several other countries.

Future developments of the Rotaloc system are expected to be able to incorporate SRP.

3.3.2. Steel Reinforced Profile [“SRP”]

Rib Loc has an accepted Australian Patent Application for SRP which was published in an official patents journal on 12 February 2004. An International Patent Application has been filed, this application is currently pending.

Rib Loc sees the manufacture of polyethylene pipes with a steel rib encased within the pipe as a significant development. This provides a pipe which is both lightweight and high strength. The cost savings over conventional concrete pipes are significant, both in terms of manufacturing and installation costs. At present, a limited range of high volume diameter pipes are being produced in SRP, but Rib Loc plans, over the next 6 months, to increase the diameter range. Currently, all SRP pipes are produced within the company’s manufacturing facility at Gepps Cross, SA. However, Rib Loc plans to build interstate and/or mobile SRP winding machinery which will enable extruded profile to be formed into pipes, either in other states or on site. As discussed above, this concept was recently demonstrated on a project in the Ukraine. This on site manufacture of pipes will provide additional cost savings in delivering the end product to the point of installation.

The development of the SRP technology, under the Federal Government Industrial Research and Development Board’s *Start* Grant scheme, has extended the concept of the technology from new pipe applications to enable its use as a rehabilitation product, further improving the competitive position of the current rehabilitation products. This process is the subject of a grant extension application and requires further development prior to being deployed commercially.

New pipe revenue has increased significantly during the year due to the successful establishment of a sales and distribution network for the S2000 pipe, made using the new SRP technology. Pipe distribution has been extended by the establishment of storage facilities in all states, excluding Tasmania, and through a distribution agreement with One Steel for regional centres.

3.4. Air Conditioning

In addition to the plastic pipe business, Rib Loc owns a business which specialises in the production and marketing of air conditioning ducts and accessories for commercial and domestic heating and cooling, mainly in South Australia, under the brand names Ductair and Heatshield. This business is considered to be non-core and has been valued separately from the core operations.

From December 2002, Ductair printed and distributed an advertising brochure and, as a result, a complaint was made to the ACCC on the basis that the advertisements included false and misleading statements. After negotiating with the ACCC, Heatshield Ductair Pty Ltd entered into an enforceable undertaking with the ACCC. The requirements of this undertaking included the requirement to cease distribution of the brochure, send a corrective apology letter and enter into a trade practices compliance program.

At this stage, Heatshild Ductair Pty Ltd has not incurred or provided for any expected refunds.

3.5. Rib Loc Licensees

Rib Loc has patents registered in over 40 countries and the technology is licensed for use in over 40 countries.

Rib Loc derives income from these licensees, through the sale of machinery and profile and also a royalty on the sales made by the licensees. The majority of the licence agreements include clauses which specify a minimum annual payment. Rib Loc is moving away from agreements which require minimum licence payments to contracted levels of turnover. The reduction in minimum licence payments is expected to be offset by increased gross profit margins.

Rib Loc does not carry out rehabilitation services itself but supplies profile, machines and know-how to its licensees. More than half of the licence fees are derived at present, and expected to be in the future, from licensees relating to rehabilitation products. As the performance of its licensees is a critical element to the overall success of Rib Loc, a brief review of the significant licensees is set out below.

3.5.1. Chevalier – PRS (Asia) Holdings Ltd

Rib Loc has entered into a ten year licence agreement from May 2002 with Chevalier – PRS (Asia) Holdings Ltd, granting it various rights in India and various Asian countries to pipe rehabilitation technology. The Chevalier group owns a significant interest in Preussag Pipe Rehabilitation Emirates LLC "PPRE", through which major rehabilitation contracts have been executed in Abu Dhabi using the Rib Loc system.

Chevalier – PRS (Asia) Holdings Ltd was incorporated in October 2001 and is a joint venture pipe rehabilitation engineering company formed in Hong Kong between Chevalier and PRS Rohrsanierung GmbH. It engages in the pipe rehabilitation business in Asia and the Middle East, including China, Abu Dhabi and Dubai. To cater for the various needs of its customers, Chevalier – PRS (Asia) Holdings Ltd has adopted various kinds of trenchless pipe rehabilitation technologies from Rib Loc Australia Pty Ltd and NordiTube Technologies AB.

Chevalier – PRS (Asia) Holdings Ltd provides a full service in pipe rehabilitation, including consultation, design, production, rehabilitation and technical support.

The Chevalier Group has contracting and marketing infrastructure located in Hong Kong, Singapore and China. This includes three sets of Expanda® equipment in Hong Kong and one set of Rib Steel equipment in each of Singapore and Hong Kong. In Singapore, the first contract installing Rib Steel® commenced during March 2002.

Chevalier is investing a significant effort in the marketing of Rib Loc's products and technologies in the Asian markets, including China and India. In addition, Taiwan has completed rehabilitation projects utilising Rib Loc technology and systems.

Although relatively successful in being awarded contracts, for example Singapore and Taiwan, Chevalier's historic levels of business have been lower than expected. However, with the granting of recent product approvals in Hong Kong and upcoming introductory projects in India, levels of repeatable business are expected to increase.

In addition, we understand that an agreement has been reached (but not yet documented and signed) with Chevalier for some of the countries included in their licence territory to be removed.

Specifically, Chevalier has agreed to the removal of:

- Philippines;
- Thailand; and
- Vietnam.

Accordingly, the minimum licence fee payable by Chevalier has been reduced to reflect the removal of these countries from its Territory.

3.5.2. rePipe Inc.

Rib Loc has had a licensee in the USA for the last three years. The company was acquired approximately twenty months ago by rePipe, a significant player in the USA pipe rehabilitation market.

rePipe Inc was formed in May 1999 to become a leading provider of rehabilitation services to governmental, commercial and industrial operators of underground pipelines covering wastewater, potable water and gas throughout North America.

rePipe entered ten-year Expanda® licence agreements with Rib Loc for California in July 2002 and for Texas and Florida commencing in January 2003. These licence agreements have the option to extend these exclusive rights to other states.

As a result of these new licences, Rib Loc anticipated increasing sales in the year ending 31 March 2004 to the existing Californian operation and anticipated that sales to rePipe subsidiaries based in Florida and Texas would commence in the year ending March 2004.

Unfortunately, during the year ending March 2004, rePipe experienced significant financial limitations whilst undergoing a process of refinancing. Delays in this program resulted in substantial delays in purchases by California and delayed the expansion programs in Texas and Florida. This refinancing has now taken place and shipments to California have recommenced. The operating plans for Texas and Florida will be reviewed by each company during April 2004.

The impact of rePipe's financial situation on Rib Loc is detailed in Section 6.5 of this Report.

3.5.3. Interflow Pty Ltd

Interflow Pty Ltd ["Interflow"] is the exclusive licensee for Rib Loc rehabilitation products in Australia. It has been a licensee for a number of years and has rights until 2015.

Interflow is an Australian owned company with more than 60 years experience in the pipeline construction and related industries.

Interflow is Australia's leading sewer rehabilitation contractor and is widely respected for providing cost effective, innovative solutions and a reputation for quality of workmanship, reliability and honesty in every project undertaken.

Central to Interflow's success has been the development of the unique range of Rib Loc sewer lining systems.

Interflow has lined over 400 kilometres of deteriorated sewer and stormwater drains in diameters from 150 mm to 1,800 mm with Rib Loc Expanda Pipe, Ribsteel and Rotaloc.

Interflow has operations in Sydney, Melbourne and Brisbane. Interflow is currently in the process of increasing their workforce to support twelve Expanda units, an increase of 25 percent over the same time last year. Interflow is quality assured to AS/NZS ISO 9001:2000 and has completed pipeline rehabilitation contracts for most major Australian Water Authorities.

As detailed in Section 6.5 of this Report, sales to Interflow were above expectations during the year ending March 2004.

3.5.4. Potential New European Licensee

Rib Loc has negotiated and agreed the terms of new licence and marketing agreements with a number of companies, covering some countries within Europe. These include:

- A new marketing agreement with Hanover based PRS Rohrsanierung GmbH. This non-exclusive agreement provides rights to market Rib Loc systems in Germany, Italy, Poland and Russia.

- A new Rehabilitation licence with Phoenix Services S.A. of Saverne, France. This ten-year agreement will provide A$900,000 in associated license income.

- One year trial period agreements have been entered with each of the Austrian based Rabmer Holding GmbH, the German based Hans Brochier GmbH & Co. and the German based Kanal-Muller Group GmbH.

3.6. Shareholder Structure and History

3.6.1. Ordinary Share Capital

As at the date of this Report there are 27,487,332 fully paid ordinary shares on issue.

Details of Rib Loc’s Top 20 shareholders as at 15 March 2004 are as follows:

	Fully Paid Ordinary Shares	
	Number	Percentage
SWOM Pty Ltd[(1)]	6,200,000	22.6
Sandhurst Trustees Pty Ltd	4,791,340	17.4
Chevalier-PRS (Asia) Holdings Ltd[(2)]	4,596,970	16.7
First Process Limited[(2)]	2,594,096	9.4
Firstland Company Ltd (wholly owned by Chevalier International Holdings Ltd) [(2)]	1,646,000	6.0
Mr P B Menzel[(1)]	1,019,900	3.7
Mrs H D Grubb[(1)]	1,019,000	3.7
Mr F S R Sullivan	460,000	1.7
Milanda Pty Ltd	277,005	1.0
Mr G W Tiller	273,000	1.0
M D M Investments Pty Ltd	252,200	0.9
Benfield Investments Pty Ltd	240,000	0.9
J H & A F Raz[(1)]	203,000	0.7
Mrs G Menzel[(1)]	200,000	0.7
Euston Consultancy Pty Ltd	178,960	0.7
Mr R Morgan	136,844	0.5
Mrs R D Sullivan	105,000	0.4
Fairtime Holdings Pty Ltd	100,000	0.4
Mrs Lian Feng	55,151	0.2
Comsec Nominees Pty Ltd	51,904	0.2
Sub-Total Top 20 Shareholders	**24,400,370**	**88.8**
Other	3,086,962	11.21
Total	27,487,332	100.0

(1) Mr PB Menzel, Mrs HD Grubb, JH & AF Raz and Mrs G Menzel are associates of SWOM Pty Ltd

(2) Companies are related to the Bidder.

3.6.2. Convertible Notes

The company has issued 1,000,000 convertible notes each having a nominal value of one dollar and with a coupon rate of 7.43%. The convertible notes do not carry any voting rights and can be redeemed for cash when they mature on 14 August 2005 or can be converted into two fully paid ordinary shares prior to maturity.

Details of Rib Loc's Convertible Note are as follows:

	Convertible Notes (30 June2003)	Convertible Notes (15 March 2004)
Chevalier – PRS	-	600,000
SWOM Pty Ltd	400,000	400,000
Sandhurst Trustees Pty Ltd	150,000	-
Mr P B Menzel	125,000	-
Mrs H D Grubb	125,000	-
J H & A F Raz	100,000	-
Otira Nominees Pty Ltd	100,000	-

On 2 January 2004, Chevalier acquired 600,000 Rib Loc notes and the price paid by Chevalier for the convertible notes and the implied value per share of those acquisitions is discussed in Section 11.5.

The conditions of issue of the convertible notes do not contain any clauses which automatically require the repayment or conversion of these convertible notes in the event of a take-over offer or if there is a change of control.

However, the conditions of issue state that each convertible note holder may redeem any or all of their convertible notes at any time before the maturity date, as long as the principal is applied to the issue of ordinary shares.

As discussed in Section 2 of this Report, FPL's Offer is open to convertible note holders who become the registered holders of Rib Loc Shares prior to the end of the Offer Period.

3.6.3. Options

As at 15 March 2004, 1,710,000 options were held by 22 option holders. These were issued under the Executive Share Options Schemes. Options do not carry a right to vote.

Of these options, 1,310,000 are part of Executive Share Option Scheme I and were issued during the year ended 31 March 2003. An additional 100,000 were issued under Executive Share Option Scheme II in May 2003, while the remaining 300,000 were issued under Executive Share Option Scheme III and this was announced to the ASX on 17 December 2003. The options are issued for zero consideration and the exercise price is 48 cents for Scheme I and II and 68 cents for Scheme III as detailed in the table below.

The options issued are exercisable in tranches, depending on the achievement of performance hurdles for the core business (i.e. excluding the air-conditioning business).

647,500 of the 1,310,000 options issued as part of Scheme I were exercisable after 16 April 2003 with 331,250 exercisable after each of 16 April 2004 and 16 April 2005. The final 331,250 of the options can only be exercised if a dividend has been paid in at least one of the three financial years ending 31 March 2005. The options issued as part of Scheme I expire on 15 April 2007.

