# ADELAIDE BRIGHTON LTD ANNUAL REPORT

2009

profile

Adelaide Brighton Ltd is a leading, integrated construction materials and lime producing group of companies focused on the engineering, infrastructure and resource sectors. The Group's activities are the production and marketing of clinker, cement and lime products, premixed concrete and aggregates, and concrete products. Adelaide Brighton originated in 1882 and is now an S&P/ASX200 company with 1,350 employees and operations in all Australian states and territories.

**Cement and lime**

Adelaide Brighton is a market leader in cement and lime in South Australia, Western Australia, and the Northern Territory through its Adelaide Brighton Cement, Cockburn Cement and Northern Cement operations. It also has strategic operations in the eastern states through its Morgan Cement grinding facility in New South Wales, and its 50% owned cement supply joint ventures in Queensland (Sunstate Cement) and Victoria (Independent Cement and Lime).

**Concrete and aggregates**

Adelaide Brighton has a modest position in the premixed concrete markets through Hy-Tec in Victoria, New South Wales and south east Queensland, and a 50% joint venture in northern Victoria and southern New South Wales with the Mawson Group. The Company has an emerging position in aggregate supply, with strategic reserves at Austen Quarry, west of Sydney, through the Mawson Group in northern Victoria and southern New South Wales and Hurd Haulage in northern New South Wales.

**Concrete products**

Under the brand of Adbri Masonry, Adelaide Brighton holds the number one market position in Australia in the masonry products market, with operations in Queensland, New South Wales, Victoria, Tasmania and South Australia.

**Customers and sustainability**

The major end-use markets for Adelaide Brighton's products include residential and non-residential construction, engineering construction, alumina, and gold mining and production.
The Company's commitment to sustainable development is demonstrated through a range of actions implemented across a balanced program of business based initiatives. Adelaide Brighton believes that setting and achieving sustainability objectives throughout its organisation positions it for long term competitive business performance.


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## Revenue of $987.2 million - a decrease of 3.4%

## Earnings before interest and tax $185.3 million - a decrease of 2.0%

## Earnings before interest, tax, depreciation and amortisation $242.1 million - a 1.5% decrease

## Profit before tax $168.6 million - an increase of 8.6%

## Net profit attributable to members $123.1 million - an increase of 1.9%

## Earnings per share decreased 8.2% to 20.4 cents (22.2 cents pcp)

## Cash flow from operations increased by 25.3% to $188.1 million

## Gearing[1] reduced to 19.6% (55.3% pcp) due to equity capital raising and cash management

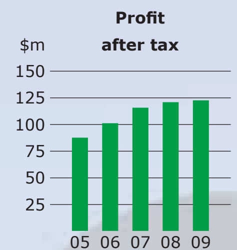
## Interest cover increased to 11.1 (5.6 pcp) due to the decreased interest expense

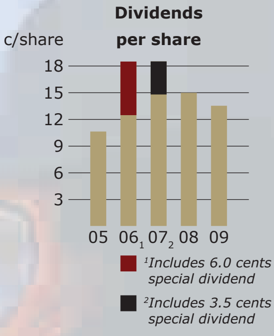
### FINANCIAL SUMMARY

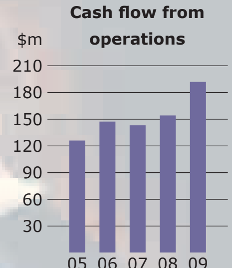
| $ millions | 2009 | 2008 |
|---|---|---|
| **Revenue** | **987.2** | **1,022.4** |
| Depreciation and amortisation | (56.8) | (56.8) |
| **Earnings before interest and tax ("EBIT")** | **185.3** | **189.1** |
| Net interest[2] | (16.7) | (33.8) |
| **Profit before tax** | **168.6** | **155.3** |
| Tax expense | (45.4) | (34.5) |
| **Net profit after tax** | **123.2** | **120.8** |
| Minority interest | (0.1) | – |
| **Net profit attributable to members** | **123.1** | **120.8** |
| Earnings per share (cents) | 20.4 | 22.2 |
| Dividends per share - fully franked (cents) | 13.5 | 15.0 |
| Net debt ($ millions) | 175.4 | 387.8 |
| Net debt/equity (%) | 19.6% | 55.3% |

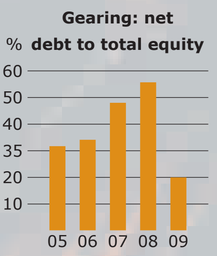
*[1] Net debt/equity*

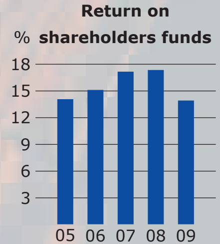
*[2] Interest shown gross in the Income Statement with interest income included in revenue*

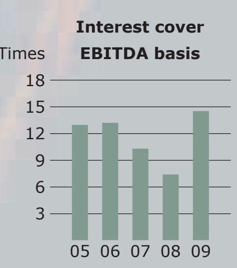


*Malcolm Kinnaird AC*
*Chairman*

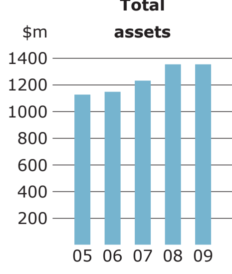
Adelaide Brighton reported its ninth consecutive record profit in 2009 during a challenging economic period. The Company continues to adhere to its corporate strategy and capital management program. As a result, Adelaide Brighton has strong businesses in each of the markets in which it operates plus the balance sheet certainty and flexibility to take advantage of growth opportunities and to meet operational investment needs.

**2009 performance**

The year 2009 was one of consolidating acquired businesses and focussing on tight management of our operations in a weaker demand environment. Our move into concrete, aggregates and concrete products in the eastern states has been significant in driving cement sales and supporting consistent utilisation of our manufacturing base.

Adelaide Brighton reported record net profit after tax of $123.1 million for 2009, a 1.9% increase over 2008. A fully franked final dividend of 8.0 cents per share was declared, bringing the full year dividend to 13.5 cents per share. The dividend payout ratio was 69.2% - in the middle of the Board's preferred range of 65% - 75%.

Cognisant of the global economic downturn, the Company focused on optimising its balance sheet through the delivery of its planned capital management strategy. This, together with tight working capital and capital expenditure management, were instrumental in reducing 2009 year end net borrowings to $175.4 million and gearing to 19.6% from 55.3% at the end of the previous year.



## Strategy

The quality of Adelaide Brighton's asset base and the continued commitment to a well proven corporate strategy of vertical integration, lime development, and operational improvement are critical factors in the Company's success.

The past decade has seen the transformation of Adelaide Brighton from a regional cement producer into a national provider of building materials to the construction sector (through its domestic manufacturing base and import facilities), and a leading supplier of lime to the resources sector.

The catalyst for this was the successful merger with Cockburn Cement in 1999, rationalisation of manufacturing capacity, reinvestment in key cement and lime operations in South Australia and Western Australia and the implementation of the downstream strategy.

The Company has established important cement distribution joint venture partnerships with Sunstate Cement in Queensland, and Independent Cement and Lime in Victoria and New South Wales. Our joint venture with the Mawson Group has added balance to our Victorian premixed concrete operations, and our partnership with SITA-ResourceCo has provided an important source of alternative fuels to our Birkenhead plant.

These initiatives have improved the Company's cost structure and competitive position, supporting consistent growth in shareholder returns.

## Sustainability

Adelaide Brighton continues to develop and report to all stakeholders its principal measures of sustainability. These embrace health and safety, efficiency, emissions intensity, fuel utilisation, raw material substitution and resource management. The Company successfully met its National Greenhouse and Energy Reporting and Energy Efficiency Opportunities reporting obligations during 2009, and has engaged its external auditors to obtain the necessary independent assurance of the Company's Emissions Intensive Trade Exposed data.

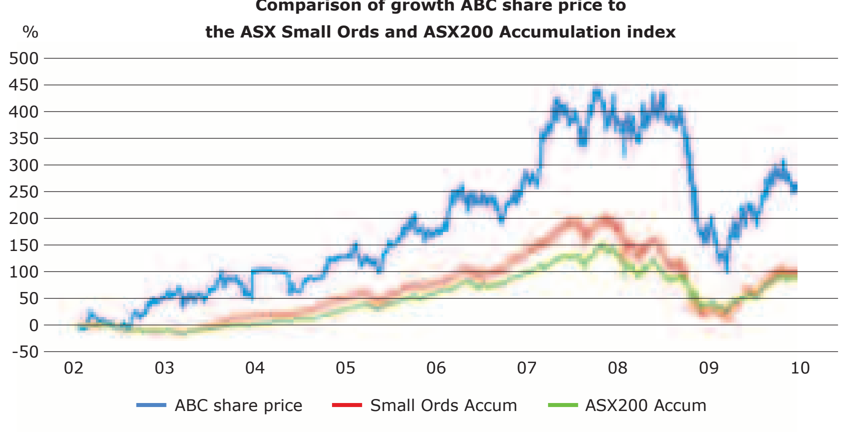
We support the implementation of an Australian emissions trading scheme as a mechanism to direct carbon emissions reduction investment to the lowest cost abatement solutions. However, it is vital that, where there is competition from imported products that do not have an equivalent emissions cost impost, such a scheme does not drive cost increases which jeopardise the competitive position of Australian industries, either in overseas or domestic markets.

## Conclusion

In this my last year as Chairman of Adelaide Brighton, I reflect on the immense pleasure it has given me to see the Company embark on its current strategic path and the resultant nine years of growth in profitability and shareholder return. This represents an average annual total shareholder return of 28.2% over that time.

I have been fortunate during my Chairmanship to have worked with talented and experienced Board members committed to excellent governance practices and with executive management teams who have built a base of high calibre employees, embedded consistent processes, and implemented the strategies required to bring the Company to its current performance level. I particularly want to thank our Managing Director, Mr Mark Chellew, for his leadership over the past eight years.

I am very pleased to hand the Chairmanship to one of those experienced Board members, Mr Chris Harris, and wish him every success as he takes the Company forward into a new decade.



*Mark Chellew*
*Managing Director*

Adelaide Brighton achieved another increase in earnings through the early adoption of price increases to recover escalation in costs, the successful engagement of its Profit Optimisation Program, a 54.7% reduction in net borrowings and a 50.4% reduction in interest expense. This was achieved despite a 15% national decline in cement demand.

**2009 performance**

For 2009, the Company reported increased net profit after tax of $123.1 million, up 1.9% over the previous corresponding period (pcp).

This record result was achieved despite a 3.4% decline in sales revenue to $987.2 million over the pcp, predominantly as a result of reduced cement and concrete demand. Turnover also included the first full year's trading from Hanson Building Products, acquired on 1 July 2008. Normalising for this impact, underlying sales were 7% below 2008.

EBIT margin increased slightly to 18.8% (18.5% pcp) as a result of higher selling prices and $15 million of cost reductions achieved through the Profit Optimisation Plan.

Profit before tax increased by 8.6% to $168.6 million, due to reduced interest expense as a result of lower borrowings and lower bank interest rates.

Despite the improvement in after tax profit, 2009 earnings per share dipped to 20.4 cents (compared with 22.2 cents in the pcp) following the increase in issued share capital which flowed from the institutional equity raising and the Share Purchase Plan.

The latter was a key contributor to the 54.7% reduction in net borrowings to $175.4 million and the resulting 50.7% reduction in net finance expense to $16.7 million.

Adelaide Brighton's key cement markets declined 11% - less than the overall decline in the national market, which was in the order of 15%. The Company has a greater exposure to resource sector demand in Western Australia and South Australia and lesser exposure to Queensland and New South Wales, which were the states showing the largest annual decline in cement demand.

We managed the demand reduction by lowering the volume of our cement and clinker imports. This enabled the Company's cement kilns to continue to produce at capacity and was a key factor in optimising profitability. The decrease in sales of imported product improved overall average cement gross margins due to the higher cost of imported versus domestic manufactured product.

Supported by increased demand from the alumina and gold sectors, lime sales were on a par with the previous year. The flexibility of the Company's significant lime production base allowed us to address peak customer demand.

Munster cement Kiln 2 was switched to lime manufacture for a six week campaign and lime was supplied to the Northern Territory from the Angaston plant in South Australia.

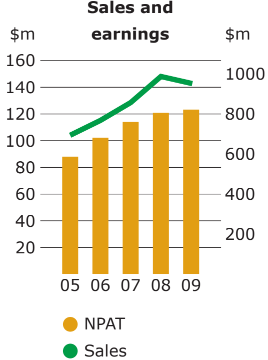
Lime prices increased by an average 6%. This offset the rise in input costs and supported margins at the levels required to justify sustainable future investment in lime producing assets.

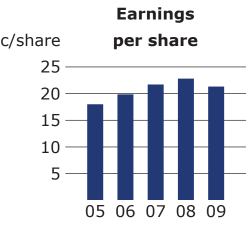
**Strategic development**

The Company continued its strategy of focused downstream integration through the merger of C&M Brick with the former Hanson Building Products business under the new brand of Adbri Masonry. This process delivered forecast $3 million annual integration synergies. The sizing of plant capacities and configuration to meet predicted market demand has put the Company in a strong position to take advantage of increases in market demand. These operations delivered a $4.4 million full year EBIT, up from break even at the half year.

