

# Investigating Accountant's Report



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PricewaterhouseCoopers  
Securities Ltd  
ACN 003 311 617  
Holder of dealer's licence No 11203

Board of Directors  
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22 July 1999

**Subject: Investigating Accountant's Report on historical and forecast financial information**

Dear Directors

- 1 We have prepared this report for inclusion in a Prospectus dated on or about 22 July 1999 relating to the rights issue of 87.5 million New Stapled Securities in Envestra Limited ("the Company"), in conjunction with a placement of 151.1 million New Stapled Securities, to raise a total of \$210.0 million ("the Issue").
- 2 Expressions defined in the Prospectus have the same meaning in this report.
- 3 The nature of this report is such that it should be given by an entity which holds a dealer's licence under the Corporations Law. PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate dealer's licence.

**Scope**

- 4 You have requested us to prepare a report covering the following information:
  - (a) historic and pro forma Company balance sheets as at 31 December 1998 incorporating the acquisition of Stratus and the impact of the Convertible Notes and the Issue ("the historical financial information")
  - (b) the Forecasts referred to below:
    - (i) forecast profit and loss and cash flow statements for each of the years to 30 June 1999 (being nine months actual to 31 March 1999 and three months forecast to 30 June 1999) and 30 June 2000
    - (ii) forecast distributions to investors for the years ending 30 June 2000, 2001 and 2002.

Envestra Limited  
22 July 1999

### Scope of review of historical financial information

- 5 The financial report of the Company was subject to an audit by PricewaterhouseCoopers for the six months ended 31 December 1998 in accordance with Australian Auditing Standards.
- 6 We have conducted our review of the historical financial information in accordance with Auditing Standard AUS 902 “Review of Financial Reports”. We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:
  - (a) review of the financial reports for the six months ended 31 December 1998 of the Group
  - (b) comparison of consistency in application of applicable Accounting Standards and accounting policies
  - (c) review of work papers, accounting records and other documents, and
  - (d) inquiry of Directors, management and others.
- 7 These review procedures were substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards, the purpose of which is the expression of an opinion on financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Opinion on historical financial information

- 8 Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the historical information, as set out in Section 4 of the Prospectus:
  - (a) does not fairly represent the historical and pro forma balance sheets of the Company as at 31 December 1998, and
  - (b) has not been prepared in accordance with Australian Accounting Standards and the accounting policies disclosed in the Prospectus.

Envestra Limited

22 July 1999

### Forecast financial information

- 9 The Directors of Envestra Limited are responsible for the preparation and presentation of the Forecasts, including the assumptions on which they are based.
- 10 Our review of the Forecasts was conducted in accordance with Auditing Standard AUS 902 “Review of Financial Reports”. Our procedures consisted primarily of inquiry and comparison and other such analytical review procedures we considered necessary so as to adequately evaluate whether the assumptions appear reasonable in the circumstances. These procedures included discussion with management about the business and proposed operations of the Company and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that the Directors' assumptions do not provide a reasonable basis for the preparation of the Forecasts and whether, in all material respects, the Forecasts are properly prepared on the basis of the assumptions and are presented fairly, on a basis consistent with Australian Accounting Standards and the accounting policies as set out in Section 4 of the Prospectus.
- 11 Our review is substantially less in scope than an audit examination conducted in accordance with Australian Accounting Standards. A review of this nature provides less assurance than an audit and accordingly we do not express an audit opinion on the Forecasts included in the Prospectus.

### Opinion on Directors' forecasts

- 12 The Forecasts have been adopted by the Directors of Envestra Limited to provide investors with a guide to the potential future profitability and distributions of the Company based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of forecasts. Accordingly, investors should have regard to the investment risks set out in Section 5 together with the sensitivity analysis set out in Section 4 of the Prospectus.
- 13 The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Company. If events do not occur as assumed, actual results and distributions achieved by the Company may vary significantly from the Forecasts. Accordingly, we do not express an audit opinion

Envestra Limited

22 July 1999

on the Forecasts, nor can we confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation.

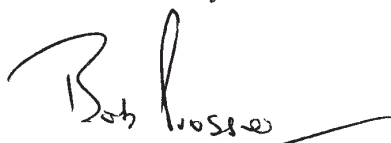
14 Based on our review of the Forecasts:

- (a) nothing has come to our attention which causes us to believe that the assumptions set out in Section 4 of the Prospectus do not provide a reasonable basis for the Forecasts, and
- (b) in our opinion, the Forecasts are properly compiled on the basis of the assumptions and presented on a basis consistent with the accounting policies of the Company, Australian Accounting Standards and other mandatory professional reporting requirements.

#### Subsequent events

15 Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

Yours faithfully



RE Prosser  
Authorised Representative

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