The terms of the options issued as part of the Executive Share Option Scheme II are similar to the Executive Share Option Scheme I however, Scheme II options are exercisable in tranches of 50% from 1 April 2004, 25% from 1 April 2005 and 25% from 1 April 2006. These options expire on 1 April 2008 and can only be exercised on the achievement of agreed performance hurdles and the declaration of a dividend.

Executive Share Option Scheme III Options are issued on similar terms to the previous schemes. However, Scheme III options are exercisable in tranches of 50% from 1 April 2005 and a further 25% from 1 April 2006, with the final 25% exercisable from 1 April 2007. These options expire on 1 April 2009 and can only be exercised on the achievement of agreed performance hurdles and the declaration of at least two dividends during the three year period.

It is important to note that in certain circumstances the Board has the ability to change or modify the performance targets.

The terms of the Executive Share Option Schemes provide the following Earnings before Interest, Tax, Depreciation and Amortisation [“EBITDA”] targets (which excludes results from the air conditioning business):

Financial Year Ended	**EBITDA Performance Hurdle[1] $000's**	**EBITDA Hurdle Achieved $000's**	**Option Exercise Date[2]**	**Options Exercisable Scheme I Exercise Price $0.48**	**Options Exercisable Scheme II Exercise Price $0.48**	**Options Exercisable Scheme III Exercise Price $0.68**
March 2003	2,624	2,631	April 2003	647,500[3]		
March 2004	3,244	(179)[4]	April 2004	331,250	50,000	
March 2005	4,611		April 2005	331,250	25,000	150,000
March 2006	5,629		April 2006		25,000	75,000
March 2007	6,145[5]		April 2007			75,000

[1] Rib Loc announced the March 2006 performance hurdle to the ASX on 30 July 2003. However, the terms and conditions of the share option schemes provide that the Board may "*where it is of the opinion that, as a result of a substantial change in the business of the Rib Loc Group, the Rib Loc Group's net EBITDA for a financial year is likely to be greater than or lesser than, the amounts* [agreed as performance hurdles] … *substitute another amount.*"
[2] Scheme I Options are exercisable on the 16th of the month, while Scheme II Options are exercisable on the 1st of the month.
[3] 60,000 options have been exercised or have been cancelled.
[4] Rib Loc forecast March 2004 result (excluding air conditioning)
[5] Not previously disclosed to the ASX

Since August 2003, 37,500 Scheme I options have been exercised and 22,500 options cancelled.

If a performance hurdle is not met, the tranche of options exercisable related to that performance hurdle are rolled forward and included in the next tranche.

Clause 20 of Schedule 2 of the Rib Loc Executive Share Option Agreement states that where a change in ownership occurs, the option exercise period is deemed to commence immediately and all performance hurdles are deemed to be satisfied.

Change of Ownership is defined in clause 3 of Schedule 2 as:

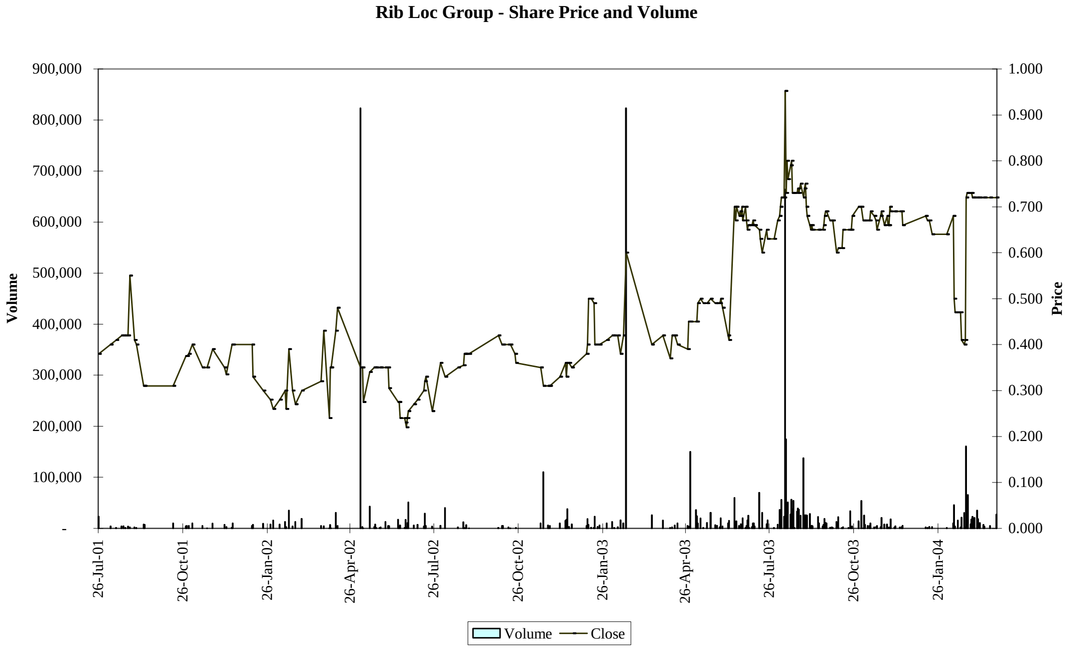
> *“”Change in Ownership” shall occur if a person, or two or more persons who are acting in concert:*
>
> *(a) becomes or become the beneficial owner of shares in Rib Loc, having more than 50% of the total number of votes that may be cast a general meeting; or*
>
> *(b) through the acquisition of shares in Rib Loc, becomes or become able to determine the majority composition of the Board.”*

As discussed in Section 2 of this Report, FPL’s Offer is open to option holders who become the registered holders of Rib Loc Shares prior to the end of the Offer Period. Even if there is no change of control, as the performance target for the first tranche of options under Scheme I has been met, it is possible for at least 647,500 options to be exercised, converted into shares and be eligible to participate in the take-over offer.

As at the date of this Report the Directors have received notification from one option holder seeking to exercise their options and take up 7,500 shares.

3.7. Share Market Performance

Trading in Rib Loc’s stock is very thin. The following table summarises Rib Loc’s closing share price and trading volumes for the last two and a half years.



Below is a tabulated summary of the prior period share transactions:

Ribloc Group Limited - Share Price History

	Share Price ($)			ASX AverageWeekly Volume (000's)
	Close	**Low**	**High**	
Quarter ending				
December/01	0.400	0.310	0.400	5
March/02	0.430	0.260	0.430	12
June/02	0.255	0.220	0.480	81
September/02	0.380	0.255	0.380	9
December/02	0.350	0.310	0.420	18
March/03	0.400	0.380	0.600	75
June/03	0.700	0.370	0.710	39
Month ending				
July/03	0.630	0.600	0.690	45
August/03	0.750	0.670	1.080	314
September/03	0.670	0.650	0.750	85
October/03	0.700	0.600	0.700	22
November/03	0.660	0.640	0.700	35
December/03	0.660	0.660	0.700	11
January/04	0.640	0.640	0.680	2
Week ending				
6-Feb-04	0.640	0.640	0.640	1
13-Feb-04	0.670	0.470	0.680	60
20-Feb-04	0.410	0.410	0.470	39
27-Feb-04	0.730	0.400	0.730	274
5-Mar-04	0.720	0.720	0.730	81
12-Mar-04	0.720	0.720	0.720	64
19-Mar-04	0.720	0.720	0.720	10
26-Mar-04	0.720	0.720	0.720	5

Source: derived from data from Bourse Data

Our discussions with the Directors and management of Rib Loc provided the following explanation of recent major share transactions:

Date	PRS[6]	Chevalier		HFL[7]	Sandhurst[8]
		Chev PRS[9]	FCL[10]		
21 June 01 New Issue					1,538,462 @ $0.65
27 July 01 New Issue		754,000 @ $0.65			
7 May 2002			823,000 @ $0.60		
20 Aug 2002 Off Market	(5,013,270)	3,842,970 @ $0. 11[11]		1,170,000 @$0. 11[12]	
20 Feb 2003			823,000 @ $0.60		

In addition, the above chart shows an unusual volume of shares traded on 12 August 2003. This is believed to be as the result of a misunderstanding of a press release regarding the signing of the Ukraine pipe contract. As none of the Top 20 shareholders changed their shareholding percentages, the high volume of shares that changed hands is understood to have been predominantly caused by day traders.

[6] PRS Rohrsanierung GmbH (previously Rib Loc's European Licensee)
[7] Holy Faith Ltd
[8] Sandhurst Trustees Pty Ltd
[9] Chevalier-PRS (Asia) Holdings Ltd
[10] Firstland Company Ltd (wholly owned by Chevalier International Holdings Ltd)
[11] Transaction price was EU 230,000 or approximately A$0.11 per share.
[12] Transaction price was EU 70,000 or approximately A$0.11 per share.

4. ECONOMIC OUTLOOK

Rib Loc receives approximately 60% of its revenue (including air conditioning) from Australia, with the remainder split between Asia, the Middle East and the United States.

Over the next few years, it is anticipated that greater proportions of revenue will come from overseas, particularly Europe, Asia, USA and the Middle East.

As the ultimate purchasers of the end product (service) tend to be Government municipalities, it is important to understand the world economy and the domestic economies in each of the markets into which Rib Loc is expanding. Accordingly, below, we have endeavoured to summarise the outlook for a number of the world's economies.

Global Economic Outlook

The 2003 calendar year was a year of contrasts for the global economy. In the first half of the year, major countries experienced disappointing results and generally declining confidence about the prospects for recovery.

From the middle of 2003, economic conditions and expectations about future growth have been steadily improving.

The outlook for the first half of 2003 was affected by data suggesting that growth was faltering, the Iraq war and the effect of the SARS outbreak.

Given the recent gain in momentum in world economies, 2004 is expected to be an above average year. The Reserve Bank of Australia expects the economies of Australia's major trading partners to grow by 4.1% in 2004, approximately 0.5% faster than the average of the past decade.

US Economy

The US economy returned to growth, with slower growth in the first half of 2003 before increasing in the second half to be 4.3% over 2002 for the full year.

The US recovery appears to be becoming more broadly based, with the profitability of US corporations increasing by 25% over the past year, business confidence improving, the manufacturing sector returning to growth and business investment growing by 7% over the past year. On the negative side, there is still not a convincing pick up in employment. The US Federal Reserve, however, expects the US economy to grow by around 4.5%-5% in 2004.

Australian Economy

The Australian economy has generally performed relatively well, with its current expansion being continuous since 1991 and average real growth in the economy in the past ten years being just under 4%. This exceeds the growth of most of the developed countries with which Australia is normally compared.

In line with the improvement in global conditions, the Australian economy has picked up significantly since the middle of 2003. Consumer spending has expanded well above average in the second half of 2003 and consumer confidence in January 2004 has risen to its highest level, since 1994.

Employment has risen solidly over recent months and the unemployment rate continues to trim down.

The economy has been driven by well above average growth in domestic spending which has rebounded following the negative factors in the early part of 2003 (the drought and the unfavourable international environment).

Australia’s export earnings have increased gradually after their decline in the first half of 2003.

The Australian dollar has continued to climb, particularly in relation to the US dollar, increasing from a ratio of $A0.51: US$1.00 in 2001 to around $A0.75: US$1.00 in March 2004.

In summary, the Australian economy has grown steadily over the last few years, despite an unfavourable international climate for much of that time. The prospects for the internal sector are improving and, if they continue to do so, they will be of benefit to exporters and offer the prospect of more balanced growth outcomes in the future.

This should assist the growth in Rib Loc’s business, except that a higher Australian dollar will result in lower margins from export receipts. The impact of exchange rates is discussed further in Sections 8.2 and 9.3.

Asia-Pacific

After a difficult first half of 2003, the East Asian economies are growing strongly again; particularly Hong Kong, Singapore and Taiwan, all of which recorded strong growth after the SARS outbreak in 2003. A number of countries whose currencies are tied to the US dollar have benefited from its devaluation with real depreciation aiding export growth.

China’s economy grew by almost 10% over the year to the December 2003 quarter, while industrial production grew by 18% and investment rose by 23%. While some easing may be expected in 2004, growth should still continue at a rapid rate, helped in part by a very competitive exchange rate.

Indicators for the rest of region, as a whole, suggest that they too are continuing to have strong economies.

Despite renewed strength in activity, consumer price inflation remains generally subdued in most countries in the Asia-Pacific region, with China being the exception where inflation is 3.2%, the highest it has been since 1997.

The Chinese economy is expected to continue to grow strongly and Hong Kong is expected to continue its recovery from the impact of SARS. Market conditions are expected to improve and assist the expansion of Rib Loc's licensee in the greater Asia area.