Adelaide Brighton continues to make measured progress in growing its aggregate positions from the Austen Quarry in Hartley, New South Wales and the Hurd Haulage quarries in the Port Macquarie region.

*Photograph courtesy of the Department for Transport, Energy and Infrastructure*




Both operations benefited from sales of road base materials to highway construction projects.

The 2009 year was also strong for the Mawsons joint venture, which operates in regional north central Victoria. The Company benefited from increased mining and water infrastructure demand, which offset softer construction activity.

### Our people

The skills and tenacity of our employees has contributed to a much stronger, more experienced and focussed Company. I would like to thank all employees for their efforts and loyalty during the year. As a Company, I believe we are well positioned to face our future challenges and meet our targets.

### Outlook

Adelaide Brighton anticipates that concrete demand across Australia will be similar to that of 2009. The timing of the recovery in regional cement demand is still uncertain and, while the recovery in the housing sector is underway, there is concern about the sustainability of demand in a tightening cash rate cycle.

Infrastructure spend is expected to increase but there is weakness in the commercial construction sector, which is experiencing poor access to finance.

Prices for cement, concrete and possibly lime may be constrained in 2010 if the current strength of the Australian dollar and subdued shipping costs continue. Both contribute to lower import parity pricing. In addition, the potential threat of small scale opportunistic lime imports is emerging.

Lime volume is predicted to be similar to that of 2009. To address expected medium term demand, the Company is re-evaluating lime capacity expansion, which was postponed during the global financial crisis. This may see a further $25 million phased investment in the Munster lime assets over the next two years, improving plant throughput and environmental performance.

To ensure increased supply to meet growing resource sector demand, the Company also plans to invest approximately $40 million over the next few years to increase the capacity of its Mataranka plant in the Northern Territory by approximately 50 kt per annum.

Adelaide Brighton continues to focus on operating costs to retain savings from the 2009 Profit Optimisation Program. However, it foresees continued pressure on energy prices and, in particular, gas costs. In managing this risk, the Company has entered into long term gas purchase and supply contracts. These will incur higher gas costs in the earlier years but offer better security of supply. The overall impact of higher energy prices is estimated to increase costs by $8 - $10 million in 2010.

Subject to any acquisitions, 2010 borrowing levels will be below those of 2009. However, there will be upward pressures on interest expense due to the rising cash rate and the refinancing of the $310 million two year debt facilities by mid year. The Company is currently assessing its future financing needs and is in advanced discussions with its bankers.

Adelaide Brighton expects another good result in 2010 despite the uncertain and potential volatile world economic conditions.

*Photograph courtesy of the Department for Transport, Energy and Infrastructure*

*Michael Kelly*
*Chief Financial Officer*

The adoption of Profit Optimisation Programs and continued focus on maximising cash flow enabled Adelaide Brighton to maintain earnings during 2009, despite a decline in cement demand in the Australian construction materials sector. Increased cash flow, together with effective capital management strategies, reduced year end gearing to 19.6%, providing balance sheet flexibility for future acquisitions.

**Profits**

The Company returned net profit after tax of $123.1 million, despite an underlying $10.9 million (31.5%) increase in income tax expense. Profit before tax rose by $13.3 million to $168.6 million (a 8.6% increase over 2008), assisted by an $18.6 million reduction in finance costs, as lower borrowings were complemented by successive reductions in the cash rate.

**EBIT margins**

EBIT margins increased slightly to 18.8% (18.5% pcp). This improvement was supported by higher selling prices, cost reductions and a mix shift away from lower margin imported products. The impact of one off items on EBIT was relatively small. Redundancy costs and Klein Point costs were offset by property profits and the recovery of previously expensed land holding costs.

**Shareholder return**

A final dividend of 8.0 cents per share was declared, resulting in a total fully franked dividend of 13.5 cents per share. The dividend payout ratio of 69.2% was maintained around the middle of the Board's preferred range of 65% - 75%.

The increase in issued shares from the institutional equity raising and the Share Purchase Plan saw a drop in earnings per share from 22.2 cents to 20.4 cents. Following the successful capital raising, the Company suspended the Dividend Reinvestment Plan effective from the final 2009 dividend. Return on equity eased from strong 2008 levels as a result of the equity raising.

Since 2000, Adelaide Brighton has delivered an average annual total shareholder return of 28.2%.

**Cash flow and borrowings**

Operating cash flow increased by 25.3% to $188.1 million as a result of continued working capital management, constrained capital expenditure and the divestment of non-core property assets.

Trade receivables ($146.0 million) and debtor days were both in line with the previous year. This result was further complemented by a reduction in bad debt expense, with no material customer failures during the year. Inventory levels were reduced by $8.3 million to $107.8 million, through tight control over engineering spare parts.

Capital expenditure was $43.1 million for the year - a significant reduction over previous years - and limited to the completion of work in progress and essential maintenance investment.

Recognising the potential risks from credit market instability, the Company took the prudent step of raising capital through a combined $111.0 million (net of transaction costs) institutional equity raising and Share Purchase Plan. In recognition of retail investor demand, the Share Purchase Plan was increased from $15.0 million to $28.5 million.

This capital raising, combined with tight cash flow management, resulted in net debt reducing by $212.4 million to $175.4 million. Year end gearing fell to 19.6% compared with 55.3% in the previous corresponding period.

Adelaide Brighton's borrowings comprise $310 million two year credit facilities, maturing on 30 June 2010, and $210 million three year facilities, maturing on 30 June 2011. The Company is currently assessing its financing needs and is in advanced discussions with its lead bankers - CBA, Westpac and NAB - with regard to the rollover of the existing $310 million, two year facilities.

**Interest and taxation**

Net finance expense fell by $17.1 million to $16.7 million due to lower levels of borrowing and the lower underlying cash rate. Interest cover increased to 11.1 times, compared with 5.6 times in 2008.

In the absence of the $3.5 million in one off tax benefits realised in 2008, the 2009 tax expense reverted to the basic tax rate, offset by equity accounted joint venture net profits. The net result was a 26.9% tax rate (22.2% in 2008).

**Risk management**

Currency values and interest rates remain Adelaide Brighton's key financial risks. The Company was able to take advantage of successive reductions in the cash rate during the first half of 2009. It adhered to its three month foreign exchange hedging policy throughout the year and benefited from lower imported cement costs due to the progressive rise in the Australian dollar.

The Company addressed a key systems risk during 2009 by replacing its business systems in the Corporate, Cement and Lime and Concrete Products Divisions with the SAP enterprise resource planning system. SAP was progressively introduced over the second half of the year and will be implemented in the Concrete and Aggregates Division during 2010 and 2011. Implementation risk was successfully managed and the system is expected to deliver benefits during 2010.

*Cement, lime, drymix, fly ash and gypsum:*
**Adelaide Brighton Cement**
**Cockburn Cement**
**Morgan Cement/Vales Pt**
**Northern Cement**
**Mataranka Lime**
**Blanchetown Quarry**
**Dongara Lime**

*Limestone:*
**Exmouth**
**Rawlinna Quarry**

*Premixed concrete, aggregates and sands:*
**Austen Quarry**
**Hurd Haulage**
**Hy-Tec Qld, NSW, Vic**

*Concrete products:*
**Adbri Masonry**

*Joint ventures:*
**Alternative Fuel Company**
**Independent Cement and Lime**
**Mawsons**
**Sunstate Cement**
**Batesford Quarry**
**Burrell Mining Services**

Ⓐ **Adelaide Brighton Cement**
*Cement, drymix, fly ash*

**Adbri Masonry**
*Concrete products*

**Alternative Fuel Company**
*Alternative fuel*

Ⓑ **Adelaide Brighton Cement**
*Cement, lime*

Ⓒ **Adelaide Brighton Cement**
*Gypsum*

Ⓓ **Independent Cement and Lime**
(50% owned)
*Cement, lime, drymix, slag*

**Adbri Masonry**
*Concrete products*

**Hy-Tec Vic**
*Premixed concrete*

Ⓔ **Batesford Quarry**
*Limestone, sand*

Ⓕ **Mawsons** (50% owned)
*Premixed concrete, aggregates*

Ⓖ **Austen Quarry**
*Aggregates*

Ⓗ **Morgan Cement/Vales Pt**
*Cement, fly ash*

Ⓘ **Adbri Masonry**
*Concrete products*

**Hy-Tec NSW**
*Premixed concrete*

Ⓙ **Independent Cement and Lime**
(50% owned)
*Cement, lime, drymix, fly ash*

**Hurd Haulage**

Ⓚ *Aggregates, sands, Premixed concrete*

Ⓛ **Adbri Masonry**
*Concrete products*

Ⓜ **Sunstate Cement**
(50% owned)
*Cement, drymix*

Ⓝ **Hy-Tec Qld**
*Premixed concrete*

Ⓞ **Adbri Masonry**
*Concrete products*

Ⓟ **Adbri Masonry**
*Concrete products*

Ⓠ **Mataranka Lime**
*Lime*

Ⓡ **Northern Cement**
*Cement*

Ⓢ **Exmouth**
*Limestone*

Ⓣ **Dongara Lime**
*Lime*

Ⓤ **Cockburn Cement**
*Lime, cement, drymix*

Ⓥ **Rawlinna Quarry**
*Limestone*

Ⓦ **Adbri Masonry**
*Concrete products*

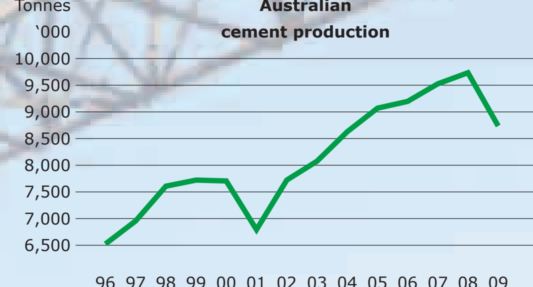
Ⓧ **Hy-Tec NSW**
*Aggregates*

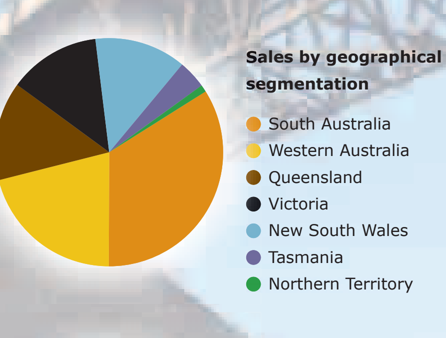
Ⓨ **Burrell Mining Services**
*Concrete products*

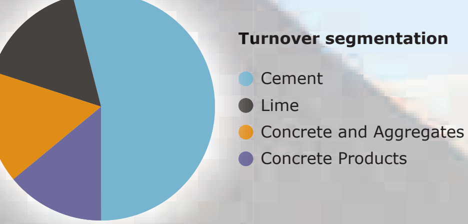
# review of operations

*Tom Douglas*
*Executive General Manager*
*Marketing and Sales*

**Adelaide Brighton's consistent strategy of focused and relevant vertical integration, development of the lime business and cost reduction and operational improvement provides a solid platform for future development and has supported the Company's sustained performance achievement in 2009 despite what was a challenging economic environment.**



*Martin Brydon*
*Executive General Manager*
*Cement and Lime*

Optimising plant capacity and focusing on controllable costs saw continued earnings improvements in the Cement and Lime Division in 2009.

The Division continues to be the main earnings driver for Adelaide Brighton. Its cement sales in Queensland and Victoria are crucially supported by the two joint ventures, Sunstate Cement and Independent Cement and Lime.

An 11% fall in cement demand was managed entirely by reducing imported product, as lower margins mitigated the impact on earnings. As a result, the cement producing assets continued to run at capacity, demonstrating the success of the Company's long term import strategy.

The 2009 year was not without its operational challenges. In May, the Company's limestone carrying vessel *Accolade II* collided with the Klein Point loading jetty. The Company's risk management plans were immediately implemented and the supply of limestone to Birkenhead was maintained with no resulting loss in plant output.

While the jetty and loader required substantial repairs, even with some weather related delays, effective project management enabled operations to return to normal by early September.

A close working partnership with the insurers and loss adjusters resulted in a $13.4 million claim being agreed in November. A $2.6 million one off uninsured excess cost was taken against earnings for the year.

The Birkenhead plant's annual major maintenance shutdown was successfully completed in February. The summer shutdown provided the indirect benefit of reducing plant electricity usage, and consequently cost, at a time of potential peak demand in South Australia.

*Pluto LNG Project - Photograph courtesy Woodside Energy Ltd*

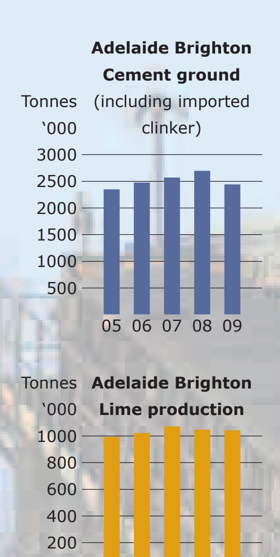
The dedicated lime kilns at Munster, Angaston and Mataranka continued to operate at full capacity. Dongara performed at optimum capacity, supplying peak market demand. Munster cement Kiln 2 was switched to lime supply for a period of six weeks to meet peak resource sector demand.

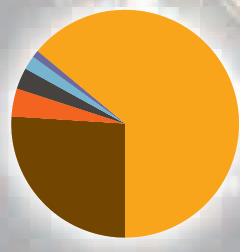
The Division successfully implemented the Profit Optimisation Program and, through a rigorous review approximately $10 million of cost reductions were realised.

Imported clinker and cement contractual obligations were managed successfully during 2009. The flexibility of the Company's importing base and its long term supplier relationships were key factors in achieving this. The average AUS/USD and AUD/JPY rates were lower in 2009 than in 2008. However, the Australian dollar strengthened over the final quarter, improving import margins.

The Division is continuing with its plant Operational Improvement Program, targeting future production and efficiency enhancements across cement and lime producing assets.

Due to the impact of the global financial crisis, the planned $25 million lime kiln capacity upgrade projects were put on hold in late 2008, as the long term projections for increased lime demand from the resource sector became uncertain. This decision was a key factor in optimising 2009 cash flow and the Company is now re-assessing the future timing of these investments as forward demand patterns become more certain.





**Lime sales market sector demand**

- Alumina
- Other mineral processing
- Building and construction
- Environmental
- Agricultural
- Other

*Mark Finney*
*Executive General Manager*
*Concrete and Aggregates*

In difficult market conditions, the Concrete and Aggregates Division, under the Hy-Tec brand, delivered an improvement in earnings. This was achieved through the tight management of costs and the organic growth of its regional quarry operations.

Demand for concrete declined approximately 15% in 2009, with weaker sales across all of Hy-Tec's markets in South East Queensland, New South Wales and Victoria. The Concrete and Aggregates Division, however, reported an increase in profits. Raw material cost increases were broadly recovered through sales price increases, and quarry sales volumes improved as a result of regional road contract work in the Blue Mountains and the Port Macquarie regions.

Concrete margins were maintained, specifically through the continuing optimisation of mix designs using alternative raw materials.

This is part of a long term program to substitute more primary products with more sustainable alternatives, while maintaining quality standards.

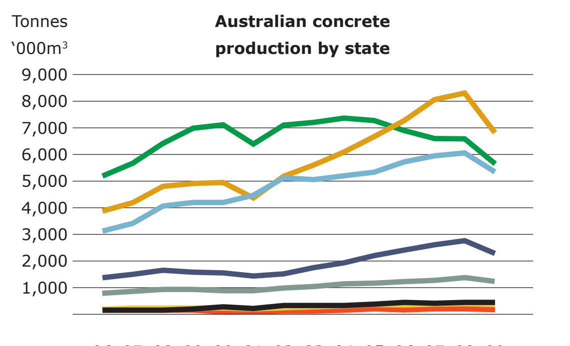
Profitability was also underpinned by the returns from the Profit Optimisation Program put in place across the Company in late 2008. These included a rigorous review of all costs, resulting in the delivery of savings benefits. The Division also continued to manage its mixer fleet in line with projected market demand, retiring older trucks.

Tight control over working capital and, in particular, accounts receivable and the underlying credit risk helped Hy-Tec avoid any key account failures during the year.

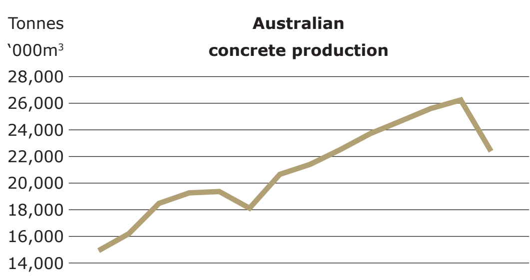
In anticipation of future growth in the South West Sydney market, work began late in 2009 on the construction of a new concrete plant at suburban Smeaton Grange. The plant is expected to be operational by mid 2010.

The Austen and Hurd Haulage quarries made further progress in terms of throughput, with sales of road base materials balancing production mix and complementing sales of aggregates and manufactured sand to the internal concrete operations.

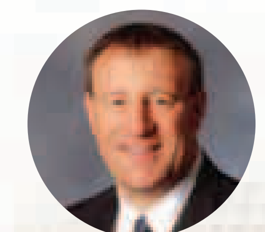
The Division continues to evaluate future raw material reserves and, to that end, made a small acquisition of sand reserves in an area North West of Sydney. This will be an important source of supply to the West Sydney market over the next decade.



New South Wales
Victoria
Queensland
South Australia
Western Australia
Tasmania
Northern Territory
ACT



adbri MASONRY



*Steve Rogers*
*Executive General Manager*
*Concrete Products*

2009 was a definitive year for the Concrete Products Division with the successful merger of C&M Brick and Hanson Building Products under the Adbri Masonry brand.

The Concrete Products Division, which supplies blocks and bricks, pavers and retaining wall systems, has now consolidated its number one market share position in Australia. The Division operates in five key markets - Queensland, New South Wales, Victoria, South Australia and Tasmania.

2009 was a demanding year for the Division as overall demand for concrete products fell by 25% with some regional markets in North Queensland showing a 40% - 50% decline. On weaker sales volumes, the Division broke even for the first half year having also incurred one off costs of restructure and rationalisation.

The Division increased prices to recover higher raw material costs and this, together with the synergistic benefits of the merger and the action taken to match production capacity to market demand, enabled the Division to deliver its projected $4.4 million EBIT in the second half year.

In addition to the savings accruing from the merger of the head office and support functions in Stapylton Queensland, the Division undertook to rationalise its state support structures and plant capacities in order to size the business to meet both current and future market demand.

Further, the adoption of common business systems has improved the quality of management information, customer service capabilities and data processing efficiency. This, together with the rationalisation of the product range, has positioned the Division well to take advantage of market recovery.

Joint Venture operations provide an important contribution to Adelaide Brighton's earnings and cash flows.

**Sunstate Cement**

Sunstate Cement Limited, a joint venture between Adelaide Brighton and Blue Circle Southern Cement, is a cement milling, storage and distribution facility at Fisherman Islands, Port Brisbane. Sunstate Cement is supplied with seaborne supply of clinker from the Adelaide Brighton Birkenhead plant and imports from Asia. Sunstate Cement is a leading supplier to Queensland's construction industry.

Weaker markets, particularly in South East Queensland, and competitive pressures from a new market entrant, resulted in a net profit after tax decline of 35% compared to the previous year.

**Independent Cement and Lime Pty Ltd**

Independent Cement and Lime Pty Ltd (ICL), a joint venture between Adelaide Brighton and Barro Group Pty Ltd, is a specialist supplier of cement, cement blended products, and agricultural lime to a wide variety of industries, major retail outlets, and agricultural markets throughout Victoria and New South Wales.

Consistent earnings were achieved by ICL despite a decline in demand from the markets in which it operates.

**Alternative Fuel Company Pty Ltd**

Alternative Fuel Company Pty Ltd (AFC) is a joint venture between Adelaide Brighton and SITA-ResourceCo Pty Ltd. AFC processes selected combustible construction and demolition waste (primarily timber waste) into fuel suitable as a replacement for traditional fossil fuels. The demolition wood waste is utilised by Adelaide Brighton's Birkenhead plant as a substitute for natural gas in the kiln. This resource recovery process diverts biomass wood waste away from landfill thus reducing future decomposition and greenhouse gas emissions.

While the downturn in economic conditions resulted in lower volumes of demolition materials being received for processing into fuel, technical improvements through the reduction of moisture content and increased calorific value of the waste materials resulted in higher energy content of the recycled construction and demolition fuel utilised by the Birkenhead plant.

**Mawson Group**

Mawson Group (Mawsons) is a joint venture between Adelaide Brighton and BA Mawson Pty Ltd. Mawsons is the largest premixed concrete and quarry operator in northern regional Victoria. Mawsons also operate in southern regional New South Wales and holds leading market positions in markets served.

Strong mining and infrastructure sector demand, particularly water projects, in the regional northern Victoria market contributed to the strong performance of the Mawsons joint venture.

**Batesford Quarry**

Batesford Quarry is an unincorporated joint venture between Adelaide Brighton, E&P Partners and Geelong Lime Pty Ltd established in August 2009. Batesford Quarry, situated at Fyansford Quarry near Geelong in Victoria, undertakes quarrying and manufacturing, marketing and distribution of various limestone and quarry products.

Since the commencement of the joint venture in August 2009, the operation has performed in line with expectations, supplying customer demand for mining lime and cement mineral additions.

**Burrell Mining Services**

Burrell Mining Services is an unincorporated joint venture between Adelaide Brighton and Burrell Mining Products. With operations in New South Wales and Queensland, Burrell Mining Services manufactures a range of concrete products exclusively for the coal mining industry.

In 2009, Burrell Mining Services performed above expectations as a result of strong demand from the coal mining sector in the Sydney basin in New South Wales and Bowen basin in North West Queensland.

sustainability

**Sustainable principles and practices - which benefit the environment, our community, our people and our bottom line - are a natural part of business at Adelaide Brighton. We go much further than simply complying with regulatory requirements. Innovation, continuous improvement and respect for the communities and environments in which we operate will ensure the Company's long term success in a changing world.**

| Sustainability | | | |
|---|---|---|---|
| **Governance** | **Social** | **Environment** | **Economic** |
| **Management standards**<br>**Industry standards**<br>**Legal compliance** | **Employee resources**<br>**Stakeholder relations**<br>**Corporate citizenship** | **Eco-efficiency**<br>**Performance management**<br>**Product stewardship** | **Business viability**<br>**Assurance of supply**<br>**Shareholder returns** |
| Sustainability reporting<br>Product standards | Health and safety<br>Employee development<br>Community contact | Process waste reduction<br>Water conservation<br>Emission reduction | Product development<br>Energy efficiency<br>Waste recycling<br>Greenhouse gas reduction |

### Research and reporting

Each year, Adelaide Brighton collates a detailed body of data and knowledge on greenhouse gas emissions, energy use, and overall environmental performance. In 2009, we offered information to key bodies for research purposes, and provide public information. These organisations and their projects included:

> *The Carbon Disclosure Project* - an independent not-for-profit organisation that holds the largest database of primary corporate climate change information in the world. Participation is voluntary and we have supplied data for its two most recent reports.

> The Australian Government's first *National Greenhouse and Energy Report* - a national framework for reporting and disseminating information relating to corporate greenhouse gas emissions and energy consumption.

> The Australian Government's mandatory *Energy Efficiency Opportunities* program, which requires large energy using businesses to identify, evaluate and report publicly on cost effective energy savings opportunities.

> The *National Pollutant Inventory*, which provides the community, industry and government with free information about substance emissions in Australia. It contains total Australian emission estimates for 93 substances, as well as the source and location of these emissions.

### Industry change

Adelaide Brighton is a leader in producing sustainable construction materials. We are actively involved in a range of industry activities, particularly where they relate to legislative change and the setting of standards to support sustainable business. For the past decade, together with the Australian cement industry, we have worked with the World Business Council for Sustainable Development on its *Cement Sustainability Initiative*. The knowledge gained, and the contributions made, have positioned us to authoritatively inform and influence change in our industry sectors on a national level.

During 2009, we supported the Concrete Masonry Association of Australia and Cement Concrete and Aggregates Australia in pursuing the following sustainability initiatives:

> A review of the Australian Standards for cement and concrete to reduce their overall carbon footprint.

> A Building Products Innovation Council project, which looks beyond the current Green Star rating system for buildings and encourages full life cycle assessments (LCAs) of all building products and materials. LCAs take account of the whole supply chain and the use of products over their full life - up to, and including, their disposal.

> Other issues on individual state's agendas, including transport and environmental standards.

In the area of legislative change, the Cement Industry Federation and the National Lime Association of Australia represented Adelaide Brighton interests on greenhouse and energy issues, particularly with respect to developing legislation for the Australian Government's *Carbon Pollution Reduction Scheme* and *Renewable Energy Target*.

### Our community

Adelaide Brighton has always considered it has a responsibility to be part of the local community wherever it operates. We support our employees, their families and local organisations in a variety of ways, through donations, public tours, regular community meetings, work experience and sponsorships.

By way of example, in 2009, Adelaide Brighton provided support to:

> Variety the Childrens' Charity - dedicated to raising funds for sick, disabled and disadvantaged children.

> The Angaston community by taking part in an Earth Care program involving the planting of more than 400 trees and shrubs on site, an ongoing weed and pest control program, and seed harvesting.

> The Mataranka community by donating a caterpillar loader to the traditional owners of Elsey Station.

> The Adelaide Brighton Ltd William Schroder Scholarship at the University of Adelaide which has been offered this year to a chemical engineering graduate seeking to pursue post graduate research in a sustainability project on biomass fuel.

> Erosion control program at the Austen Quarry in New South Wales where more than 5000 trees were planted from indigenous seed propagated by the local nursery.

> The Cement and Lime Division in Western Australia and South Australia provided university holiday work for undergraduates, to encourage them into the industry.

> To foster skills development in young people, the Angaston plant once again provided work experience for local secondary school students.

> An undergraduate scholarship for a Wollongong University mechanical engineering student. The scholarship includes the opportunity to work for Adelaide Brighton during vacations and gain experience in a range of its operations at Morgan Cement.

> Victorian Bushfire Appeal - in addition to a donation from Adelaide Brighton, a pledge by the Company matched employees' donations to the appeal.