Europe

A modest recovery seems to have begun in Europe in the second half of 2003, after slight declines over the previous three quarters. The reversal was driven primarily by increased external demand while domestic demand remained weak due to flat household consumption and falling investment spending. Exports will be helped by stronger economic growth elsewhere in the world, although the renewed appreciation of the Euro will exert a dampening influence and a sustainable recovery is dependant on a return to domestic demand growth.

Headline inflation continues to be at around 2% despite weakness in economic activity and the appreciation of the Euro, reflecting the impact of higher food prices, rising indirect taxes and underlying inflation of a little under 1.75%. In the 12 months to the September quarter of 2003, labour costs have only slowed modestly from around 3.5% to 2.9%. Despite this increase of real wages and the weakness in activity, the unemployment rate remains steady at 8.8%, well below its earlier peak of 11.0%. Employment has been flat over the past year, although there is considerable variation between countries, with Germany displaying notable weakness.

The UK economy has grown considerably through 2003, exhibiting 2.5% GDP growth with household consumption increasing, a tight labour market and rising house prices being key drivers.

Overall, in the longer term, the economic conditions in Europe are expected to be supportive of Rib Loc's expansion (via licensees) in the European market.

5. INDUSTRY OUTLOOK

There are two types of pipes – non-pressure and pressure. Non-pressure pipes are predominantly used for sewer and stormwater, whilst pressure pipes are used for water, some irrigation channels and other purposes where the liquid needs to be pumped under pressure.

Currently Rib Loc's pipes are only suitable for non-pressure applications (and specifically for stormwater, rather than sewer). Rib Loc's rehabilitation technology is suitable for both stormwater and sewer pipe rehabilitation.

Over the next few years, in addition to Rib Loc's revenue from Australia, it is anticipated that greater proportions of Rib Loc's revenue will come from overseas, particularly the USA, Europe and Asia.

5.1. The Market in the USA

The Rehabilitation Market in the USA

As reported on the web site "Rehabilitation Technology"[13], the majority of the USA's pipe infrastructure was installed after World War II and part of this infrastructure is now reaching the end of its useful life.

The American Society of Civil Engineers (ASCE) estimates that there are approximately 600,000 miles of sewer pipe in the United States and an estimated 1.5 million miles of water pipe in the United States. Of this, 450,000 miles are estimated to be in near-term need of renovation.

In the USA, the need to rehabilitate sewer systems is much higher than for water because of the generally older, more deteriorated condition of sewer systems. In addition in some situations, the sewers were built as combined systems to accommodate storm water run-off.

The findings of Clean Water Needs and Sanitary Sewer Evaluation surveys performed during the last 14 years have brought most municipalities to the realisation of the extent, impact and financial significance of sewer deterioration in their jurisdictions.

The US Congressional Budget Office estimates that cities will need to spend between $24.6 billion and $41.0 billion per year for the next 20 years to maintain satisfactory services and meet clean water standards. The Water Infrastructure Network sides with the high end-estimate; the US Environmental Agency leans towards the lower end.

The ASCE publication *2003 Progress Report: An Update to the 2001 Report Card*, states:

[13] www.undergroundconstructiononline.com

"The nation's 16,000 wastewater systems face enormous needs. Some sewer systems are 100 years old and many treatment facilities are past their recommended life expectancy. Currently, there is a [US] *$12 billion annual shortfall in funding for infrastructure needs; however, federal funding has remained flat for a decade. Because of this continuing shortfall, more than 1/3 of U.S. surface waters do not meet water quality standards. …"*

EPA's 2002 Needs Assessment *estimates the U.S. needs to invest between US$331 billion and $450 billion on wastewater treatment infrastructure by 2019. Operation and Maintenance needs add between $72 billion and $229 billion."*

According to Underground Construction:

"Underground Construction magazine's 5th Annual Construction/ Rehabilitation Technology Municipal Sewer & Water Survey reports that $1.9 billion was spent on sewer pipe renovation labour and materials in 2002 with almost 50 percent of sewer pipe renovation expenditures being used for trenchless pipe renovation…

The Underground Construction Survey estimates that 2002 sewer renovation expenditure will reach $2.6 billion"

and

"The data indicates that pipe renovation will be likely to grow to become an industry with a budget of $11.5 billion, with the trenchless pipe renovation sector likely to reach at least $5 billion annually. This rate of expenditure must be sustained for up to 50 years."

A recent survey by Underground Construction concluded that:

"As many States struggled to cope with their well publicised budget shortfalls, municipal managers are understandably concerned about the possible impact on their local budgets. With this in mind, and despite urgent infrastructure needs, municipalities are approaching 2003 cautiously, trying to maintain their 2002 spending levels and hopefully having the revenue stream to increase spending in critical areas.

Also, many municipalities, both large and small, have no choice but to continue with aggressive spending programs in order to meet consent decrees negotiated with the EPA, including cities such as Atlanta, Birmingham (AL)."

In addition the web site concludes that:

> *"Pipe renovation expenditures are expected to increase dramatically over the next five years as utility rate structures are gradually adjusted to meet recently identified local needs."*

However one player, Insituform Technologies Inc, has historically been the market leader in North American for sewer rehabilitation, with approximately 80% of its revenues coming from pipe rehabilitation.

According to Insituform's 2003 Annual Report:

- they are a world-wide company specialising in the construction and rehabilitation of water, sewer and other difficult to access pipes using technologies that minimise or avoid digging and disruption;

- their revenues increased in the full year from US$480.4 million to US$487.3 million, however revenues from continuing operations in the fourth quarter declined by US$3.4 million;

- the Insituform cured in place pipe process accounts for 65.5% of the company's revenues; and

- sewer rehabilitation spending is projected to increase by nearly 7% per annum.

The Underground Construction survey indicates that the trenchless pipe renovation market is already exhibiting a compounding annual growth rate of 29% since 2000 and that even in these difficult financial times is expecting to grow 4.3%. It is expected that this growth rate will increase again as more of America's leading cities launch large capital programs to modernise their sewer/wastewater systems.

Finally the survey states that acceptance of trenchless methods for both new construction and rehabilitation continues to increase, with 55.8% of respondents having used various trenchless methods, an additional 28.2% planning to try trenchless techniques during 2003 and 44.8% saying that they would try trenchless within five years.

A Report by The Freedonia Group, a leading international business research company, entitled *World Plastic Pipe to 2007* (published October 2003) estimates that:

"*Worldwide demand for plastic pipe will grow 4.1 percent annually through 2007 as plastics continue to outpace concrete, metals and vitrified clay pipe. China, already one of the largest national markets, will record some of the strongest increases of over eight percent annually*."

The Report also notes that:

"*Infrastructure development in the Asia/Pacific region will generate demand for plastic pipe in a variety of applications. In residential building construction, plastic pipe will be used for potable water delivery in urban areas. Efforts to upgrade water treatment systems will spur demand for plastic pipe in drainage and sewage use. Growing economies in the region will generate demand for pipe in networks for telecommunications and natural gas distribution.*

The pace of growth will be less robust in the developed areas of the US, Japan and Western Europe. Construction spending in Western Europe will pick up as economic conditions in the region improve, contributing to overall market gains, and Japanese plastic pipe demand will finally stabilize and begin to recover following an extended period of sluggishness."

Based on the above and other information available to them, Rib Loc management has estimated the market size for the rehabilitation of pipes is approximately A$2,800 million in the USA.

The New Pipe Market in the USA

According to an industry web site[14] US pipe demand is expected to increase 2.4% per year to 2005 to over 16 billion feet with the growth in sales of plastic pipe expected to be higher.

[14] Concreteproductsbusiness.com

PIPE SHIPMENTS
(MILLION FEET)

Item	1995	2000	2005	% Annual Change 00/95
Total Pipe Demand	11.496	14.374	16.145	4.6
Plastic Pipe Demand	4.52	5.596	6.401	6.7

According to their 2003 Annual Report, James Hardie:

> "*….continued to penetrate the south-east market of the United States…*
>
> *The increased sales have resulted in a doubling of our share of our targeted large diameter drainage pipe market in Florida compared to the prior year.*
>
> *Competition has reacted to our market entry with aggressive pricing. As a result, our average selling price is lower compared to the previous fiscal year…*
>
> *The Florida civil construction market remains buoyant. Activity is increasing due to the start of projects funded by TEA-21 and the Florida State Mobility Act, both of which involve significant increases in government spending on highway construction.*"

According to their 2002 Annual Report, stormwater drainage accounted for 47% of the USA large diameter pipe market and drainage and irrigation (non-pressurised) accounted for a further 13%.

In a May 2003 presentation (available from their web site) James Hardie estimated that the US market for large diameter pipes that could be addressed by fibre reinforced concrete is approximately 165 million linear feet, worth around US$2 billion annually and is growing at just over 2% per year.

The above industry information indicates there should be strong and growing demand for Rib Loc's technologies (both pipe and rehabilitation).

5.2. The Australian Rehabilitation & Pipe Market

There are approximately 80,000 kilometres of sewer mains in Australia and the situation is similar to that in the USA, with the "Report Card on the Nation's Infrastructure" prepared by the Australian Institute of Engineers and GHD reporting that:

> *"The need for planned renewals and maintenance of these assets is self-evident as the age of assets will soon, with a ten year planning horizon, average 50 years".*

Rib Loc's management has estimated that within Australia, approximately $200 million per annum is spent on construction of new sewer systems and $100 million per annum is spent on the rehabilitation of sewer systems. Rehabilitation expenditure on water systems in Australia is estimated to be approximately $170 million per annum.

These estimates are consistent with the results of a survey published in December 1999 by the Institute of Engineers and GHD which determined:

- "*Water systems annual maintenance expenditure is estimated to be $170 million Australia wide*";
- "*Sewage system annual maintenance expenditure is estimated to be $100 million*"; and
- "*Expenditure by the 19 largest water businesses in Australia on renewal, replacement and upgrade of infrastructure is approximately $250 million per annum.*"

The 2002 Infrastructure Report Card also highlighted the need for additional rehabilitation expenditure on water, wastewater and stormwater infrastructure.

Rib Loc's management has estimated the Australian pipe market totals $870 million per annum and that it is comprised of the following segments:

Segment	Segment Size	% of Total Market
Sewer	$185 million	21.3%
Drainage	$265 million	30.5%
Irrigation	$20 million	2.3%
Water	$250 million	28.7%
Other	$150 million	17.2%
Total	**$870 million**	**100.0%**

In addition to the normal water and sewer markets, proposals have been put forward in Australia to replace open irrigation channels and earth drains with pipes to reduce evaporation. There are 16,860 kilometres of irrigation channels in Australia and Mr R Pratt (of Visy Industries) has been quoted as saying that the cost of converting these open channels to plastic pipes is estimated at $10,000 per kilometre. This translates to a total cost of converting these irrigation channels to plastic pipes of $169 million. Rib Loc's management expects the costs to be significantly higher.

5.3. The Rehabilitation Market in Europe

In Western Europe, rehabilitation expenditure on both water and sewer systems is approximately US$1 billion per annum.

The web site Concreteproductsbusiness.com reports that the total pipe market in Europe totals €8 billion. Out of this, the plastic piping systems have about 50%, i.e. €4 billion.

5.4. The Rehabilitation Markets in Asian and Middle East

There is very limited information available on the size of the markets in this region.

Rib Loc's Management has estimated the market sizes for rehabilitation of pipes in Asia as approximately A$200 million.

5.5. Summary of Market Data

The table on the following page summarises the above data, which indicates growth in all markets for which information has been obtained and that use of trenchless technologies is in a growth phase.

	Australia A$M	USA US$M	Western Europe US$M
SEWER SYSTEMS			
New construction expenditure	200[1]	4,200[2]	
Growth		Up 4.3%[2]	
Trenchless methods growth		29%[6]	
Rehabilitation expenditure	100[1]	2,600[2]	1,000[4]
Growth		Up 3.3%[2]	
Trenchless methods growth		7%-12%[3]	
Total non-pressurised large diameter pipes		1,200[5]	
WATER SYSTEMS			
New construction expenditure		4,300[2]	
Growth		Up 3.9%[2]	
Trenchless methods growth		up 10.1%[2]	
Rehabilitation expenditure	170[1]	1,400[2]	1,000[4]
Growth		up 12.2%[2]	
Trenchless methods growth		up 2.6%[2]	

Notes
(1) Australasian Society for Trenchless Technology
(2) Underground Construction's 5th Annual Municipal Sewer &Water Infrastructure Survey
(3) Stifel, Nicolaus & Company, Incorporated, Equity Research, Insituform Technologies, Inc., 12 April 2002
(4) Includes water and sewer - Stifel, Nicolaus & Company, Incorporated, Equity Research, Insituform Technologies, Inc., 12 April 2002
(5) Calculated from James Hardie background information paper for investors 13/9/2000
(6) Underground Construction's 5th Annual Construction/Rehabilitation Technology Municipal Sewer & Water Survey

6. RIB LOC'S OUTLOOK

6.1. Historical Performance

The reported financial performance of Rib Loc is set out in Appendix A.

Below we have summarised the financial performance of Rib Loc's Core Operations on a consolidated basis (i.e. excluding the results of the air conditioning business).

Statement of Financial Performance (Normalised)[15]- Core Operations Only

Months Year Ended	**12 31 March 2001[16] Actual ($'000s)**	**12 31 March 2002 [16] Actual ($'000s)**	**12 31 March 2003[16] Actual ($'000s)**	**9 31 Dec 2003[17] Preliminary ($'000s)**	**12 31March 2004[18] Forecast ($'000s)**
Sales Revenue	17,669	13,895	19,261	15,710	19,912
Gross Profit	7,366	4,265	8,826	5,720	7,321
	41.7%	30.7%	45.8%	36.4%	36.8%
EBITDA	2,383	(690)	2,626	775	(350)
Depreciation & Amortisation	2,260	1,960	1,100	828	1,104
EBIT	**123**	**(2,650)**	**1,526**	**(53)**	**(1,454)**
Interest Expense	362	226	260	174	258
Profit Before Tax	**(239)**	**(2,876)**	**1,266**	**(227)**	**(1,712)**
Income Tax	10	10	7	5	7
Operating Profit After Tax	**(249)**	**(2,886)**	**1,259**	**(232)**	**(1,719)**
Earnings per Share (Undiluted)[19]	($0.01)	($0.11)	$0.05	($0.01)	($0.06)

[15] Normalisation Adjustments include:
- removing results of air conditioning business.
- removing net effect of the insurance payout and partially offsetting payment to the widow of the late Mr SWO Menzel.
- removing the effect of the write off of capitalised R&D.
- adjusting for additional rent and overheads that will be incurred by the core business if the air conditioning business was not located on the same premises.

[16] Source: Statutory financial statements and Management Accounts.
[17] Management Accounts (Unaudited)
[18] ASX Announcements and Management Estimates
[19] Based on ordinary shares on issue at year-end.

Statement of Financial Position - Core and Non Core Operations

Months Year Ended	12 31 March 2001 (1) Actual ($'000s)	12 31 March 2002 (1) Actual ($'000s)	12 31 March 2003 (1) Actual ($'000s)	12 31 March 2004 (2) Forecast ($'000s)
Current Assets	10,285	8,554	11,151	10,059
Non-Current Assets	9,870	5,041	4,965	5,893
Total Assets	**20,155**	**13,595**	**16,116**	**15,952**
Current Liabilities	6,657	5,530	7,077	6,839
Non-Current Liabilities	2,578	2,239	1,774	1,963
Total Liabilities	**9,235**	**7,769**	**8,851**	**8,802**
Net Assets	**10,920**	**5,826**	**7,265**	**7,150**
Issued Capital	12,999	14,459	14,459	14,475
Reserves	76	76	76	76
Retained Profit	(2,155)	(8,709)	(7,270)	(7,401)
Total Equity	**10,920**	**5,826**	**7,265**	**7,150**
Number of Shares on Issue (Undiluted)	25,157	27,450	27,450	27,487
Net Assets per Share (Undiluted)	0.43	0.21	0.26	0.26
Net Tangible Assets per Share (Undiluted)	0.26	0.19	0.24	0.23

(1) Source: Statutory financial statements.
(2) Management Accounts (Unaudited)

The reasons for the difference between Rib Loc's budgeted result and their actual result are discussed in Section 6.5 of this Report.

6.2. Dividends

Rib Loc has not paid or declared a dividend since incorporation and it is not anticipated that a dividend will be paid or declared in respect of the year to 31 March 2004.

Although Rib Loc's Directors have not declared a dividend in respect of the year to 31 March 2003, it is noted that one of the terms that must be satisfied for the third tranche of the executive share options to be exercised, is that a dividend must be paid in at least one of the three years for which performance hurdles have been set (i.e. in the years ended March 2003, March 2004 or March 2005) unless the Directors amend the performance hurdles as discussed in Section 3.6.3.

6.3. Growth Opportunities

Following discussions with directors and management, the following sources of growth in earnings are considered available to Rib Loc:

6.3.1. Rehabilitation Division

Management anticipates a 70 percent increase in revenue for the Rehabilitation Division within the next four years. This is expected to eventuate as a result of significant growth in Europe using the Rotaloc technology, through Rib Loc's Asian franchisee Chevalier and ongoing growth in Australia, through Interflow.

6.3.2. Pipe Division - Australia

The development of the new steel reinforced profile ["SRP"] has resulted in significantly increased sales in the Australian market. Sales growth has been strong as a result of utilising the established distribution channel of One Steel throughout Australia.

In addition, the take up of SRP is anticipated to strengthen as Rib Loc's newly established sales team introduce new customers to the product.

6.3.3. Pipe Division – International

As discussed in Section 3.2 of this Report, Rib Loc has a strategy of selling the necessary equipment and technology to enable other international pipe manufacturers to produce pipe using the SRP method. Interest in acquiring the SRP pipe manufacturing equipment and technology has been expressed by companies in Ukraine, South Africa and China.

At this early stage of the negotiations, these companies have expressed significant interest and it is hoped that a suitable arrangement can be reached in the not too distant future.

In addition, Rib Loc is negotiating with manufacturers of extrusion equipment for exclusive supply agreements with the intention of using their distribution channels and networks to identify and further commercialise the technology.

6.4. Targeted Earnings

Below we have summarised the target financial performance of Rib Loc's Core Operations on a consolidated basis (i.e. excluding the results of the air conditioning business). These targets were prepared as part of the Rib Loc's Strategic planning process.

Statement of Financial Performance (Normalised) [1]
Core Operations Only

Year Ended	12 Mths to 31 March 2001 [2] Actual ($'000s)	12 Mths to 31 March 2002 [2] Actual ($'000s)	12 Mths to 31 March 2003 [2] Actual ($'000s)	12 Mths to 31 March 2004 [3] Forecast ($'000s)	12 Mths to 31 March 2005 [4] Budget ($'000s)	12 Mths to 31 March 2006 [4] S/Plan ($'000s)
Sales Revenue	17,669	13,895	19,261	19,912	24,801	28,407
Gross Profit	7,366	4,265	8,826	7,331	10,336	12,233
	41.7%	30.7%	45.8%	36.8%	41.7%	43%
EBITDA	2,383	(690)	2,626	(350)	2,675	3,963
Depreciation & Amortisation	2,260	1,960	1,100	1,104	1,479	1,479
EBIT	**123**	**(2,650)**	**1,526**	**(1,454)**	**1,196**	**2,484**
Interest Expense	362	226	260	258	456	456
Profit Before Tax	**(239)**	**(2,876)**	**1,266**	**(1,712)**	**741**	**2,029**
Income Tax						
- Overseas Taxes	10	10	7	7	7	7
- Australian Tax[5]						
Operating Profit After Tax	**(249)**	**(2,886)**	**1,259**	**(1,719)**	**734**	**2,022**

(1) Normalisation Adjustments include:
- removing results of air conditioning business.
- removing net effect of the insurance payout and partially offsetting payment to the widow of the late Mr SWO Menzel.
- removing the effect of the write off of capitalised R&D.
- adjusting for additional rent and overheads that will be incurred by the core business if the air conditioning business is sold.

(2) Source: Statutory financial statements and Management Accounts.
(3) Source: Management's Forecast (Unaudited).
(4) Source: Management's Strategic Plan (adjusted for exchange rate assumptions).
(4) Accumulated tax losses utilised in the years ending 31 March 2006, 2006 and 2007.

6.5. Differences from Forecasts used in IER dated 1 August 2003

Year Ended	12 Mths to 31 March 2001 Actual ($'000s)	12 Mths to 31 March 2002 Actual ($'000s)	12 Mths to 31 March 2003 Actual ($'000s)	12 Mths to 31 March 2004 Forecast ($'000s)	12 Mths to 31 March 2005 Budget ($'000s)	12 Mths to 31 March 2006 S/Plan ($'000s)
Operating Profit After Tax Pre-IER dated 1 August 2003	(249)	(2,886)	1,259	1,925	3,103	2,988
Significant differences						
Reduced USA sales and royalties				X(1)	X	X
Reduced sales from large rehabilitation projects				X(1)	X	X
Reduced license fees from Europe, due to the change in business model					X	X
Reduction in pipe sales and margin					X	X
Reduction in sales overhead						√
Increased profitability as a result of International Pipe initiatives					√	√
Increased European rehabilitation activity					√	√
Expected stronger performance by Interflow					√	√
Increased profitability as a result of Pipe International initiatives					√	√
Other				X(1)	√	√
Operating Profit After Tax per Independent Expert's Report dated 31 March 2004	**(249)**	**(2,886)**	**1,259**	**(1,548)**	**937**	**2,226**

Note 1 Detail included in the following ASX announcements:

1. Profit Downgrade 1 On 6 November 2003, Rib Loc released the results for its first half year and announced a downgrade in its expected profit for the year ending March 2004. The reasons stated for the downgrade were:

   "*…reduced margins across most areas of the company's activities, increased expenditure on expensed research and development, and the impact of the strength in the Australian dollar.*

   …

   'Rib Loc is continuing to establish its rehabilitation products in the key United States and European markets, but the costs of providing additional technical support in these highly prospective markets will continue to affect the second half result,'…".

2. Profit Downgrade 2 On 11 February 2004, Rib Loc announced a second downgrade in its expected profit for the year ending March 2004. The reasons stated for the downgrade were:

   "*The loss is a consequence of increased costs in the pipes businesses and lower than expected export sales.*

   Sales to the USA fell dramatically in November 2003 and are not expected to resume prior to year end as a result of constraints upon a major customer's operating activity."

3. Profit Downgrade 3 On 26 March 2004 Rib Loc announced a third downgrade in its expected profit for the year ending March 2004. The reasons stated for the downgrade were:

   "*…lower than expected royalty income and lower margins associated with Australian sales. Also, unexpected costs resulted from settlement of a warranty claim for an export rehabilitation sales contract, from March redundancies and from the current takeover bid made by First Process of Hong Kong. Additionally there were delays in planned sales to France and to India, which have now slipped into the next financial year."*

7. ASSESSMENT APPROACHES

The Corporations Act requires the report by an expert to state whether, in the expert's opinion, the take-over offer is fair and reasonable and to give the reasons for forming that opinion.

The term "*fair and reasonable*" is not further defined by the Corporations Act, however, over time, a commonly accepted meaning has developed partly as a result of the ASIC issuing Policy Statement 75.

In addition Practice Note 43 is relevant when reporting on offers for which an IER is required.

7.1. ASIC Policy Statement 75 - 'Fair and Reasonable'

ASIC Policy Statement 75 attempts to provide a precise definition of "fair and reasonable" and creates a distinction between "fair" and "reasonable".

In relation to the term 'fair and reasonable', ASIC Policy Statement 75 states:

"Fair

An offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer.

This comparison must be made assuming 100% ownership of the target company. In his or her opinion on the fairness of the offer, the expert should not consider the percentage holding of the offeror or its associates in the target company.

In assessing the comparative values of the consideration and the securities which are the subject of the offer, the expert should not take into consideration the percentage holding of the offeror or its associates in the target company.

Reasonable

An offer is "reasonable" if it is fair. It may also be "reasonable" if, despite not being "fair" but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

The expert should always include a statement that the offeree's decision whether to accept an offer may be influenced by his or her particular circumstances (for example taxation) and if an offeree is in doubt he or she should consult an independent adviser.

An expert might consider when deciding whether offerees should accept the offer:

(a) the offeror's pre-existing entitlement to shares in the target company;

(b) other significant shareholding blocks in the target company;

(c) the liquidity of the market in the target company's shares or the probability that an alternative offer might be made;

(d) taxation losses, cash flow or other benefits through achieving 100% ownership of the target company;

(e) any special value of the company to the offeror such as particular technology, the potential to write off outstanding loans from the target etc; and

(f) the value to an alternative offeror."

Fairness involves a comparison of the offer price with the value that may be attributed to the securities which are the subject of the offer based on the value of the underlying businesses and assets. In determining fairness, any existing entitlement to shares by the offeror is to be ignored.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting a take-over offer.