As a direct result of Divisional improvement strategies, all relevant state environmental regulations and controls were met and, in many cases, exceeded during 2009. Under the National Pollutant Inventory (2008), Adelaide Brighton Limited rated in the lowest quartile for all emission substances.

Site-specific environmental initiatives included:

> An ambient noise monitoring program at the Angaston plant, which pinpointed areas of the plant emitting higher levels of noise. The installation of noise absorption material around large fans in the lime plant was a successful solution.

> A new truckwash facility at Birkenhead allows water to be captured in recycling tanks and used to suppress dust on adjacent stockpiles and roadways.

> The Munster plant improving opportunities for recycling by segregating various types of waste in stockpiles and storage to avoid contamination.

> The Cement and Lime Division's Kwinana bagging plant achieving significant reductions in packaging waste through:
- a 40% reduction in the micron rating of plastic film in paper sacks
- an 8% reduction in the micron rating of stretch hood wrap
- segregating wood and plastic from general waste so they can be recycled.

Hy-Tec in Queensland trialled aerating recycled water to reduce the amount of tank sludge that goes to landfill.

## CASE STUDY

***Industry recognition***

*The New South Wales Hy-Tec operations received several environmental and occupational health and safety awards from the peak industry body, Cement Concrete and Aggregates Australia (CCAA):*

**Bill Magner Memorial Metro Concrete Plant Environment Performance Award** - Hy-Tec, Glendenning plant. *Truck loading and truck washout are conducted undercover, preventing process water from contaminating stormwater, aiding in water treatment efficiency. All site water is captured and recycled back into the concrete batching process.*

**CCAA Quarry Environment Performance Award** (Highly Commended) - Hy-Tec, Austen Quarry. *The quarry water management system has been effective in preventing overflow into the Cox River, which forms part of the Sydney water catchment.*

**CCAA Most Improved Environment Award** - Hy-Tec, Mascot Plant. *The Mascot plant improved flood water management by changing ground levels within the plant and constructing dish drains to channel water through water management systems. All the run off is reused onsite, which reduces the need for mains water.*

**CCAA Occupational Health and Safety Practical Innovation Award** - Hy-Tec, Austen Quarry. *Radio transmitters have been fitted to safety helmets, and radio receivers in the cabins of mobile equipment. Drivers receive alerts when people are in close proximity, raising the safety standard of the site.*

**CCAA Guarding and Access Award** - Hy-Tec, Glendenning plant. *Glendenning plant's innovative equipment guarding design sets a new standard for the industry and allows easy and safe access for maintenance.*

**Process waste to landfill**

Tonnes Cement and Lime

160,000
140,000
120,000
100,000
80,000
60,000

05 06 07 08 09

Adelaide Brighton welcomed the Australian Government's 2009 *National Waste Initiative* to encourage the standardised management of waste in and across State boundaries. The Company's experience in this area has helped inform the development of policies and guidelines, which ultimately will see the establishment of an important new industry in resource recovery. Other initiatives include:

> Adelaide Brighton was involved with the development of South Australia's *Draft Environment Protection (Waste to Resources) Policy and Explanatory Report*. This report provides a guide to the recovery of waste for conversion into a range of resources. The report endorses the benefits of using waste materials to replace traditional natural resources, and the acceptance that resource recovery is both economically viable and environmentally responsible.

> Hy-Tec focused on the use of manufactured sands and recycled aggregates in place of traditional concrete aggregates. Redesigning concrete mixes to include these materials has been most successful in New South Wales and Queensland, where 26% substitution has been achieved.

> Adbri Masonry tested a range of by-products for use as substitutes for traditional natural materials in manufacturing. These included coal combustion products, basalt fines, manufactured sand, and recycled glass as 'glass sand'.

The Cement and Lime Division's alternative raw materials program in clinker production, which includes:

*Munster plant*
Use of kaolin - overburden from coalfields, as an alternative to shale. Using fly ash - a waste from coal fired power stations, replacing bauxite.

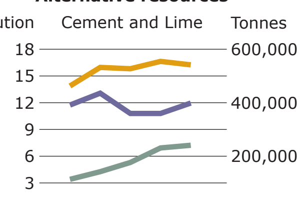
*Angaston and Birkenhead plants*
Trialling foundry sand - a by-product from the metals casting industry displacing shale.

*Birkenhead*
Increasing use of Alox - a by-product of metal recycling, as a substitute for shale.
Mill scale - a by-product from steel rolling, as a substitute for iron ore.

The Cement and Lime Division's continuing progress in using alternatives to fossil fuels has increased across the division again in 2009 to 7.3%. Initiatives that have assisted include:

> The installation of reprocessed oil injection equipment at the Mataranka lime plant has achieved 100% reprocessed oil firing with no loss in production and a reduction in stack emissions.

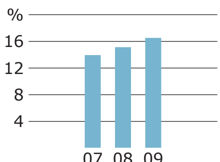
> Improvements through the reduction of moisture and increased calorific value of the waste materials have resulted in higher energy content in recycled construction and demolition fuel by 32%.




% fuel substitution
% SCM substitution
Total alternative raw materials

**Waste recycling**
Concrete Products
Use of alternative materials
%
4
3
2
1
07 08 09

**Waste recycling**
Concrete and Aggregates
Use of alternative materials




**CASE STUDY**

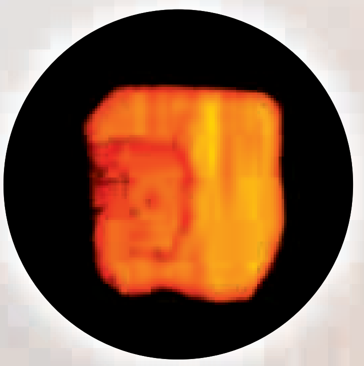
***Recycling waste for energy***

*Turning waste into resources to conserve fossil fuels is a major focus of Adelaide Brighton's sustainability program. The Company's Alternative Fuels Program has developed in line with international industry standards, developed through the World Business Council for Sustainable Development - Cement Sustainability Initiative.*

*Reprocessed oil is a serious environmental problem faced by industry. Recycling it for energy conserves fossil fuels and provides an environmentally responsible and economically viable option to disposal, reducing illegal dumping. The industry is successfully using oil waste from many sources in kilns in several locations.*

*Reprocessed oil has been used in lime production at Mataranka in the Northern Territory for more than 10 years and is currently steady at 100% substitution of fossil fuel, giving a regional opportunity for waste oil recovery. Dongara lime plant in Western Australia, which started its alternative fuel program with reprocessed oil in 2008, has reached a 26% substitution rate of its fossil fuels. Together, these sites use 10 million litres of reprocessed oil and substituted more than 18,000 tonnes of coal equivalent. Cockburn Cement's Munster plant will continue to establish the reprocessed oil program in 2010.*

*In line with international protocols, Adelaide Brighton is committed to local community consultation on the use of alternative resources. We conduct investigations and establish licence limits with all relevant authorities charged with protecting the environment and local communities, and we publicly demonstrate our results.*



Energy costs are a major factor in the production of cement and lime. Adelaide Brighton is reducing energy demand through technology, operational change and innovation, and by seeking opportunities for using alternative fuels.

The Company has 28 projects on the Department of Resources Energy and Tourism's *Energy Efficiency Opportunities Register.* It is estimated that, combined, they will achieve a 5% energy efficiency gain over the next five years across participating sites.

Initiatives include:

> Dongara plant - the recycling of waste materials back into the production process is expected to contribute to the site's target of a 3.7% efficiency gain.

> Birkenhead plant - waste heat recovery and recycled construction and demolition fuel drying projects will contribute to the site's target of a 9% efficiency gain.

> Angaston plant - a focus on reducing wet kiln feed moisture variability contributing to reduction of the site's energy footprint by 4%.

> Munster plant - Operational Improvement Plan energy related projects expected to contribute to an estimated overall 2.5% efficiency gain.

Additional energy efficiency highlights for 2009:

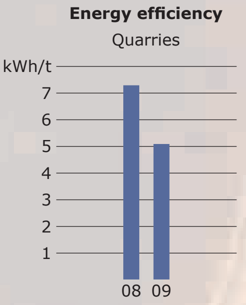
> Components in the Birkenhead kiln were upgraded with new ceramic technology to reduce heat loss and improve fuel efficiency.

> An efficiency program at Austen Quarry saw power and diesel demand reduced by 35% per tonne of aggregate.

> The ongoing *Greening IT Strategy* involved an energy efficiency project to virtualise the Company's computer server environment.

> Hy-Tec Queensland's premix batching plants fitted timers to the water stiring motors achieving a 40% reduction in energy usage.

> Hy-Tec introduced higher capacity agitator trucks to its fleet. These trucks are being tested for use on large jobs and it is expected the benefits will include reduced transport fuel per cubic meter, and the easing of traffic on public roads and around construction sites.



Total energy
**Energy**
Cement and Lime
GJ/t
19,000 18,800 18,600 18,400 18,200 18,000
9 8 7 6 5 4 3
05 06 07 08 09

- Total energy (TJ)
- Lime production (GJ/t)
- Cementitious material production (GJ/t)
- Clinker production (GJ/t)

*Carbon pollution reduction* - Adelaide Brighton has been has been engaged in the development of the Australian Government's proposed *Carbon Pollution Reduction Scheme (CPRS)*. The Company supports an Australian emissions reduction scheme, so long as its impact does not jeopardise the competitiveness of Australian industries. While the proposed scheme provides short term certainty over direct emissions for the cement and lime industries, Adelaide Brighton believes Australia should not commit prematurely to an ambitious scheme which weakens its international competitive position and does not achieve global environmental gain.

*Renewable Energy Target* - In 2010, the Australian Government extended the Renewable Energy Target (RET) with the aim to reduce the greenhouse footprint of supplied power. As electricity is a significant cost in cement and lime production, the industry has been working with government to ensure that large industrial consumers receive appropriate assistance.

*Voluntary commitment* - In 2009, Adelaide Brighton signed a "Voluntary Sector Agreement" with the South Australian Government to explore opportunities to adopt greenhouse gas reduction and sustainability actions in its South Australian operations and to encourage industry partners and other stakeholders to implement similar measures.

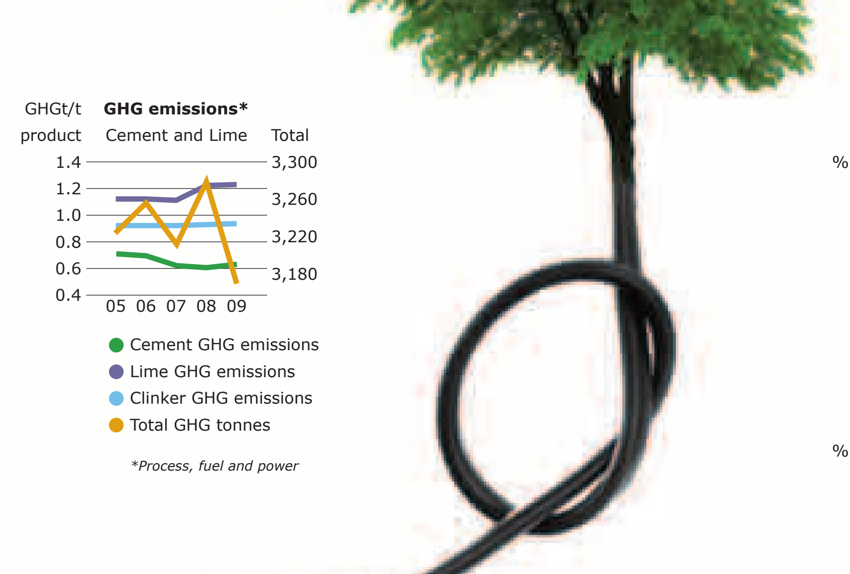
*Australian Standards* - Adelaide Brighton is working with Cement Concrete and Aggregates Australia to review the Australian Standard for cement. The aim is to substitute greenhouse gas intensive clinker components with materials defined as "mineral additions", without changing the performance of cement. The new Standard has the potential to cut the greenhouse gas emissions by more than 60,000 tonnes.

*Using industry waste* - Industry by-products, such as slag from steel blast furnace operations and fly ash from coal fired power stations, can, under certain conditions, perform like cement. These are known as supplementary cementitious materials (SCMs). By using these previously wasted materials, the greenhouse gas footprint of concrete is reduced.

Work with SCMs continues in Western Australia, where improvement in fly ash quality has provided opportunities for Cockburn Cement to develop blended cements for the local market. Further trials will be carried out in 2010.

In the past three years, Adbri Masonry has also increased the use of SCMs in production. Substitution rates of 20% have been achieved. This experience will be rolled out to optimise concrete batch mixes at all sites.

Hy-Tec has been developing a concrete mix to increase the use of SCMs and maintain or enhance the performance of its concrete and acceptance for Green Star rating.