In accordance with the guidance from Policy Statement 75, Leadenhall has treated "fair" and "reasonable" as separate concepts.

Fairness is a more demanding criterion. A "fair" offer will always be "reasonable" but a "reasonable" offer will not necessarily be "fair". A take-over offer could be considered "reasonable" if there were valid reasons to accept the offer, notwithstanding that it was not "fair".

Leadenhall has determined whether the FPL offer is fair by comparing the underlying value of Rib Loc with the offer price (refer Section 13). In considering whether the FPL offer is reasonable, the additional factors that have been considered are included in Section 12 of this Report.

7.2. ASIC Practice Note 43 – "Valuation Methodologies"

Practice Note 43 states:

"It is not the ASC's role or intention to limit the expert's exercise of skill and judgement in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

(a) the discounted cash flow method;

(b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets, on the basis that a controlling shareholder would seek to maximise the value of its investment;

(c) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

(d) the amount that would be distributed to shareholders on an orderly realisation of assets;

(e) the most recent quoted price of listed securities; or

(f) the current market value of the asset, securities or company.

The ASC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above."

7.3. Valuation Approaches

There are three main valuation approaches which can be applied to a business, asset or other form of investment. These three valuation approaches are the asset approach, market approach and income approach. A basic understanding of the assumptions which underlie these methodologies will confirm that they comply with the above recommendations put forward by ASIC.

7.3.1. Asset Approach

The asset approach is primarily used for companies that are making less than an economic rate of return on assets employed. In such a scenario, winding up of the company may be the best way to maximise shareholder value, in which case the assets of the business will be sold separately.

In the case of Rib Loc where the assets employed are earning an economic rate of return, the individual sale of assets is not the desired method of maximising shareholder value. As such, this valuation approach is not suitable for the purpose of valuing Rib Loc as FPL has stated the businesses of Rib Loc will be carried on as a going concern.

In the case of Rib Loc, there is a significant difference between the stated net asset backing per share, as set out in Section 6.1, compared with the assessed value on a going concern basis as determined by either an income approach or a market approach, as set out in Sections 10 and 11.

7.3.2. Market Approach

The market approach to value is based on the principle of substitution. In other words, substitute companies, assets or investments should sell at the same price. This approach to value involves comparing key valuation indicators of companies comparable to the company being valued, or analysing past transactions which are comparable with the transaction at hand.

It is appropriate to use the market approach method when:

- there is an adequate number of comparable companies or market transactions; and

- reliable data is available for both the subject company and the comparable companies, both as to their financial position and as to the basis of market values.

There are no companies which could be considered directly comparable with Rib Loc.

However, in the valuation of Rib Loc, comparable information can be sourced in respect of companies of a similar size or industry to derive metrics which will lend support to the valuation undertaken using an income approach.

7.3.3. Income Approach

The income approach to value is to calculate the present value of the company’s estimated future stream of earnings or cashflows.

Income approach methodologies include discounted cashflows and capitalisation of earnings, cashflow, or dividends. (Capitalisation techniques are a short form calculation of discounted cashflow calculations.)

Although the discounted cashflow approach relies on the availability of long term earnings and cashflow projections, it is particularly suited to situations where cashflows (and/or earnings) are not stable in the short term, or where significant cash outflows will be incurred prior to cash inflows being earned. In our view, there can be as much error in using capitalisation methods with single point estimates when changes are known to be occurring as there can be in using the discounted cashflow approach with uncertain data.

An equity investment by its very nature has risk and thus uncertainty attached to it. As the results of Rib Loc have been variable in recent years and the business is in an expansionary phase, we believe that it is appropriate to assess the value of Rib Loc under alternative scenarios.

7.3.4. Preferred Methodology

The discounted cashflow methodology (an income approach) is Leadenhall's normal preferred valuation method where it can be applied.

Rib Loc's earnings and resultant cashflows have been projected for ten years, taking into account specific growth opportunities, capital expenditure requirements and operational consolidations. After this period, revenue growth and earnings are expected to remain relatively stable.

The key variables of the discounted cashflow analysis are described in Section 10.

7.3.5. Valuation Metrics

Details of valuation metrics and cross checks undertaken to test the value derived from Leadenhall's preferred methodology are set out in Section 11. These complementary valuation metrics involve a capitalisation of earnings methodology.

The capitalisation of earnings methodology derives a value by multiplying the ongoing maintainable earnings figure by a multiple. This multiple can be calculated using fundamental data such as the growth rate in earnings and rates of return based on the underlying risk of the company.

Alternatively, these multiples can be based on multiples of comparable companies witnessed in the market place. Comparable multiples form the basis of the valuation metrics review, with specific adjustments made to reflect the unique characteristics of Rib Loc.

7.3.6. Alternative Acquirer

Issues relevant to this consideration are discussed in Section 12.4, Alternative Offerors.

7.3.7. Transactions in Other Rib Loc Securities

As discussed in Section 3.6.2, Chevalier has acquired 600,000 convertible notes since the date of the previous Independent Expert's Report.

An equivalent price of ordinary shares can be inferred from the price paid for the convertible notes and this issue is discussed in Section 11.5 – Convertible Notes Acquired.

7.4. Valuation of Rib Loc

A valuation of 100% of the equity of Rib Loc is required assuming that all of its securities were available for purchase.

In defining value, we have used a fair market value definition, viz.:

> *"The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts."*

This normally assumes:

- a reasonable timeframe to complete the transaction, and
- neither party having any special circumstances.

In assessing fair market value, we have not taken into account any specific investment value that the securities in Rib Loc might have to a particular purchaser (e.g. the achievement of synergies or other strategic benefits).

8. ADJUSTMENTS TO EARNINGS AND OTHER ASSUMPTIONS

In assessing the potential cashflows and earnings of Rib Loc, we have reviewed the trading results for the years ended March 2001 to March 2003, the results for the 11 months to February 2004 and the one month forecast to March 2004.

After adjusting for items which were expected to not reoccur, excluding the results of the non-core air conditioning business and including in the results any items which are expected to occur but which are not included in those results, we derived normalised and maintainable earnings figures. Some of those adjustments are significant and they are discussed below.

8.1. Write Off of Capitalised R&D

In the year ended March 2002, there was a change in accounting policy whereby:

- R&D costs which had previously been capitalised were written off; and
- R&D costs incurred in that year were expensed as incurred.

This resulted in the March 2002 R&D expenditure being expensed in that year and expenditure from prior years being written off in that year.

The results for the year ended 31 March 2002 were normalised by eliminating the research and development amount that had previously been capitalised.

8.2. Sales Levels and Licence Income

Due to the high gross margin and the high fixed expense nature of the business operated by Rib Loc, a key value driver is the level of sales and income from each licensee.

We have reviewed with Rib Loc management their expectations of the past and expected sales and performance of the licensees. Sales levels per the strategic plan have been adopted. Licence income was reviewed and this resulted in the derivation of:

- contracted minimum levels of expected licence income; and
- target licence income (consistent with strategic plan targets and included in the Sales Revenue amounts set out in Section 6.4).

Rib Loc's management based their forecast licence income on an exchange rate of A$1.00=US$0.78 for the 2 year forecast period.

Leadenhall has calculated theoretical future spot exchange rates based on the US and Australian yield curves. The calculated interest rate differential inferred an expected Australian currency depreciation over the period of this valuation. Leadenhall has used the following exchange rates for US$ denominated licence income for the years ending:

- 31 March 2005, A$1.00 = US$0.7512;
- 31 March 2006, A$1.00 = US$0.7203;
- 31 March 2007, A$1.00 = US$0.7002
- 31 March 2008, A$1.00 = US$0. 6890 and thereafter declining to US$0.6761 in the long term.

8.3. Gross Margins

Overall the core business's gross margins improved significantly in the year ended March 2003 to 45.8% (30.7% in the prior year).

The improvement in gross margins could not be sustained in the year ending 31 March 2004 and margins have decreased to 36.8%. This was primarily due to a different product customer mix than forecast, higher scrap and warranty claims and changes in the exchange rate,

Gross margins by business segment are confidential and commercially sensitive however we have examined these for past years and expected future years. We have discussed the projected outlook for gross margins with management and reviewed their supporting information.

Management expects improvements in gross margin to be re-established but we express caution about this being achieved.

8.4. Interest

The valuation has been prepared on an invested capital basis (i.e. before interest expense). Accordingly no interest expense has been included in the calculations and debt has been deducted from the resulting enterprise valuation.

8.5. Taxation

As accumulated tax losses are being valued separately, the projected earnings have had tax applied at the statutory rate of 30%.

Leadenhall, in association with Rib Loc's management has reviewed previous and future adjustments between accounting profit and taxable income and determined that there is unlikely to be any significant ongoing difference (ignoring tax losses). Accordingly an effective tax rate of 30% has been used.

Tax losses are valued separately and are discussed in Section 9.2.

9. NON CORE ASSETS AND LIABILITY CONSIDERATIONS

In addition to the value of the underlying business, it is necessary to consider other assets and liabilities. The value of the company is the value of its businesses, plus surplus assets, less corporate debt.

Surplus assets are those assets which could be realised separately and have no effect on the ongoing financial performances of the businesses evaluated. In this instance the air conditioning business is being treated as a surplus or non core business - that is to say, no earnings from the air conditioning business have been taken into account in evaluating future income but that the expected net realisable value of the air conditioning business has been included as part of the non-core assets.

Similarly, corporate debt is not taken into account in assessing the performance of the businesses.

As part of this consideration, it is also important to determine whether any assets or liabilities might realise materially more or less than their book values.

9.1. Air Conditioning Division

Rib Loc has identified the air conditioning business as non-core.

The summary financial information included in Section 6 and the detail valuations in Sections 10 and 11 exclude the potential net cashflow generated by the air conditioning business and assume the core operations absorb the rent and overhead expenses currently allocated to the air conditioning business.

Accordingly, it is appropriate to treat the air conditioning business as a non-core asset and value it separately. However, we have been requested not to disclose separately the valuation of this business.

The Segment Analysis in the 2003 Annual Report indicates that at 31 March 2003 the net assets of the air conditioning business totalled $950,000 and management expect the recoverable amount to be at least this amount.

Leadenhall have valued the air conditioning business at the amount of the net assets employed in the division.

9.2. Tax Losses

As at 31 March 2004, Rib Loc's accumulated tax losses (excluding timing differences) are expected to total $6.1 million with a nominal future income tax benefit not brought to account of A$1.8 million.

Based on the expected profitability of Rib Loc, it is anticipated that these losses will be utilised over the next three years.

The tax saved as a result of utilising these accumulated tax losses, when discounted back to their present value, has a value of approximately $1.4 million. This is subject to restrictions on the claiming/transferability of tax losses.

9.3. Foreign Exchange Cover

Rib Loc has significant income generated in US dollar amounts and has a policy of taking out foreign exchange cover for each confirmed order. In addition, for minimum contracted licence fees, foreign exchange cover is taken to the end of the current financial year.

In addition, as the raw materials used by Rib Loc are worldwide commodities, they are impacted by movements in the US dollar. Although Rib Loc does not have a direct exposure as a result of these commodity imports, in the medium term, the $A pricing of these commodities changes to reflect the movements in the $US. This provides Rib Loc with a partial natural hedge to its exposure to the US dollar,

As at 9 March 2004 the aggregate amount of unrealised gains under forward exchange contracts relating to anticipated future transactions was $152,732.

This amount has not been considered as a surplus asset as it is a normal part of Rib Loc's business and has been incorporated in the expected profitability for the year ending 31 March 2004.

9.4. Franking Credits/Special Dividend

As at 31 March 2004, Rib Loc is forecast to have a franking credit account of $355,000.

In accordance with the *New Business Tax System (Imputation) Act 2002*, the adjusted franking account balance was stated on a tax paid basis, i.e. the company could pay dividends with a gross value of $828,000, carrying tax credits of $355,000.

The value of franking credits varies according to the nature of the tax position of the recipient of the dividends. For example, they have more value to a shareholder which is a superannuation fund than to an individual shareholder paying tax at the highest marginal rate.

The value of franking credits also depends upon the ability of the company to liberate the credits and pass them on to shareholders via dividends and the timing of the payment. It is not anticipated that the Board of Rib Loc will recommend the payment of a dividend in respect of the year ended 31 March 2004. However, as discussed in Section 3.6.3, one of the terms that must be satisfied for the executive share options to be exercised is the payment of dividends.