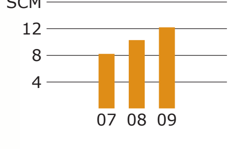
**GHG emissions***
Cement and Lime

GHGt/t product: 1.4, 1.2, 1.0, 0.8, 0.6, 0.4
Total: 3,300, 3,260, 3,220, 3,180
05 06 07 08 09

- Cement GHG emissions
- Lime GHG emissions
- Clinker GHG emissions
- Total GHG tonnes

**Process, fuel and power*

**Greenhouse gas**
Concrete Products
Use of alternative cementitious material




**Greenhouse gas**
Concrete and Aggregates
Use of alternative cementitious material

% SCM
30
20
10
07 08 09

*Sam Toppenberg*
*Executive General Manager*
*Human Resources*

### Health and safety

Health and safety is a key performance indicator at all Adelaide Brighton sites. Each Division operates safety committees and there is a Company wide exchange of information and incident reporting.

Each division utilises a risk based approach to health and safety, with a strategic plan developed for each division. The outputs from these plans result in actions that directly involve our people and improve workplace safety. Some of the improvement initiatives undertaken include:

> Refresher training program for high risk activities - primarily conducted inhouse to ensure relevance to our business.

> Training for mobile equipment operators and improvements to the physical traffic management systems.

> A review of the lock out/tag out systems as well as machinery guarding systems.

Initiatives extend further than the Company's site operations. Health and safety associated with the use of Adelaide Brighton product is also a priority. As an example:

> Adbri Masonry's development of a light weight masonry block in New South Wales and Tasmania. The product has become popular in the trade because it is lighter to lift and costs less to transport.

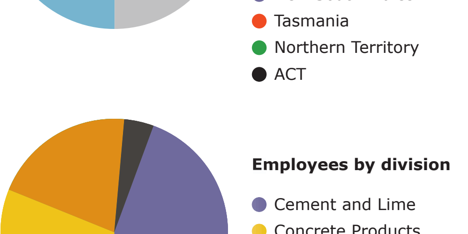
> Construction industry workers are given specific training in product use as an after sales program.

> In the interests of safer manual handling, both at the packaging plant and in the field, Adelaide Brighton Cement and Cockburn Cement products have reduced packaging size and can only be supplied in less than 40kg bags.

### People development

In addition to providing university students with vacation employment and training opportunities within our operations, Adelaide Brighton also supports a Graduate Program for recent graduates.

In 2009, two graduates, a chemical engineer and marketing graduate, were successful in securing permanent full time positions with the Company enabling them to further develop the skills gained during their training program.

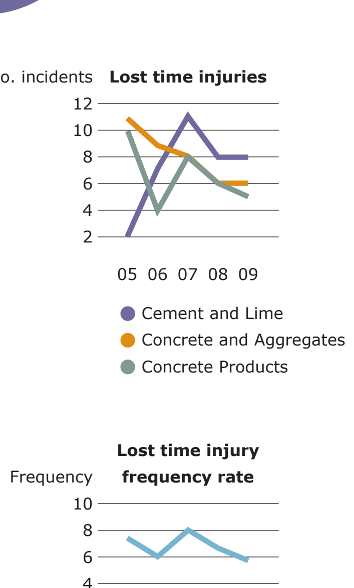


**Employees by location**

South Australia
Western Australia
Queensland
Victoria
New South Wales
Tasmania
Northern Territory
ACT

**Employees by division**

Cement and Lime
Concrete Products
Concrete and Aggregates
Corporate



For the past decade, Adelaide Brighton has been reducing water consumption by changing the way it uses water, and finding new ways to recycle on site.

During 2009, in all states where Adelaide Brighton has key operations, governments required businesses to develop site specific *Water Efficiency Management Plans* (WEMP).

### Queensland

Hy-Tec Queensland rolled out formal WEMPs in plants using more than 10 million litres of mains water, and recorded WEMP voluntarily at other sites.

Hy-Tec's aspirational target, across all Queensland operations, is to use no mains water. Already the use of bore water at Narangba and Beerwah concrete plants has replaced 18,000 million litres of potable water. Dry weather during 2009 slowed the water harvesting program at Narangba, which has five 10,000 litre tanks. Bracalba site already is independent of mains water, Maroochydore's WEMP delivered a 23% reduction, and Kawana achieved 16%.

### Western Australia

In 2009, the Western Australian Government required all business sites using more than 20 million litres of mains water to participate in its Water Corporation's *Waterwise Business Program*. This involves:

- Undertaking an annual *Water Management Assessment* using a 2006/07 base line.
- Developing a *Water Efficiency Management Plan* (WEMP).
- Reporting progress annually.

Cement and Lime's hydrated lime process at Kwinana, under its WEMP, has reduced water consumption by 23%.

Munster WEMP addressed the truck and car washes eliminating leaks and optimising spray operations. Work done has led to a lower target for the site of 22 litres per tonne of product.

### South Australia

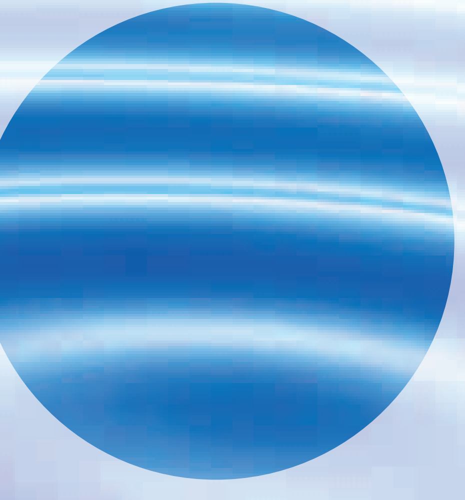
Water saving projects in South Australia have included:

*Angaston plant*

- Plant water recirculated to cool the main air compressor and rotary blower.
- Kiln 3 inlet analyser water cooling probe replaced with closed circuit system.
- Installation of valves on slurry pumps to control and measure flow rates.

*Birkenhead plant*

- Disused underground tanks now store run-off water for gardens.
- Gardens replanted with arid zone native plants.
- Birkenhead aims to capture enough stormwater to supply all its needs.
- Catchment area built to capture excess truck wash water for reuse on site.



**Mains water**

ML Cement and Lime

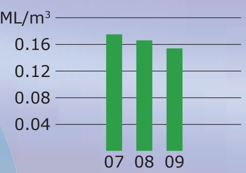
600
500
400
300
200
100

05 06 07 08 09

**Water conservation**

Concrete and Aggregates

Queensland water efficiency




CASE STUDY

***Water wise and winning***

*Adelaide Brighton Cement's Angaston plant operates wet process cement clinker and lime kilns - so there is no escaping the need for large volumes of water.*

*Nevertheless, the Company has cut mains water use by 33% and maintained that lower level for two years. Some lateral thinking and a symbiotic relationship with a fellow Barossa Valley manufacturer were part of the solution.*

*Since 2006, Barossa Valley wine packaging Company Vinpac International has been transferring waste water to its neighbour in the Valley - Adelaide Brighton's wet process plant at Angaston. This has saved Adelaide Brighton two thousand litres of water - the equivalent of the annual consumption of 250 households.*

*The project has been a finalist in the prestigious national Banksia Water Award. This year, Adelaide Brighton increased its waste water usage by 10%.*

Staying at the forefront of our industry, through continuing product development and improvement, is vital to Adelaide Brighton's long term business sustainability.

**2009 highlights**

Hy-Tec and Adbri Masonry in Queensland worked together to match the premix concrete colour and paver colour range for a streetscape extension in Nambour. A valued customer achieved its aim of matching old with new, and recognised the value of dealing with a company with the product range and versatility of Adelaide Brighton.

Hy-Tec 'no fines' is specified as part of the Adbri Masonry retaining wall system in Queensland. Co-operation between the two divisions has produced a robust and versatile product for the market.

The Ecopave® range is Adbri Masonry's new approach to developing a sustainable product range. Design considerations in Ecopave® products include:
- water permeability to reduce loss to stormwater
- lightweight for easier manual handling and efficient transport
- manufactured using sustainable practices (including waste reduction and recycling, natural resource substitution and using alternative non-mains water sources).

CASE STUDY

***All aboard the 6-Star Ark***

*The challenge for Hy-Tec New South Wales was to produce a super strength 100 MPa concrete mix for a for a 21 storey office tower in North Sydney to comply with the strict Green Star rating set by the Green Building Council of Australia.*

*Incorporated into the mix were substantial amounts of recycled products, including slag aggregates, manufactured sand and alternative cement products. The super strength and durability of the concrete gave engineers and architects the ability to include design features that will allow the building to be used for multiple purposes over the years without major modification.*

*The building - called The Ark - has been awarded a 6-Star Green Star Office Design rating, which the Green Building Council says represents 'world leadership' in environmentally sustainable design.*

*Marcus Clayton*
*General Counsel and*
*Company Secretary*

The Board is committed to conducting the Company's business ethically and in accordance with high standards of corporate governance. To this end, the Board (together with the Company's management) regularly reviews the Company's policies, practices and other arrangements governing and guiding the conduct of the Company and those acting on its behalf.

This statement provides an outline of the main corporate governance practices that the Company had in place during the past financial year.

The Board believes that the Company's policies and practices are consistent in all substantial respects with corporate governance best practice in Australia, including the ASX Corporate Governance Council Principles and Recommendations.

## 1 The Board lays solid foundations for management and oversight

1.1 *Role of the Board*

The role of the Board of Directors is to protect and optimise the performance of the Group and, accordingly, the Board takes accountability for setting strategic direction, establishing policy, overseeing the financial position and monitoring the business and affairs of the Group on behalf of shareholders. Details of the skills, experience and expertise of each Director and their period of office are set out on page 31 of this report.

The Board operates in accordance with the general principles set out in its charter, which is available from the corporate governance section of the Company's website at www.adbri.com.au.

In accordance with the provisions of its constitution, the Board has delegated a number of powers to Board committees (see section 2 following) and responsibility for the day-to-day management of the Company to the Managing Director and senior management. The respective roles and responsibilities of the Board and management are outlined further in the Board charter.

The Board has also reserved for itself the following specific responsibilities:

| Strategy and monitoring | Monitoring the business and affairs/relations with management | Risk management, compliance and internal controls |
|---|---|---|
| Input into, and final approval of, management's development of corporate strategy, including setting performance objectives and approving operating budgets | Selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning for the successor of, the Group Managing Director | Reviewing and guiding systems of risk management and internal control and ethical and legal compliance<br>Monitoring and reviewing processes aimed at ensuring integrity of financial and other reporting |
| Monitoring corporate performance and implementation of strategy and policy | Reviewing procedures for appointment of senior management, monitoring performance and reviewing executive development activities. This includes ratifying the appointment and the removal of the Chief Financial Officer and the Company Secretary | Monitoring and reviewing policies and processes in place relating to occupational health and safety, compliance with laws, and the maintenance of high ethical standards |
| | Approving major capital expenditure, acquisitions and divestitures, cessation of any significant business activity and monitoring capital management | Formulating the Company's policy in relation to, and monitoring implementation of, sustainable resource use and the impact of the Company's operations on the environment, community and stakeholders |

*1.2 The Board is structured to add value*

**The Board ensures that its members have the time and commitment to devote to the role**

Prior to appointment, Directors provide details of other commitments and acknowledge that they will have adequate time to meet expectations

Directors to consult with the Chairman before accepting outside appointments

Letter of appointment sets out Director's term of appointment, powers, expectations and rights and obligations

**Board keeps informed of regulatory and industry developments to challenge status quo and strengthen knowledge base** (see 1.2.4)

Directors expected to participate in ongoing education

Board program developed having regard to business and industry developments and matters identified during annual performance evaluations

**Board and Director performance is regularly evaluated to facilitate continuous improvement** (see 1.2.3)

Board, Committee and individual Director performance reviewed annually

Directors to undergo a performance appraisal before standing for re-election

One third of the non-executive Directors retire (and are eligible for re-election) at each AGM

**The Board is structured to add value and Board decision-making is enhanced through education and support**

Broad range of skills and experience reflecting the character of the Group's business to best guide, review and challenge management

Independent Chairman leads the Board, facilitates constructive decision-making, and manages Board / management relationship

To maintain independent oversight, roles of Chairman and Managing Director are undertaken by different individuals

**Board members have access to management and independent advice to assist in discharge of their duties**

Access to senior executives and to any further information required to make informed decisions

Right to seek independent professional advice at the Company's expense to assist in effective discharge of duties

**The Board is committed to a majority of independent views being brought to bear in decision-making** (see 1.2.1)

Directors expected to bring independent views and judgment to discussions

Four of the six Board members are independent

Board has adopted IFSA Blue Book definition

**Comprehensive induction processes equip directors to perform in their role**

Comprehensive induction process upon appointment

Obligation on new Directors to familiarise themselves with Company's practices through induction process or by making enquiries of the Chairman, the Company Secretary or management

**Conflicts are managed** (see 1.2.2)

Actual and perceived conflicts considered and managed on an ongoing basis

Protocols around disclosure, and procedures around management, of potential conflicts have been adopted

1.2.1 *Directors' independence*

In general, Directors are considered independent where they are free of any interest and any business or other relationship which could, or could reasonably be perceived, to materially interfere with the Director's ability to act in the best interests of the Company. An assessment will be made on a case-by-case basis of whether the Director's ability to act in the best interests of the Company has been materially impaired.

In ensuring that the Board comprises Directors with a broad range of skills and experience reflecting the character of the Group's business, the Board may from time to time appoint Directors who are not considered to be independent. It is, however, the Board's policy that it should comprise a majority of independent Directors to ensure that independent oversight is maintained.

In the context of his executive position with the Company, Mr M Chellew is not considered to be independent. Having regard to the guidelines of independence adopted, the Directors are of the view that Mr R D Barro is the only non-executive Director who is not considered "independent" by virtue of his position as the Managing Director and a shareholder of Barro Group Pty Ltd, which controls 50% of the Company's joint venture, Independent Cement & Lime Pty Ltd (ICL), and is a significant shareholder in the Company. ICL has an ongoing trading relationship with the Barro Group of companies.

1.2.2 *Conflicts of interest*

Directors are expected to avoid any action, position or interest which conflicts (or may be perceived to conflict) with their position as a Director of the Company. In particular, the Board is cognisant of Mr Barro's interest in Barro Group Pty Ltd, a significant shareholder in the Company and 50% joint venture partner in ICL.

During the year, in order to avoid actual and / or perceived conflicts of interest in Board decision-making, Board procedures were followed such that where the possibility of a material conflict arose, the Board considered the nature and extent of the potential conflict and whether it would be appropriate for the relevant Director to participate in Board discussion and decision-making in relation to the issue. Where there was a real potential for a conflict of interest, information was not provided to the Director, and, in accordance with the *Corporations Act 2001*, the Director did not participate in, or vote at, the meeting where the matter was considered.

1.2.3 *Performance evaluation*

For the 2009 financial year, a performance evaluation was led by the Chairman to assess the performance of individual Directors, the Board as a whole, various aspects of the Board committees such as their performance, membership, roles and Charters, and the Board's and Directors' interaction with management.

The purpose of the review was to assess strengths and to identify areas that could be improved if there were some change. The findings of this performance review have been considered by the Board, individual Directors and the Board committees and have been, and continue to be, taken into account in planning and conducting Board and committee matters in 2010.

Executives and managers are also subject to an annual performance review in which performance is measured against agreed business objectives. The performance of the Managing Director is assessed by the Board against objectives related to the Company's strategy and business plans.

For the 2009 financial year, the performance of the Managing Director was reviewed by the Chairman, the Nomination and Remuneration Committee and the Board against the financial performance of the business, and the Managing Director's achievement of the agreed objectives. The performance of the Company's senior executives during 2009 was reviewed by the Managing Director, and by the Nomination and Remuneration Committee, led by the Managing Director and the Executive General Manager, Human Resources.

1.2.4 *Ongoing education*

During the year, the Board's ongoing education calendar incorporated a number of site visits to the Company's operational facilities and presentations by management on a number of topics regarding developments impacting, or likely to impact, its business. The Board is informed by leading expertise from within the Company in areas such as emissions trading and reporting and product development.

## 2 Committees of the Board

To assist the Board in fulfilling its responsibilities, the Board has established a number of committees with responsibility for particular areas.

Each committee has a specific charter or constitution, other than the Corporate Governance Committee. The charters for the Audit, Risk and Compliance Committee and the Nomination and Remuneration Committee are available on the corporate governance section of the Company's website at www.adbri.com.au. The Board periodically reviews each Board committee's charter, role and responsibilities.

Generally, minutes of committee meetings are tabled at the immediately subsequent Board meeting. Additional requirements for specific reporting by the committees are addressed in the charter of the individual committees.

2.1 *Key standing committees*

| | *Audit, Risk and Compliance Committee* | *Nomination and Remuneration Committee* |
|---|---|---|
| **Members** | L V Hosking (Chairman)<br>C L Harris<br>G F Pettigrew<br>M A Kinnaird<br><br>Details of these Directors' qualifications are set out on pages 31 of this report. | C L Harris (Chairman)<br>M A Kinnaird<br>L V Hosking<br>G F Pettigrew<br><br>Details of these Directors' qualifications are set out on pages 31 of this report. |
| **Composition** | Consist of a minimum of three members, all of whom must be non-executive Directors<br><br>A majority of independent Directors<br><br>An independent chair, who is not Chairman of the Board | Consist of a minimum of three members, the majority being independent directors<br><br>An independent chair |
| **Key functions** | To review, assess and approve the annual financial reports, the half year financial report and the results of external audit or review, including assessing all external reporting for its adequacy for shareholder needs; and all other financial information published by the Company or released to the market;<br><br>To review the appropriateness of accounting principles adopted by management in the composition and presentation of financial reports and to approve any change in the accounting principles applied in preparing the Company and Group reports;<br><br>To evaluate the independence of both the non-executive Directors and external auditors and to monitor the implementation of the Board's policy in relation to the provision of non-audit services by the Company's auditor;<br><br>To recommend to the Board the appointment, removal and remuneration of the external auditors, to review the terms of their engagement, the scope and quality of the audit and to assess performance;<br><br>To determine the scope of the internal audit function and ensure that it has adequate resources to fulfil its role, to assess its performance (including independence) and to advise on the appointment and dismissal of the head of internal audit;<br><br>To determine whether new policies or training should be implemented to safeguard against possible risks or non-compliance with applicable laws, regulations or Company policies;<br><br>To monitor compliance with the Company's policies and procedures that recognise the Company's business, environmental and statutory responsibilities; and<br><br>To report the results of the Committee's review of risk management and internal compliance and control systems to the Board. | To review (and recommend to the Board) the fees paid to non-executive Directors, within the limits approved by shareholders;<br><br>To review (and recommend to the Board) the compensation arrangements for the Managing Director, including short term and long term incentives;<br><br>To review performance targets, and approve recommendations from the Managing Director on total levels of remuneration for senior executives;<br><br>To oversee the implementation of the Company's short term and long term incentive arrangements, including assessing the extent to which performance conditions are satisfied and making relevant awards;<br><br>To assess the appropriate mix of skills, experience and expertise required on the Board and assess the extent to which these required skills are represented on the Board;<br><br>To establish processes for the identification of suitable candidates for appointment to the Board, engage appropriate search firms to assist in identifying suitable candidates, and make a recommendation regarding the most appropriate candidates to the Board, which ultimately will appoint the new Directors;<br><br>To oversee or design induction and ongoing training and education programs for the Board to ensure that non-executive Directors are provided with adequate information regarding the operations of the business, the industry and their legal responsibilities and duties;<br><br>To monitor the tenure of Board members, considering succession planning and identifying the likely order of retirement by rotation of non-executive Directors; and<br><br>To establish processes for the review of the performance of individual non-executive Directors, the Board as a whole and the operation of Board committees. |

| | *Audit, Risk and Compliance Committee* | *Nomination and Remuneration Committee* |
|---|---|---|
| **Key activities during 2009** | Ongoing review and consideration of financial and non-financial risks and the Company's system of identifying and managing risks;<br><br>Monitoring and overseeing of the Company's implementation of the SAP enterprise resource planning system;<br><br>Enhanced monitoring of credit terms and debtors across the Group in the widespread difficult financial circumstances experienced in 2009;<br><br>Monitoring the performance, outcomes and actions of the Company's internal audit program;<br><br>Receiving the external auditors' reports, monitoring issues reported and actions taken;<br><br>Reviewing and overseeing of the Company's 2009 Half Year and Full Year Financial Reporting and associated audit;<br><br>Establishing the internal audit plan for 2010 and reviewing and approving the internal and external auditors' fees;<br><br>Monitoring the Group's insurance renewal programme; and<br><br>Reviewing the Group's accounting policies and treatment for particular issues. | Overseeing of comprehensive review of senior executive long term incentive arrangements, in conjunction with independent experts, incorporating a detailed review of both incentive opportunity and performance conditions;<br><br>After receiving advice and market data from independent experts, reviewing and recommending to the Board 2010 fees payable to non-executive Directors for 2010, shareholder approval for an increase to the limit approved by shareholders to provide further flexibility with respect to future non-executive Director remuneration including providing the capacity to appoint further Directors to the Board; and<br><br>Reviewing and recommending to the Board the compensation arrangements for the Managing Director and senior executive team, including a 'freeze' on the Managing Director's fixed remuneration for 2010 and 2011, and review of short term and long term incentive components. |
| **Attendance** | Details of attendance at Audit, Risk and Compliance Committee meetings are set out on page 36 of this report. | Details of attendance at Nomination and Remuneration Committee meetings are set out on page 36 of this report. |
| **Consultation** | Members of management may attend meetings of the Committee at the invitation of the Committee Chairman. It is the practice of the Committee that the Managing Director, the Chief Financial Officer and the Company Secretary attend all Audit, Risk and Compliance Committee meetings. The Group Risk Manager generally attends meetings of the Committee when non-financial risk management matters are considered.<br><br>In fulfilling its responsibilities, the Committee has rights of access to management and to auditors (external and internal) without management present and may seek explanations and additional information. The Committee has met with the Company's auditors without any member of management present. | It has been the practice of the Nomination and Remuneration Committee on occasions to invite other Directors to attend Committee meetings.<br><br>Members of management, particularly the Executive General Manager, Human Resources or the Managing Director, may also attend meetings of the Committee at the invitation of the Committee Chairman, whenever particular matters arise that require management participation, such as reviewing senior executive performance. |

2.2 *Other Board committees*

2.2.1 *Safety Health and Environment Committee*

The members of the Safety, Health and Environment Committee (SH&E Committee) are G F Pettigrew (Chairman), M A Kinnaird, R D Barro and M P Chellew (Managing Director). J D McNerney was a member of the Committee until his resignation as a Director effective 21 May 2009.

The Committee has a broad role in reviewing specific occupational health and safety and environmental matters across the Group. Committee meetings are also attended by the Company's Executive General Manager, HR & HS&E, Chief Financial Officer and its General Counsel.

Generally when the SH&E Committee meeting is held, prior to a Board meeting, the SH&E Committee Chairman subsequently reports to the Board about the committee's proceedings.

2.2.2 *Corporate Governance Committee*

The Corporate Governance Committee, which comprises L V Hosking (Chairman), M A Kinnaird and C L Harris, is responsible for overseeing the Company's implementation and compliance with best practice in corporate governance applicable to the circumstances of the Company. Committee meetings are also attended by the Company's Managing Director, the Company Secretary and General Counsel and the Chief Financial Officer, and are generally held in conjunction with Board meetings, so that all of the Company's Directors are present.

In 2009, the Committee also conducted a periodic review of the Company's charters and policies. The Board determined to extend the responsibilities of the Corporate Governance Committee to include specific responsibility for overseeing of the Company's practices in relation to social responsibility and sustainability.

2.2.3 *Independent Directors' Committee*

The role of the Independent Directors' Committee is to investigate and consider corporate proposals made to the Company. The Committee comprises Directors who do not have any conflict of interest concerning the matters considered by the Committee. The present members of the Committee are M A Kinnaird (Chairman), C L Harris, L V Hosking, G F Pettigrew and M P Chellew (Managing Director). J D McNerney was a member of the Committee until his resignation as a Director effective 21 May 2009.

Details of members' attendance at each of these Committee meetings in 2009 are set out on page 36.

## 3 The Board recognises and manages risk and safeguards the integrity of financial reporting

3.1 *Framework*

The Board has approved the following framework within which the Company discharges its risk management function:

**Leading a culture of compliance and ensuring that risk management practices are appropriate and effective in the context of the Company's business objectives**

*Oversight*: The Board, through the Audit, Risk and Compliance Committee, is responsible for implementing and overseeing the Company's risk management policies and compliance and control systems. These policies and systems provide for management to identify and manage both financial and non-financial risks to the Company's businesses. The Board, through the Committee, regularly reviews the effectiveness of the Company's risk management system and management of identified business risks.

*Purpose*: The Company's risk management framework is designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

**Internal controls framework**

A robust control environment is fundamental to the effectiveness of the Company's risk management framework. Delegations of authority and Board and management accountability are clearly demarcated.

All Directors, executives and employees are required to adhere to the Code of Conduct (described below) and the Board actively promotes a culture of quality and integrity.

Accounting, financial reporting and internal control policies and procedures designed to manage business risks (both financial and non-financial) have been established at the Board and executive management levels. These are designed to safeguard the assets and interests of the Company, and ensure the integrity of financial reporting.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will prevent all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described as follows:

**Financial risk**

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

That the Company's financial reports present a true and fair view, in all material respects, of the financial condition and performance of the Company and the consolidated entity and are in accordance with relevant accounting standards;

That the Company has adopted an appropriate system of risk management and internal compliance and control which implements the policies adopted by the Board and forms the basis for the statement given above; and

That the Company's risk management and internal compliance and control system to the extent it relates to financial reporting is operating efficiently and effectively in all material respects.

**Non-financial risk**

Management has also reported to the Board on strategic and operational issues, including an assessment of the material business risks facing the Company and the effectiveness of the systems and policies in place to manage those risks.