The value of franking credits is the subject of some debate. However, the limited amount of the franking credits, when combined with the expectation that the company will not pay a substantial dividend in the immediate future, has resulted in Leadenhall concluding that the value of the surplus franking credits is not material.

9.5. Exercise of Convertible Notes and Options

As discussed in Section 3.6.2, the company has issued 1,000,000 fully paid convertible notes and, in addition, as discussed in Section 3.6.3, the company has issued 1,710,000 options.

Leadenhall has not obtained legal advice on whether it is possible for Chevalier to convert the convertible notes it holds without obtaining shareholder approval without breaching the Corporations Act. However, if the convertible notes and outstanding options were to be converted, their impact on the valuation of Rib Loc is to increase:

- the value of the company by approximately $1.9 million (as a result of an additional $0.9 million cash from the exercising of the options and $1.0 million from the reduction of liabilities on the conversion of the notes); and

- the number of issued shares by 3,710,000.

This has the impact of diluting the value attributable to the ordinary shareholders.

9.6. Corporate Debt (Net of Cash)

As the valuation we have undertaken has been on an invested capital basis, i.e. before interest expense, it is important to treat all debt as corporate debt and deduct it from the value derived.

As at 31 March 2004, Rib Loc's forecast balance sheet is for interest bearing liabilities (including convertible notes) of $4,882,000 and cash at hand of $300,000. Accordingly, the value of the enterprise has been reduced by $4,582,000 to account for this net liability when arriving at the value of the entity Rib Loc.

10. INCOME APPROACH VALUATION

Leadenhall's primary approach to the valuation of Rib Loc is that of discounted cashflows.

The methodology underlying discounted cashflows is to project the future earnings of the company, calculate yearly cashflow figures and convert these cashflows into a present day value (known as 'discounting').

Earnings figures are projected forward by determining reasonable assumptions with regards to the company's perceived future performance. These assumptions are driven from the latest results, having regard to trends and known factors affecting performance.

Earnings projections for the years ending March 2005 and March 2006 have been based on the strategic plan approved by the Directors.

Earnings projections from April 2007 onwards have been extrapolated from historic and strategic plan forecast earnings, normalised to account for items as discussed in Section 8, Adjustments To Earnings And Other Assumptions.

10.1. Model Assumptions

A financial model has been constructed (in accordance with the strategic plan) using nominal (including inflation) dollars for projections. The financial model has been run using a set of assumptions regarding earnings projections that are consistent with the budgets and strategic plan approved by the Board for the two years ending March 2006.

The key growth assumptions used in the point estimate model are:

	Compounding Annual Sales Growth (in Nominal Terms)		
	Years 1 – 5	**Years 6 – 10**	**Ongoing**
Rehabilitation	13.2%	3.3%	3.0%
Pipe	20.5%	4.4%	3.0%
Licence Income	7.5%	2.0%	2.2%
Pipe International	Note 1	2.8%	3.0%
Total	**18.7%**	**3.4%**	**2.9%**

Note 1: Cannot be calculated due to year 0 equal to nil

The projections were prepared on an annual basis. They show a continuing strong growth for the next few years.

Other key assumptions include:

- No change in accounting policies.
- The results of the air conditioning business being excluded from the analysis.
- No significant change in business activities and competitive situation other than the commencement of the international pipe business.
- The forecast gross margin percentage improves to be similar to the margin percentage achieved in the year ended 31 March 2003.
- Technology and administration expenses generally increasing in line with inflation. Depreciation and replacement capital expenditure equate to each other, with plant expansion capital expenditure accounted for separately based on the forecast growth.
- Working capital funded out of free cashflow and projected to increase in line with sales increases.
- Tax at a rate of 30% for all years.
- Contracted minimum licence income has been discounted using a lower discount rate of 11.1% than that used of 14.7% for the core businesses. This is to reflect the lower risk of the contracted minimum licence income. The determination of discount rates is set out in Appendix C.

The base case evaluation of the strategic plan has been done on a DCF basis using a common discount rate. This has then been adjusted by reducing the calculated value of "Pipe International" by approximately 50%. This is because this concept is unproven, is of a higher risk than other aspects of Rib Loc's operations and must be seen to be of a speculative nature until its financial performance is proven.

In order to present shareholders with an understanding of the basis and variability of the modelling, we have set out above the key assumptions used in the model. [It should be appreciated that due to the detailed nature and complexity of the model there are some re-iterations and routines which are not as simple as the application of a simple percentage. However we believe that the table provides a fair representation of the effects of the model.]

The model values the Rib Loc business enterprise at approximately $22.7 million and the value per share assessment can be summarised as follows:

	Report Ref.	($ million)
Valuation using Income Approach	10.1	22.7
Plus: Non Core Assets & Tax Losses	9.1 & 9.2	2.4
Less: Corporate Debt (Net of Cash)	9.6	(4.6)
Adjusted Valuation		**20.5**
Number of Shares on Issue	**3.5**	**27,487,332**
Value of Ordinary Shares Pre-Dilution		**$0.75 per share**
Value as Above		20.5
Amount Receivable by Rib Loc - on conversion of Notes - on exercise of Options	9.6	 1.0 0.9
Revised Valuation		**22.4**
Impact on Number of shares of: - conversion of Notes - exercise of Options	9.6	 2,000,000 1,710,000
Revised Number of Shares on Issue		**31,197,332**
Value of Ordinary Shares Post-Dilution		**$0.72 per share**

10.2. Sensitivity Analyses

In addition to the “Strategic Plan” scenario described above, sensitivity analyses has been undertaken for:

- a “Lower Growth Scenario” (which assumes significantly less growth than the Strategic Plan);
- a “Low Growth Scenario” (which assumes 5% less growth than the Strategic Plan);
- a “Mid Growth Scenario” (assuming 25% of the additional sales of the High Growth Target are achieved); and
- a “High Growth Target Scenario” (established in discussions with management).

These scenarios and the various assumptions are described further in Appendix B.

The valuation is particularly sensitive to the assumptions made about growth in the first five years.

The future financial performance of Rib Loc is very difficult to predict and it could be subject to a number of extraneous events. Accordingly to our mid point estimate we apply a range of plus/minus 10% to the enterprise value to allow for uncertainty. It should be noted that the future is uncertain and actual variations could be considerably more than this range.

Despite Rib Loc's below budget performance in the year ending 31 March 2004, the Directors and management of Rib Loc have confirmed their expectation of the achievement of the Strategic Plan for the year ending 31 March 2005.

10.3. Preferred Valuation Range

Having considered the information provided by Rib Loc's management (incorporated in the various scenarios), as well as director's representations regarding the achievability of the March 2005 full year budget, Leadenhall's preferred valuation range of Rib Loc is $0.65 to $0.79 per share.

10.4. Comparison with Prior IER

The Independent Expert's Report of 1 August 2003 calculated a base case (midpoint) valuation per share of $0.88.

The causes of the key differences between the current valuation and the valuation of 1 August 2003 are detailed in Section 6.5 of this Report.

11. VALUATION METRICS

11.1. Overview

When undertaking a valuation, it is usual to apply other methodologies as a cross check of the valuation conclusion reached using the primary methodology.

For the purposes of this valuation it would be usual to cross check the valuation conclusion using comparable transactions and/or a capitalisation of earnings using market derived EBIT multiples or PE ratios.

However, as the Rib Loc business and its technology are so specialised, it has been difficult to identify comparable companies and transactions. This issue is discussed further in Section 11.2.

Due to the lack of comparable companies it has been necessary to calculate the implied valuation metrics derived from the income approach. This has been undertaken in Section 11.3.

In Section 11.4 these derived or implied valuation metrics are then compared with EBIT multiples and PE ratios obtained from the market as a whole, the sector and small companies in general.

11.2. Comparable (Guideline) Companies

As discussed above, due to the specific nature of the Rib Loc business and its technology, it has been difficult to identify comparable companies and transactions.

In Appendix D we have summarised the companies identified and the reasons for excluding those companies from further analysis.

In the previous IER Milnes Holdings Ltd was considered to be the only relevant comparable company within the construction materials sector. Milnes was successfully taken over by Crane Group Ltd in August 2003 and accordingly, no additional information is available.

Crane Group Ltd was considered to be the only relevant comparable competitor.

Price Earnings Ratios and EBIT Multiples of Crane Group Ltd were calculated as at 8 March 2004, as shown below:

	Crane Group Ltd
Price Earnings Ratio	9.6
EBIT Multiple	7.5

Note that these numbers do not take into account potential adjustments for risk and control for closer comparability to Rib Loc. However, due to the small sample size of comparable companies, this approach was not considered further.

At the time of the last IER, Milnes Holdings Ltd [“Milnes”] was subject to a take-over offer from Iplex Pipelines Australia Pty Ltd (a subsidiary of Crane Group Ltd). In the Milnes Target’s Statement, it is stated that:

> “…*the Independent Directors consider an appropriate range of capitalisation multiples to be applied to the Pro-forma 2003 NPAT of the Company excluding Icon to be 9.5 to 11.5 times.*”

As the result of a bidding war, Iplex Pipelines increased its offer to $1.50 per share and as at 7 August 2003 had become entitled to 92% of the ordinary shares. The price of $1.50 equates to an imputed PE ratio of 10.5.

11.3. Implied Metrics

In this Section, we calculate the derived or implied EBIT multiples and PE ratios for the years ending 31 March 2004 and 31 March 2005 using the data from Section 10 – Income Approach and Leadenhall’s preferred valuation range.

Where data is available, it is preferable to use EBIT (earnings before interest and tax) multiples, or a variant thereof, applied to EBIT results. This method removes the gearing differences between companies and enables comparisons to be made on a like for like basis for the value of the underlying business, irrespective of the way the business is financed. The value of the business is calculated using an EBIT multiple and then, in assessing the value of the company, the amount of debt carried by the company is deducted. However, due to the limited comparable data available a PE ratio has also been applied.

The initial stage of a market capitalisation valuation is to analyse the reported net profit after tax for prior and current periods. In this instance due to the expected increase in profitability of Rib Loc, we have used the targeted results for the year ending 31 March 2004 and for the year ending 31 March 2005.

The following table details the calculations for Rib Loc’s implied EBIT multiple and PE ratios:

	Strategic Plan Scenario	
Year Ended	**2004 $ million**	**2005 $ million**
Indicative Enterprise Valuation	22.7	
Strategic Plan EBIT	(1.24)	1.25
Implied EBIT Multiple	**na**	**18.2**
Indicative Enterprise Valuation	22.7	
Less Corporate Debt (Net of Cash) plus surplus assets	2.2	
Indicative Entity Value (excluding Surplus Assets)	**20.5**	
Net Profit after Interest and Tax [1]	(1.1)	0.6
Implied PE ratio	**na**	**34.2**

Note 1: After deducting interest and applying a tax charge, as tax losses are valued separately.

Based on the valuation derived using a discounted cashflow approach, the 2005 EBIT multiple implied by the valuation is 18.2 for the Strategic Plan Scenario. This is a very high EBIT multiple for a business the size of Rib Loc. (The 2004 EBIT multiple is meaningless, due to the negative earnings.)

The impact on PE ratios is similar, with the derived 2005 PE ratio being 34.2 for the Strategic Plan Scenario. This is a very high PE ratio. (The 2005 PE ratio is also irrelevant, due to the negative profit after tax.)

These calculations underscore the importance of achieving the Strategic Plan and indicate that it may be a number of years before the company will return to more normal earnings multiples.

In setting out the estimates of earnings in order to derive a value, it should be noted that the figures for the years ending March 2004 and 2005 have been normalised (by removing the expected earnings of the air conditioning business, along with other adjustments) for the purposes of these calculations only and that the actual reported results will not reflect the above normalisation adjustments.

11.4. Market Multiples

In this section, the EBIT multiples and PE ratios derived or implied from the income valuation approach are compared with metrics obtained from the market as a whole, the sector and small companies in general.

The data in Appendix D sets out market multiples for the Australian industrials market and, in addition, it contains a study of a comparison of PE ratios for small companies compared with large companies.

The table below sets out the resultant multiples, including the premium for control factor.

	High Base Earnings Assumptions	**Low Base Earnings Assumptions**
Selected PE ratio for this evaluation	**10**	**12**

These market derived PE ratios are significantly lower than Rib Loc's PE ratio implied from the income valuation approach for the 2005 year.

11.5. Convertible Notes Acquired

As discussed in Section 3.6.2 – Convertible Notes, Chevalier has acquired 600,000 of the convertible notes issued by Rib Loc. Chevalier's Bidder's Statement discloses, at Section 8.4(c) that the consideration paid for these convertible notes varied from $1.50 per convertible note to $2.00 per convertible note.

As discussed in Section 3.6.2, the convertible notes can be converted into two fully paid ordinary shares and, accordingly, this implies that Chevalier paid up to between $0.75 and $1.00 per equivalent share. However, the convertible notes are (relatively) more valuable than the underlying shares themselves as the notes carry the right to an ongoing coupon rate of 7.43% per annum, whereas the ordinary shares have no guaranteed dividend entitlement, and the notes have greater security being in the nature of a debt instrument.

11.6. Summary

The limited comparable (guideline) companies data available provided EBIT Multiples of 7.5 and PE ratios of 9.6, which are significantly lower than EBIT Multiples and PE Ratio implied for Rib Loc from the income valuation approach.

Leadenhall's study of PE ratios derived from the small companies listed on the ASX provides a range of between 10 and 12 again significantly lower than EBIT Multiples and PE Ratio implied for Rib Loc from the income valuation approach.

The implied 2005 PE ratio for Rib Loc of 34.2 for the Strategic Plan Scenario is unreasonable in comparison with the above ranges but indicates that the valuation is very dependent on the Strategic Plan (and particularly the 2005 results) being achieved.

However, until there is demonstrated achievement of the targeted results, in our opinion, the market is unlikely to accord a full value rating to the shares of Rib Loc.

12. CONSIDERATIONS AS TO WHETHER TO ACCEPT

12.1. Minority Issues

In the absence of any higher bid before the close of the FPL offer, there are a number of significant issues which individual shareholders should consider, namely:

(i) Chevalier and associated companies, at the time FPL made its offer, was entitled to 32.15% of the issued shares of Rib Loc.

(ii) The next two largest shareholders and their associates[20] are entitled to 31.4% and 17.4%. We understand that these shareholders are not associated with each other (refer Section 3.6, Shareholder Structure and History).

(iii) We are not aware of any other shareholders being associated who collectively are entitled to more than 5%.

(iv) The offer is subject to a minimum acceptance condition and relatively few acceptances will result in decreased liquidity in the trading volume of the shares on the ASX.

(v) Chevalier's stated intention to have Rib Loc removed from the official list of the ASX if at the end of the takeover period Rib Loc has less than the required spread of shareholders

Chevalier has the largest shareholding entitlement in Rib Loc and, thus, should only a relatively few shareholders accept their offer, Chevalier will be in a position to influence the composition of the Board of Directors and hence the operations of Rib Loc and/or to prevent another party from exercising control. Should that occur, shareholders who do not accept could be locked into an effective minority position and could face a restraint on the market price of their shares as it would be anticipated trading in Rib Loc's shares will become even more illiquid.

12.2. Share Price

The value of a minority shareholding in a company is largely a reflection of its dividend earning capacity. Rib Loc has not paid a dividend in the last few years.

12.3. Tax

The acceptance of the offer made by FPL may crystallise a tax liability for individual shareholders and any offeree in doubt about their particular circumstances should consult their independent adviser.

[20] As discussed in section 3.6.1, a number of shareholders are associates of SWOM Pty Ltd.

12.4. Alternative Offerors

As at the date of this IER, there has been no other offer made in respect of Rib Loc or its securities.

13. CONCLUSION AND OPINION

The results of Rib Loc have been variable with profits in the years ended March 2001 and 2003 and losses in the years ended March 2002 and 2004.

Rib Loc's Directors and management have confirmed the reasonableness and expected achievability of the two-year strategic plan. Results in succeeding years are expected to show a further improvement from new and existing overseas licensees and the impact of the SRP Technology. There may be the possibility of gains to be made from the plan to cover irrigation channels in Australia but as there is currently no funding to undertake a project of this size the potential income is not capable of assessment and has not been included.

The new pipe and pipe rehabilitation industries are expected to exhibit consistent growth levels in the next few years, however increasing price competition may impinge on the anticipated profitability. The company's new strategy for international pipe sales and development (as set out in section 6.3.3) is yet to be proven.

Accordingly, in assessing the value of Rib Loc and the offer made by FPL, consideration must be given to past results, current earnings (loss) position and the expressed potential for the future.

Preferred Range

In selecting a lower end of the value range, we believe that it is prudent to consider the expected under achievement of the target results for the year ending 31 March 2004.

In selecting an upper end of the range, whilst we accept that the high growth target is possible, the forward growth rates are high. The high growth valuation also produces EBIT multiples and PE ratios which are at the upper end of what may be achievable in the marketplace.

The future financial performance of Rib Loc is very difficult to predict and it could be subject to a number of extraneous events. Accordingly we apply a range of plus/minus 10% to our mid point estimate of the enterprise value to allow for uncertainty. It should be noted that the future is uncertain and actual variations could be considerably more than this range.

Conclusion as to whether FPL's Offer is Fair and Reasonable

Our preferred value range of Rib Loc is \$0.65 to \$0.79 per share (on a fully diluted basis).

As a result of the uncertainty and potential for growth in the future, shareholders should pay particular attention to the issues affecting the expected future results.

The offer from FPL is \$0.75 cash per share.

Accordingly, in our opinion the offer is fair as the offer price falls within Leadenhall's preferred valuation range for Rib Loc's shares.

In our opinion, in the absence of any higher bid, the offer is reasonable because of:

- the variable past results;
- the under-performance year to date;
- the forward high multiples implied by the valuation;
- the past prices at which Rib Loc shares have been traded and at which they could be expected to trade in the absence of the offer;
- the low trading volume and hence liquidity of Rib Loc's shares on the ASX;
- the uncertainty regarding the achievability of the future growth and corresponding increase in profitability;
- the current non dividend paying status of Rib Loc;
- the existing shareholding position of Chevalier; and
- the fact that the full benefit of the expected growth is yet to be achieved.

There are significant considerations that shareholders should bear in mind in assessing this offer and they are set out in the preceding section, Considerations as to Whether to Accept.

The advantage to shareholders of accepting the offer is the receipt of a cash sum which is certain. The disadvantages are that they may be foregoing either a better offer, or, retaining shares in a company which if it improves its earnings according to management's expectations could result over time in a value greater than that offered by FPL.

The cash offer made by FPL is higher than the share prices in trading before the offer was announced and it is likely that, in the absence of another offer or in the absence of improved reported results, the share price of Rib Loc will fall back below the offer price after the expiry of the offer period.

Before taking any action, shareholders should consider the whole of this IER. Acceptance or rejection of the offer is a matter for individual shareholders based on their own views as to value, future market conditions, risk profile, liquidity preference, portfolio strategy and tax position. Shareholders' decisions as to whether to accept the offer may be influenced by their particular circumstances and if shareholders are in doubt, they should consult an independent adviser.

For and on behalf of Leadenhall Australia Limited:

T O Lebbon
EXECUTIVE DIRECTOR

Leadenhall Australia Ltd is the holder of Australian Financial Services Licence No. 228819.

APPENDICES

Appendix A	Rib Loc’s Financial Results
Appendix B	Scenario Valuation Assumptions
Appendix C	Determination of Discount Rates
Appendix D	Comparable Company Data
Appendix E	Sources of Information
Appendix F	Qualifications, Fees, Disclaimer and Consent

Appendix A

Rib Loc's Financial Results

The reported financial performance of Rib Loc on a consolidated basis is summarised below.

Statement of Financial Performance

Months Year Ended	**12 31 March 2001 (1) Actual ($'000s)**	**12 31 March 2002 (1) Actual ($'000s)**	**12 31 March 2003 (1) Actual ($'000s)**	**12 31 March 2004(2) Forecast ($'000s)**
Sales Revenue	23,114	19,661	23,842	24,981
EBITDA (pre Abnormal Items)	4,061	(3,843)	2,872	(62)
Depreciation & Amortisation	2,458	2,475	1,166	1,163
Abnormal Items	510	-	-	
EBIT	1,093	(6,318)	1,706	1,225
Interest Expense	362	226	260	258
Profit Before Tax	731	(6,544)	1,446	(1,483)
Income Tax	10	10	7	7
Operating Profit After Tax	721	(6,554)	1,439	(1,490)
Earnings per Share (cents)	2.87	(24.42)	5.24	(5.42)

(1) Source: Statutory financial statements.
(2) Source: Management estimates

Appendix B

Scenario Valuation Assumptions

The valuation results summarised in section 10.1 of this Report are based Rib Loc's two-year Strategic Plan, which has been approved by the Directors.

As discussed in section 10.2, in addition to the "Strategic Plan" scenario, sensitivity analyses have been undertaken for:

- a "Lower Growth Scenario" (which assumes significantly less growth than the Strategic Plan);
- a "Low Growth Scenario" (which assumes 5% less growth than the Strategic Plan);
- a "Mid Growth Scenario" (assuming half the additional sales of the High Growth Target are achieved); and
- a "High Growth Target Scenario" (established in discussions with management).

The High Growth Target Scenario provides for the upside possibilities on the Strategic Plan Scenario set of assumptions. The higher sales levels were provided by the management of Rib Loc and have been reviewed and confirmed by the directors as a reasonable but achievable stretch target. It is to be recognised that these assumptions are not part of the company's strategic plan, These assumptions have been reviewed by Leadenhall and are believed to be reasonable for the purposes of analysing a potential upside case, assuming that the benefits from the development of the platform technologies described in Section 3.3 are derived and deliver commercial benefits.

The "Low Growth Scenario" and "Lower Growth Scenario" were developed as more conservative estimates, partially in response to Rib Loc's performance being lower than budgeted for the year ended 31 March 2004.

The growth assumptions and the resulting forecast EBITDA results of the base case are shown below:

Total Compounding Annual Sales Growth	
- Years 1 to 5	18.7%
- Years 6 to 10	3.4%
- Ongoing	2.9%
EBITDA	
- Y/ending 31 March 2005	$2,064,000
- Y/ending 31 March 2006	$3,481,000
- Y/ending 31 March 2007	$6,877,000

Note (1): EBITDA results do not agree with the results disclosed in Section 6.4 of this report, due to different assumptions regarding exchange rates as discussed in Section 8.2 of this report.

The results and the value per share assessment are summarised below:

	Base Case $ million
Valuation – Core Operations	**22.7**
Net Adjustments (Surplus Assets, Working Capital, tax Losses and Net Corporate Debt. Sections 9)	(2.2)
Total Company Value	**20.5**
Number of Shares on Issue (Refer Section 3.6) ‘000 shares	**27,487**
Value Range Of Ordinary Shares Pre-Dilution	**$0.75 per share**
Revised Valuation Range post dilution	22.4
Revised Number of Shares on Issue (Refer section 9.6) ‘000 shares	**31,197**
Value Range Of Ordinary Shares Post-Dilution ‘000 shares	**$0.72 per share**

Appendix C

Determination of Discount Rates

The selection of a discount rate (or rate of return) takes into account not only the time value of money but also the risk of projected earnings not being achieved and alternative investments available from a shareholder's perspective.

A benchmark rate of return often referred to is that of the S&P/ASX 200 Accumulation Index.

The compounded annual rate of return for the S&P/ASX 200 Accumulation Index over the past twenty years has been 12.85% per annum. Over this period, inflation has averaged 3.97% per annum. (For the past ten-year period, these figures are a 9.77% nominal S&P/ASX 200 Accumulation Index return and a 2.64% inflation rate.)

An alternative calculation can be undertaken to cross check the above 20-year period real rate of return. Finance theory posits that an investment's rate of return is a function of the risk free rate of return (that available on Government debt) and the market risk premium (returns in excess of the risk free rate which compensate for the additional risk of the investment being analysed, relative to the risk free investment).

The 10 year Commonwealth Bond rate is commonly used as a surrogate for the risk free rate. This rate was 5.61% as at 3 March 2004.

Numerous studies have been undertaken into the size of the market risk premium for Australian equities. The Independent Pricing and Regulatory Tribunal of New South Wales (IPART), in a Discussion Paper entitled *Weighted Average Cost of Capital* (Discussion Paper D56), refers to such studies as:

Study	Time Period Of Study	MRP
Officer (1989)	1982–1987	7.9%
Officer (1989) Updated	1982–1997	7.1%
Hathaway (1996)	1882–1991	7.7%
Hathaway (1996)	1947–1991	6.6%
Centre for Research in Finance (1999)	1974–1998	4.8%
Centre for Research in Finance (1999) — excluding Oct 1987	1974–1998	6.4%
Ibbotson Associates (1999)	1970–1998	3.4%
Dimson, Marsh and Staunton (2000)	1900–2000	7.6%
Welch (Survey 2000)	Oct 98– late 98	7.1%
Welch (Survey 2001)	Aug 2001	5.5%
Graham & Harvey (2001)	June 00– Sep 01	3.6–4.7%
Mercer Investment Consulting (2002)	May 02	3.0%*
		4.0% (incl. franking credits)
		3.0–6.0%

∗ This value reflects that used by Mercer Investment Consulting in its asset allocation advice to institutional investors. In addition, Mercer Investment Consulting also surveyed various brokers on their assumptions of the equity risk premium.