**Financial reporting**

Comprehensive budgeting system with an annual budget reviewed and approved by the Board

Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly

Procedures to ensure that price sensitive information is reported to the ASX in a timely manner (see section 5 below)

**Investment appraisal**

Clearly defined guidelines for capital expenditure

e.g. annual budgets, detailed appraisal and review procedures, levels of delegated authority and due diligence requirements where businesses are being acquired or divested

**Operating unit controls**

Financial controls and procedures including information systems controls are in operation throughout the consolidated entity

Operating units confirm compliance with these procedures to the Board annually

**Functional speciality reporting**

The Group has identified a number of key areas which are subject to regular reporting to the Board, such as safety and environment, risk management, taxation, finance and administration

**Delegated authorities and restrictions**

Comprehensive procedure which provides a framework that enables employees to operate and act within clearly defined and communicated parameters

**Internal audit**

Assists the Board in ensuring compliance with internal controls

The Audit, Risk and Compliance Committee reviews and approves the selection and engagement of internal auditors, the internal audit programme to be conducted, and the scope of the work to be performed at each location

Internal auditors provide the Committee with comments and recommendations about the identification of areas perceived to be of a greater level of risk than others, and any areas requiring particular scrutiny

The Committee receives and reviews the reports of the internal auditors

3.2 *Audit Services*

The Company and Audit, Risk and Compliance Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers remains the external auditor of the Company for the Group's financial report for the year ended 31 December 2009.

The Board has adopted a policy in relation to the provision of non-audit services by the Company's external auditor. It is based on the principle that work that may detract from the external auditor's independence and impartiality (or that may be perceived as doing so) should not be carried out by the external auditor. Details and the break down of fees for non-audit services and an analysis of fees paid or payable to external auditors are provided in Note 32 to the Financial Statements.

## 4 The Board is committed to promoting ethical and responsible decision-making

4.1 *Code of conduct and whistleblower program*

The Company is committed to upholding the highest ethical standards of corporate behaviour. A Code of Conduct has been adopted, which requires that all Directors, senior management and employees act with the utmost integrity and honesty. It aims to further strengthen the Company's ethical climate by promoting practices that foster the Company's key values of:

> Acting with fairness, honesty and integrity;
> Being aware of and abiding by laws and regulations;
> Individually and collectively contributing to the wellbeing of shareholders, customers, the economy and the community;
> Maintaining the highest standards of professional behaviour;
> Avoiding or managing conflicts of interest; and
> Striving to be a good corporate citizen, and to achieve community respect.

The Code of Conduct is publicly available on the Company's website at www.adbri.com.au.

The Company has also adopted policies requiring compliance with (among others) occupational health and safety, environmental, privacy, equal employment opportunity and trade practices law. The effectiveness of these policies is regularly audited. Occupational health and safety, environmental, and other risks are covered by these audits.

Employees are encouraged to attend training or seminars presented by the Company, or external service providers, to ensure that they remain up-to-date with relevant legal and industry developments.

The Code requires all officers, employees, contractors, agents or people associated with the Company to report any potential breaches to the Company Secretary under the whistleblower program. This may be done anonymously.

4.2 *Shareholdings of Directors and employees*

The Board has a policy that Directors and employees may not buy or sell Adelaide Brighton Ltd shares except within the period of one month following the annual and half year results announcements and the period from the release of the Company's annual report until one month after the annual general meeting. The policy supplements the *Corporations Act 2001* provisions that preclude Directors and employees from trading in securities when they are in possession of "inside information".

The Board has also adopted a policy that prohibits executives from hedging (or otherwise locking in a profit over) unvested securities issued under the Company's Share Plans.

A summary of the Share Trading Policy and the Award/Share Hedging Policy are available on the Company's website at www.adbri.com.au.

## 5 The Board is committed to timely and balanced disclosure and respects the rights of shareholders

5.1 *Continuous disclosure*

The Company is committed to providing relevant and timely information to its shareholders and to the broader market, in accordance with its obligations under the *Corporations Act 2001* and the ASX continuous disclosure regime.

The Company's Continuous Disclosure Policy is available on the Company's website and sets out guidelines and processes to be followed in order to ensure that the Company's continuous disclosure obligations are met. Material information must not be selectively disclosed prior to being announced to the ASX. These policies and procedures are supplemented by the Shareholder Communications Policy (also published on the Company's website) which includes arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company Secretary has been nominated as the person responsible for communicating with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements and overseeing and coordinating (with the Group Corporate Affairs Adviser) information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

5.2 *Communication with shareholders*

The Company's website contains copies of annual reports, financial accounts, presentations, media releases and other investor relations publications. All relevant announcements made to the market, and any related information, are also posted on the Company's website as soon as they have been released to the ASX.

The Board encourages full participation of shareholders at the Annual General Meeting in order to promote a high level of accountability and discussion of the Company and the Groups strategy and goals.

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditors' report.

| | Director | Experience | Special responsibilities |
|---|---|---|---|
| | **M A Kinnaird** *AC*<br>*DUniv, BE,*<br>*Hon FIEAust, FTS*<br>Age 76 | Independent non-executive Director since September 1996. (Deputy Chairman from September 1996 to January 1997). A civil engineer, founder and past Executive Chairman of former engineering firm Kinhill Pty Ltd, now known as KBR. Consultant with KBR. Involvement in wider professional and business community. Chairman, Asia Pacific Transport Pty Ltd and Freight Link Pty Ltd. Director South Australia Mariculture Pty Ltd and United Water International Pty Ltd. Companion in the General Division of the Order of Australia for service through the development of public policy in the defence procurement, infrastructure and energy sectors, and to business. Officer in the General Division of the Order of Australia for services to engineering and the community. | Appointed Chairman January 1997. Chairman, Independent Directors' Committee. Member, Audit, Risk and Compliance Committee, Nomination and Remuneration Committee, Corporate Governance Committee and SH&E Committee. |
| | **C L Harris**<br>*BEc, FCPA, FAICD*<br>Age 63 | Independent non-executive Director since March 1995. An economics graduate and qualified accountant with more than 20 years public company experience as an executive and non-executive Director. Former CEO and Managing Director of FH Faulding & Co Ltd, Chairman of Evogenix Ltd and Deputy Chairman of Adelaide Bank Ltd. Chairman, Argo Investments Ltd. Director, JM Financial Group Ltd and JMFG Nominees Limited. | Chairman, Nomination and Remuneration Committee and Superannuation Policy Committee. Member, Audit, Risk and Compliance Committee, Corporate Governance Committee and Independent Directors' Committee. |
| | **L V Hosking**<br>Age 65 | Independent non-executive Director since June 2003. Extensive experience in commercial and financial matters with 15 years experience as Chief Executive of the Sydney Futures Exchange and former Chief Executive Officer of Axiss Australia and Managing Director of National Electricity Market Management Company (NEMMCO). Director, Innovation Australia, AGL Energy Limited and Australian Energy Market Operator Limited. | Chairman, Audit, Risk and Compliance Committee and Corporate Governance Committee. Member, Nomination and Remuneration Committee and Independent Directors' Committee. |
| | **G F Pettigrew**<br>*FPNA, FAIM, FAICD*<br>Age 61 | Independent non-executive Director since August 2004. Extensive experience in the building materials industry and former Chief Executive Officer of CSR Building Products and broad management experience gained in South East Asia and the United Kingdom through former positions as Managing Director of Chubb Australia Limited and Wormald Security Australia Pty Ltd. Director, Lafarge Plasterboard Pty Ltd and Bisalloy Steel Group Ltd. | Chairman, SH&E Committee. Member, Audit, Risk and Compliance Committee, Independent Directors' Committee and Nomination and Remuneration Committee. |
| | **M P Chellew**<br>*BSc, ME,*<br>*Grad Diploma Mgt*<br>Age 53 | Executive Director and Managing Director since September 2001. Mechanical Engineer with over 28 years experience in the heavy building materials and related industries gained in Australia and the United Kingdom. Previously held the position of Managing Director of Blue Circle Cement in the United Kingdom and senior management positions within the CSR group of companies in Australia and the United Kingdom. | Member, Independent Directors' Committee and SH&E Committee. |
| | **R D Barro**<br>*BBus, CPA, ACIS*<br>Age 48 | Non-executive Director since August 2008. Over 20 years experience in the premixed concrete and construction materials industry. Managing Director of Barro Group Pty Ltd. | Member, SH&E Committee. |

**Enquiries about your shareholding**
Enquiries or notifications by shareholders regarding their shareholdings or dividends should be directed to Adelaide Brighton's share registry:
Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000
Telephone 1800 339 522
International +613 9415 4031
Facsimile 1300 534 987
International +618 8236 2305
web.queries@computershare.com.au

When communicating with the share registry, shareholders should quote their current address together with their Security Reference Number (SRN) or Holder Identification Number (HIN) as it appears on their Issuer Sponsored/CHESS statement.

**Online services**
Shareholders can access information and update information about their shareholding in Adelaide Brighton Limited via the internet by visiting Computershare Investor Services Pty Limited website:
www.investorcentre.com

Some of the services available online include: check current holding balances, choose your preferred annual report option, update address details, update bank details, confirm whether you have lodged your TFN, ABN or exemption, view your transaction and dividend history or download a variety of forms.

**Enquiries about Adelaide Brighton Ltd**
Enquiries about Adelaide Brighton Ltd should be directed to:
Group Corporate Affairs Adviser
Adelaide Brighton Ltd
GPO Box 2155
Adelaide SA 5001
Telephone (08) 8223 8000
Facsimile (08) 8215 0030
adelaidebrighton@adbri.com.au

**Annual general meeting**
The annual general meeting of shareholders will be held at the Intercontinental, North Terrace, Adelaide, South Australia on Wednesday 19 May 2010 at 11.00 am.

**Direct credit of dividends**
Dividends can be paid directly into a bank or other financial institution. Payments are electronically credited on the dividend payment day and subsequently confirmed by mailed payment advice. Application forms are available from our share registry, Computershare Investor Services Pty Limited or visit the website at www.computershare.com.au/easyupdate/abc to update your banking details.

**Combining multiple shareholdings**
If you have multiple shareholding accounts that you want to consolidate into a single account, please advise the share registry, Computershare Investor Services Pty Limited, in writing.

**Change of address**
Shareholders who are Issuer Sponsored should notify any change of address to the share registry, Computershare Investor Services Pty Limited, by telephone or in writing quoting your security holder reference number, previous address and new address. Broker Sponsored (CHESS) holders should advise their sponsoring broker of the change.

**Registered office**
Level 1, 157 Grenfell Street
Adelaide SA 5000
Telephone (08) 8223 8000
Facsimile (08) 8215 0030

**Stock exchange listing**
Adelaide Brighton Ltd is listed on the Australian Securities Exchange and trades under the symbol "ABC". Adelaide is Adelaide Brighton Ltd's home exchange.

**Communications**
Our internet site www.adbri.com.au offers access to our ASX announcements and news releases as well as information about our operations.

**Substantial shareholders**

*Barro Properties Pty Ltd*, by a notice of change of interests of substantial shareholder dated 4 May 2009, informed the Company that it or an associate had a relevant interest in 145,039,812 ordinary shares or 23.7% of the Company's issued share capital.

*Perpetual Limited*, by a notice of change of interests of substantial shareholder dated 7 April 2010, informed the Company that it or an associate had a relevant interest in 70,824,115 ordinary shares or 11.17% of the Company's issued share capital.

*Commonwealth Bank of Australia*, by a notice of change of interests of substantial shareholder dated 12 November 2009, informed the Company that it or an associate had a relevant interest in 35,970,578 ordinary shares or 5.67% of the Company's issued share capital.

**On market buy back**
At 31 March 2010, there is no on-market buy back of the Company's shares being undertaken.

**Top twenty largest shareholders as at 31 March 2010**

| *Shareholder* | *No. of ordinary shares held* | *% of issued capital* |
|---|---|---|
| Barro Properties Pty Ltd | 116,276,429 | 18.34 |
| National Nominees Limited | 76,176,157 | 12.01 |
| JP Morgan Nominees Australia Limited | 74,476,314 | 11.74 |
| RBC Dexia Investor Services Australia Nominees Pty Ltd (PIPOOLED A/C) | 36,219,798 | 5.71 |
| HSBC Custody Nominees (Australia) Limited | 34,672,473 | 5.47 |
| Citicorp Nominees Pty Limited | 28,235,712 | 4.45 |
| Barro Group Pty Ltd | 28,233,542 | 4.45 |
| Cogent Nominees Pty Limited | 18,361,669 | 2.90 |
| UBS Nominees Pty Ltd | 9,248,032 | 1.46 |
| ANZ Nominees Limited (Cash Income A/C) | 9,138,165 | 1.44 |
| AMP Life Limited | 7,494,733 | 1.18 |
| Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/C) | 5,821,608 | 0.92 |
| Citicorp Nominees Pty Limited (CFSIL CFS WS SMALL COMP A/C) | 5,476,430 | 0.86 |
| UBS Wealth Management Australia Nominees Pty Ltd | 5,426,503 | 0.86 |
| Citicorp Nominees Pty Limited (CFSIL CWLTH AUST SHS 4 A/C) | 4,822,192 | 0.76 |
| Queensland Investment Corporation | 4,240,910 | 0.67 |
| RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC A/C) | 4,181,658 | 0.66 |
| Argo Investments Ltd | 3,932,062 | 0.62 |
| Cogent Nominees Pty Limited (SMP Accounts) | 3,633,491 | 0.57 |
| Bond Street Custodians Limited (Macquarie Alpha Opport A/C) | 2,222,952 | 0.35 |
| **Total top 20 shareholders** | **478,290,830** | **75.42** |
| **Total remaining holders balance** | **155,854,140** | **24.58** |

**Voting rights**
All shares at 31 March 2010 were of one class with equal voting rights being one vote for each shareholder and, on a poll, one vote for each fully paid ordinary share.

| **Shares held as at 31 March 2010** | *No. of shareholders* | *% of issued capital* |
|---|---|---|
| 1 - 1,000 | 3,044 | 0.23 |
| 1,001 - 5,000 | 6,172 | 2.79 |
| 5,001 - 10,000 | 2,917 | 3.45 |
| 10,001 - 100,000 | 2,936 | 10.60 |
| 100,001 - over | 166 | 82.93 |
| Total shareholders | 15,235 | 100.00 |
| Less than a marketable parcel of 194 | 755 | |

**Unquoted securities**
2,535,000 issued to the Managing Director and other members of the senior executive team under the Adelaide Brighton Ltd Executive Performance Share Plan as part of the Company's long term incentive programme. The Awards are not quoted and do not participate in the distribution of dividends and do not have voting rights. The total number of participants in the Adelaide Brighton Ltd Executive Performance Share Plan and eligible to receive the Awards is 15.