The ACCC, in its 2003 Discussion Paper Review of the Draft Statement of Principles for the Regulation of Transmission Revenues, comments that (Section 8.6.2):

> *"Regulatory decisions in Australia have used a historical MRP (ex-post measure) of between 5-7 % per annum representing the long run average return on Australian stocks.*
>
> …

> *The Commission currently adopts a figure of 6 % per annum for the MRP, which reflects the long run historical return on the Australian stock market. This is consistent with a comprehensive study by Lally for the Commission, which recommended a MRP of 6 % as reasonable."*

Accordingly Leadenhall has applied a market risk premium of 6.0% for the purpose of this calculation.

Using the above inputs, the prospective rate of return of a diversified portfolio of Australian equities can be calculated by applying a derivative of the Capital Asset Pricing Model:

$$K_e = R_f + \text{Market Risk Premium}$$

which yields a nominal rate of return of 11.61%.

The Accumulation Index returns calculated above are representative of a diversified portfolio of equities. A single investment in Rib Loc, however, lacks this diversity. A premium must therefore be applied to the real market rate of return to compensate for the additional business and geographic risk of Rib Loc.

In addition, a further premium must be applied to compensate for the growth assumptions incorporated in Rib Loc's earnings projections. A higher discount rate will reflect the uncertainty of Rib Loc achieving these projections.

It is important to note that the August 2003 IER and this IER have used the same discount rates (with the exception of International Pipe) even though the actual discount rates calculated as at March 2004 were marginally lower. The reasons for choosing to use the same discount rates was to aid the comparability of the two reports and to reflect the higher risk inherent in the March 2004 forecasts, as discussed in other parts of this Report.

As discussed previously, Rib Loc is in the early stages of establishing relation ships with the manufacturers of plastic pipe extrusion equipment. It is believed this will result in sales of Rib Loc pipe making technology to other companies around the world. As this is a new market for Rib Loc and the arrangements have not been finalised, the income is more speculative than the other sources of Rib Loc income. Accordingly we have applied a higher discount rate to this business unit.

Throughout this discussion, it is important to note that the use of nominal discount rates includes inflation effects. In addition, when comparing discount rates to capitalisation multiples it should be noted that capitalisation multiples are increased for the expected growth rate in earnings. The formula to convert a discount rate to a capitalisation multiple is:

$$\frac{1}{(r - g)} = \text{Capitalisation Multiple}$$

Where:

r = the discount rate per the above calculations
g = growth rate of earnings

For consistency in calculations, r and g must either both be in nominal terms or both in real terms. Our analyses have been undertaken on a nominal basis.

Appendix D

Comparable Company Data

Comparable (Guideline) Companies

Leadenhall have considered various companies for the purpose of compiling comparable PE ratios and EBIT Multiples. The companies considered were mainly companies within GICS class 151020 (materials), of which Rib Loc is a part, as well as any listed competitors of Rib Loc.

Many of the companies were considered to be too large or diversified to form a reasonable comparison with Rib Loc (e.g. CSR, Boral and James Hardie). Other companies in GICS class 151020 were not considered further because their activities were dissimilar to those of Rib Loc (e.g. Globe Securities Ltd, China West Holdings Ltd and Suntech Environmental Group Ltd).

Crane Group Ltd was considered to be the only relevant comparable competitor.

Price Earnings Ratios and EBIT Multiples for Crane Group were calculated by Leadenhall as at 8 March 2004, as shown below, together with GICS Class 151020 (Source: www.sharesmag.com.au at 13 February 2004):

	Crane Group Ltd	GICS Class 151020
Price Earnings Ratio	9.6	10.5
EBIT Multiple	7.5	n/a

Note that these numbers do not take into account potential adjustments for risk and a premium for control for closer comparability to Rib Loc. However, due to the small sample size of comparable companies, this approach was not considered further.

Comparable Transactions

Milnes Holdings Ltd [“Milnes”] was acquired by Iplex Pipelines Australia in August 2003 at an historic EBITDA multiple of 5.4 times.

Small Listed Company Multiples

Due to the relative paucity of comparable companies from an industry viewpoint, we have sourced market data for a range of smaller companies traded on the Australian Stock Exchange. This data was taken from the Shares Tables at www.sharesmag.com.au as at 4 February 2004.

All companies chosen displayed the following characteristics:

- positive earnings;
- trading operations (i.e. resource and investment companies were eliminated);
- price earnings multiples between 0 and 30; and
- market capitalisations between $10 million and $40 million.

Small companies do not enjoy the same high rating as large companies for capitalisation multiples. There is a well documented small company effect in the US market and some evidence can be drawn in the Australian context. An alternative way of approaching this is to review multiples for small companies rather than for the market as a whole. The table below shows the market capitalisation weighted average multiples for a selection of companies. We have based our estimate of a reasonable multiple on a sample of small companies. No two companies are exactly the same, neither from a growth viewpoint nor from a risk viewpoint, be it financial risk or business risk. The individual companies selected are not directly comparable, but the sample overall is relevant as a comparable surrogate for multiples to be applied to smaller companies.

The sample size has been selected based on a range encompassing the potential values which might apply to Rib Loc.

Sub-samples were then constructed based on various combinations of market capitalisation and price earnings multiples. A table of comparative data follows:

	Sample Price Earnings Ratio Ranges			
	0-25	**0-30**	**5-25**	**5-30**
Sample Market Capitalisation ($m)	**Resultant Weighted Average Price Earnings Ratios**			
10-30	7.2	8.8	10.6	11.4
10-35	7.1	8.9	10.7	11.7
10-40	7.7	9.4	11.2	12.0

The All Ordinaries PE ratio averaged 16.4 as at 4 February 2004.

A premium for control of between 20% and 30% is required to be added to the PE ratio selected for the valuation of 100% of a business. This factor recognises that a premium for controlling 100% of the shares in an entity (rather than a minority shareholding) does exist. In this valuation we have used a premium for control of 25%.

The PE ratios drawn from the market are those as at 4 February 2004. They are current prices based on historic earnings. To the extent that one could expect earnings to be increasing overall, these multiples are higher than today's market capitalisation of companies compared with current or projected earnings. The difference typically is a reciprocal of the earnings growth. We have allowed for this in assessing a reasonable market multiple for capitalising Rib Loc's earnings.

A summary of the process applied to determine the high and low PE ratios used in this valuation is detailed in the following table:

	P E Ratios	
	Small Capitalisation Stocks (Market Average, Historic Earnings)	
	Range	
Range:	7.2	12.0
Plus		
25% Control Premium	1.8	3.0
	9.0	15.0
Mid-Point PE ratio	**12.0**	
	Adjustments	
Less		
Adjustments for other considerations including:		
Industry prospects	Yes	Yes
Variable past profits	Yes	Yes
Prospective versus historic earnings	Yes	Yes
Higher earnings	No	Yes
	Preferred Range to use for Rib Loc	
	Base Case Earnings Assumptions	**High Growth Earnings Assumptions**
Selected PE ratio for this evaluation[(1)]	**10**	**12**

Notes

(1) Lower value obtained due to discounts applied.

Appendix E

Sources of Information

In preparing this IER, we have had access to:

- Discussions with the Chairman, Chief Executive and senior members of management of Rib Loc.
- Financial statements for the years ended 31 March 2001, 2002 and 2003.
- Management Accounts for the eleven months ended 29 February 2004.
- Management forecasts for the one month to complete the year ending 31 March 2004.
- Internal management budgets and strategic plan for the years ending 31 March 2005 and 2006.
- Board papers of Rib Loc.

We have not undertaken an audit of the data provided to us and have relied upon that data.

Appendix F

Qualifications, Declarations, Disclaimer and Consent

Qualifications

Leadenhall is an Adelaide based corporate advisory firm. Leadenhall holds Australian Financial Services Licence No 228819 pursuant to Section 913B of the Corporations Act and is authorised to advise on securities

Mr Tim Lebbon is the Executive Director of Leadenhall. He has over thirty years' experience in accounting and consulting. Mr Lebbon is co-author of the major reference work, *Australian Valuation Handbook*. Professional memberships include: Fellow of the Securities Institute of Australia, Fellow of the Institute of Chartered Accountants in England and Wales, Fellow of the Australian Society of CPAs and he is a Certified Valuation Analyst (USA).

Other staff of Leadenhall, Mr Simon Dalgarno and Mr Philip Mann assisted with the preparation of this Report.

Declarations

At the date of this Report, none of Leadenhall, nor any member, director or employee of Leadenhall has any interest in the outcome of the take-over offer made by FPL except that Leadenhall is entitled to a fee for services rendered, estimated to be $35,000, and based on time spent at normal hourly rates. The fee payable to Leadenhall is in no way dependent upon the outcome of the take-over offer.

A draft of this IER (with the conclusion paragraphs deleted) dated 27 March 2004 was submitted to the directors of Rib Loc for review of correctness with regards to factual information contained in the report. No changes have been made to the valuation or our opinions as a result of that review.

Leadenhall has previously undertaken work for Rib Loc. This previous assignment involved the preparation of an Independent Expert's Report dated 1 August 2003 and was in response to Chevalier's first offer to acquire the outstanding shares in Rib Loc.

As part of its terms of engagement, Rib Loc has provided Leadenhall with a representation letter and an indemnity.

Disclaimer

Leadenhall's opinion is based on economic, share market, business trading and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time. If they do change materially, Leadenhall's valuation and opinion could be different in these changed circumstances.

This Report is based on financial and other information provided by Rib Loc. Leadenhall has considered and relied upon this information and has no reason to believe that any material facts have been withheld. The information provided has been evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the FPL offer is fair and reasonable. However, in preparing reports such as this, time is limited and Leadenhall does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to fairness and reasonableness is more in the nature of an overall review rather than a detailed audit or investigation.

An important part of the information used in forming an opinion of the kind expressed in this Report is comprised of the opinions and judgments of management. This type of information was also evaluated through analysis, enquiry and review to the extent practicable. However, such information is often not capable of external verification or validation.

Rib Loc is responsible for the forward looking statements. Leadenhall has used and relied on those forward looking statements for the purposes of its analysis and has assumed that these forward looking statements were prepared appropriately and accurately based on the information available to management at the time and within the practical constraints and limitations of such estimates. Leadenhall has assumed that these forecasts do not reflect any material bias, either positive or negative, and has no reason to believe otherwise. The major assumptions underlying these forward looking statements were reviewed by Leadenhall in the context of current economic, financial and other conditions.

Compilation and preparation of this document involved making judgments which may be affected by unforeseen future events including wars, economic disruption, dislocations, business cycles, industrial relations, labour difficulties, political action, changes of government and other factors, the effects of which are not capable of precise assessment. In many cases, value judgments must be made based on material compiled by government agencies, scientific organisations, research organisations, industrial, commercial and professional organisations and others.

Leadenhall will not be liable for any loss or damage caused to its client, or any other third party as a result of any errors in data which is either supplied by the client, supplied by a third party to Leadenhall, or which Leadenhall is required to estimate.

This Report contains various forward looking statements. All statements other than statements of historical fact are forward looking statements. Forward looking statement are inherently uncertain in that they may be affected by a variety of known and unknown risks and other factors which could cause actual values or results, performance or achievements to differ materially from those expressed or implied in those forward looking statements.

Leadenhall makes no representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, except to the extent required by law.

All surveys, forecasts, projections and recommendations contained or made in relation to or associated with this document are made in good faith and on the basis of information supplied to Leadenhall at the date of preparation. Achievement of the projections and budgets set out in this document will depend, among other things, on the actions of others over which Leadenhall has no control.

Leadenhall is not an expert in the field of taxation or law. Leadenhall shall not be liable for any loss, damages or penalties which may result from any failure to obtain independent taxation or legal advice.

This IER has not been prepared for any purpose other than to accompany the Target's Statement of Rib Loc in response to the Bidder's Statement issued by FPL. This IER should not be used for any other purpose.

Consent

Neither the whole nor any parts of this document may be appended or referenced to in any documents without the prior written consent of Leadenhall.

Leadenhall consents to the inclusion of this report, in the form and context in which it is included, as an annexure to the Target's Statement, and for the statements in Sections 1, 3.2, 3.4 and 4.16 of the Target Statement to be included in the Target Statement in the form and context in which those statements have been included.