# financial statements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The Directors present their report on the consolidated entity (the Group) consisting of Adelaide Brighton Ltd (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2009.

**Directors**

The Directors of the Company, at any time during or since the end of the financial year and up to the date of this report, are:

M A Kinnaird *AC*
C L Harris
L V Hosking
G F Pettigrew
R D Barro
J D McNerney (resigned 21 May 2009)
M P Chellew

**Principal activities**

During the year the principal activities of the Group consisted of the manufacture and distribution of cement and cementitious products, lime, premixed concrete, aggregates, sand and concrete products.

**Review of operations**

A summary of the financial results for the year ended 31 December 2009 is set out below:

| *(A$ million)* | ***2009*** | *2008* |
|---|---|---|
| **Sales revenue** | **987.2** | 1,022.4 |
| Depreciation | **(56.8)** | (56.8) |
| **Earnings before interest and tax ("EBIT")** | **185.3** | 189.1 |
| Net interest | **(16.7)** | (33.8) |
| **Profit before tax** | **168.6** | 155.3 |
| Income tax expense | **(45.4)** | (34.5) |
| **Net profit after tax** | **123.2** | 120.8 |
| Minority interest | **(0.1)** | - |
| Net profit attributable to members | **123.1** | 120.8 |
| Basic earnings per share (cents) | **20.4** | 22.2 |
| Basic dividend per share (cents) | **13.5** | 15.0 |
| Franking (%) - all dividends | **100%** | 100% |
| Net debt | **175.4** | 387.8 |
| Net debt/equity (%) | **19.6%** | 55.3% |

Adelaide Brighton reported an increased net profit after tax of $123.1 million, up 1.9% over the previous corresponding period ("pcp"). Sales revenue decreased by 3.4% to $987.2 million as a result of reduced cement and concrete demand, which was partially offset by improved pricing and the first full year contribution from the Queensland and Tasmanian Concrete Products business acquired in mid-2008. Despite the small improvement in after tax profit, 2009 earnings per share dipped to 20.4 cents compared with 22.2 cents in the pcp following the $111 million (net of transaction costs) institutional equity raising and Share Purchase Plan. EBIT decreased 2.0% to $185.3 million. The impact of reduced sales volumes was partially offset by enhanced pricing and cost control.

The better second half result was assisted by some recovery in demand in the final quarter, the realisation of price increases, the full benefit of the Profit Optimisation Programme and a profit recovery in the Concrete Products Division, which met its second half $4.4 million EBIT forecast.

*Cement*
Cement sales volumes fell by 11% in 2009, but less than the national average estimated at about 15%. Adelaide Brighton benefited from increased sales to the resources sector in Western Australia and South Australia. Cement prices increased by more than inflation due to the full year impact of 2008 increases and modest increases in the first half of 2009. The strength of the Australian dollar over the second half year reduced import parity prices constraining price aspirations, particularly in Queensland.

*Lime*
Lime sales volumes were level as increases in demand from the alumina and gold sectors offset shortfalls from the 2008 closure of the HIsmelt and Ravensthorpe nickel operations in Western Australia. Aided by the full year impact of 2008 price rises and modest 2009 increases, overall lime pricing improved by 6%, an important factor in sustaining margins in Western Australia.

*Concrete and Aggregates*
The Company's premixed concrete volume was down approximately 15% overall in 2009 in line with the industry. Average selling price for concrete increased in line with inflation, however some pricing pressure was evident towards the end of the year.

Aggregate demand increased during 2009 with Hy-Tec's regional New South Wales operations supplying the Pacific Highway upgrade. Austen Quarry volume also improved through increased regional infrastructure demand in New South Wales. Aggregate price increases achieved were on average better than inflation.

*Concrete Products*
Concrete Products volume was down circa 25% compared with pcp. However, market demand in some regions of Queensland was estimated to be 40% to 50% below that of the prior year. Despite weaker demand, inflationary price increases were achieved across all Concrete Products markets, providing some relief from unsustainably low margins as a result of weak demand, reduced cost recovery and rising raw material costs.

*Joint Ventures*
Weakness in the Queensland market and an increase in clinker transfer (input) prices contributed to the 35.2% (versus pcp) decline in net profit for Sunstate Cement. Pricing pressures emerged in south east Queensland in the second half as a new entrant, Wagners, sought business for its imported clinker grinding facility.

Independent Cement and Lime Pty Ltd reported consistent earnings despite a decline in market demand.

The Mawsons premixed concrete and quarrying joint venture performed well, driven by strong mining and infrastructure sector demand in the regional northern Victoria market.

*Profit Optimisation Plans and Rationalisation*
A key factor in the 2009 result was the delivery of divisional Profit Optimisation Plans. These plans addressed two key areas:

- Firstly, to reset operating capacity to meet projected demand. This was particularly relevant to the Concrete Products and Concrete and Aggregates Divisions. Specifically, plant configuration, shift patterns and distribution capacity were scaled back in order to sustain gross margins in a declining market. As a result, three of the smaller Concrete Products plants were mothballed and shift patterns reduced, resulting in the reduction of 92 positions at a cost of $1.6 million.

  In the Concrete and Aggregates division, mixer truck capacity was managed through optimising the balance between owner drivers and Company drivers and the retiring of the oldest mixer trucks where necessary. Progress was made in reducing concrete mix costs through the use of alternate raw materials and careful control of material utilisation.

- Secondly, the review of all compressible costs and non-core assets, resulting in cost reduction plans and asset divestments to optimise 2009 performance and cash flow.

The combined benefit of these plans delivered our targeted $15 million of EBIT improvements for the year, which directly supported operating cash flow.

In addition, the final stages in the integration of Hanson Building Products Pty Ltd into the Concrete Products division were completed in the first half, resulting in the closure and sale of the former C&M Essendon head office and the consolidation of the administration functions in Staplyton, Queensland. This completed delivery of the target $3 million of synergies identified at the time of acquisition.

*Cement and lime kiln operational performance*
In May 2009, the Company's limestone carrying vessel *Accolade II* collided with the Klein Point loading jetty. The resulting damage to the jetty constrained the supply of limestone to Birkenhead for a period of 132 days. The Company's risk management plan was engaged following this incident and the supply of limestone to Birkenhead was sustained with no resulting loss in plant downtime.

The repairs to the jetty and loader were substantial and despite some weather related delays, through effective project management operations were successfully reinstated in early September. Working in close partnership with the insurers and loss adjusters, the $13.4 million claim was agreed in November. A $2.6 million one off uninsured excess cost was taken against earnings for the year.

The Birkenhead plant major annual maintenance shutdown was successfully completed in February. The summer period shutdown provided the indirect benefit of reducing plant electricity demand at a time of potential peak demand and pricing in South Australia.

The dedicated lime kilns at Munster, Angaston and Mataranka continued to operate at full capacity. Dongara performed at optimum capacity supplying peak market demand. Munster cement kiln two was switched to lime supply for a period of six weeks during the year in order to meet peak resource sector demand.

*Operational results*
Adelaide Brighton delivered further earnings growth in 2009 despite an average 11% reduction in cement volumes and the unfavourable impact of the weaker Australian dollar versus the prior year on cement imports. This was achieved through the realisation of sales price increases to recover higher input costs, the delivery on the 2009 Profit Optimisation Plans, and the $18.6 million (50.4%) decline in interest expense from the reduced borrowing levels and lower cash rates. These benefits translated into a $13.3 million, 8.6% increase in profit before tax.

The 2009 result was impacted by a higher 2009 tax charge (26.9% versus 22.2% over pcp). The prior year benefited from a $3.5 million one off tax credit.

EBIT margins increased slightly to 18.8% (18.5% pcp). The improvement in margins was supported by higher selling prices, cost reductions and a mix shift away from lower margin imported products. On balance, the one off impact on EBIT of redundancy costs and the non-recovery of Klein Point costs, were offset by property profits and the recovery of previously expensed land holding costs.

Continued working capital management, constrained capital expenditure and the divestment of non-core property assets, facilitated a lift in operating cash flow of 25.3% to $188.1 million during 2009.

Trade receivables of $146.0 million and debtor days were both level with the prior year. This result was further complemented by a reduction in 2009 bad debt expense with no material customer failures occurring during the year. Inventory levels dipped by $8.3 million to $107.8 million due to tight control over engineering spare parts.

Capital expenditure was $43.1 million for the year, a material reduction over prior years as expenditure was limited to the completion of work in progress and essential maintenance investment.

Net debt decreased by $212.4 million to $175.4 million due to strong free cash flows and the $111 million (net of transaction costs) institutional equity raising and Share Purchase Plan. As a result year-end gearing fell to 19.6% versus 55.3% in the pcp.

The Company advanced its capital management strategy during the year, increasing balance sheet strength through the Dividend Reinvestment Plan and the institutional equity raising and Share Purchase Plan. While diluting the equity of non-participating shareholders, the Board believed this action to be in the best interest of all shareholders, reducing Adelaide Brighton's funding uncertainty and increasing balance sheet flexibility for potential acquisitions.

**Dividends paid or declared by the Company**

During the 2009 financial year, the following dividends were paid:

- A final dividend in respect of the year ended 31 December 2008 of 8.5 cents per share, fully franked, was paid on 22 April 2009. This dividend totalled $46,961,538.
- An interim dividend in respect of the year ended 31 December 2009 of 5.5 cents per share, fully franked was paid on 19 October 2009. This dividend totalled $34,510,944.

Since the end of the financial year the Directors have approved the payment in respect of the year ended 31 December 2009, of a final dividend of 8.0 cents per share, fully franked, to be paid on 12 April 2010.

**State of affairs**

No significant changes occurred in the state of affairs of the Group during the financial year.

**Events subsequent to the end of the financial year**

As at the date of this report, no other matter or circumstance has arisen since 31 December 2009 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Likely developments and expected results of operations**

Likely developments in the operations of the Group, known at the date of this report, and the expected results of those operations, have been covered generally within the financial report.

Further information on likely developments in the operations of the Group and the expected results of operations in the future financial years have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

**Environmental performance**

The Group is subject to various Commonwealth, State and Territory laws concerning the environment. Management ensures that any registrations, licenses or permits required for the Group's operations are obtained and observed. All operations have access to safety and environmental legislation summaries specific to their activities and a group-wide Safety, Health and Environmental (SH&E) Management System is in place for monitoring, reporting and addressing SH&E matters. Two sites, Birkenhead and Angaston, are certified to the environment and management system standard ISO 14001.

The Group monitors environmental matters by site and business division, and information about the Group's performance is regularly reported and reviewed by the Group's senior management, the Safety, Health & Environment Committee of the Board and the Board.

All Adelaide Brighton facilities comply with State and Federal environment requirements. During 2009, no formal environmental notices were received.

**Information on Directors**

Information relating to Directors' qualifications, experience and special responsibilities are set out on page 31 of the Annual Report.

**Directors' meetings**

The number of Directors' meetings and meetings of committees of Directors held during the financial year and the number of meetings attended by each Director is as follows:

| *Director* | *Board Meetings* | | *Audit, Risk and Compliance Committee* | | *Nomination and Remuneration Committee* | | *Corporate Governance Committee* | | *Independent Directors' Committee* | | *SH&E Committee* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *A* | *H* | *A* | *H* | *A* | *H* | *A* | *H* | *A* | *H* | *A* | *H* |
| M A Kinnaird | 7 | 7 | 4 | 4 | 3 | 3 | 2 | 2 | 0 | 0 | 2 | 2 |
| C L Harris | 7 | 7 | 4 | 4 | 3 | 3 | 2 | 2 | 0 | 0 | | |
| R D Barro | 7 | 7 | | | | | | | | | 2 | 2 |
| L V Hosking | 7 | 7 | 4 | 4 | 3 | 3 | 2 | 2 | 0 | 0 | | |
| J D McNerney* | 3 | 3 | | | | | | | 0 | 0 | 1 | 1 |
| G F Pettigrew | 7 | 7 | 4 | 4 | 3 | 3 | | | 0 | 0 | 2 | 2 |
| M P Chellew | 7 | 7 | | | | | | | 0 | 0 | 2 | 2 |

*A Number of meetings attended*
*H Number of meetings held during period of office*
** J D McNerney resigned on 21 May 2009*

Throughout 2009, the general business of the Corporate Governance Committee was dealt with at the Company's Board Meetings and no separate committee meetings were held.

Particulars of the Company's corporate governance practices, including the roles of each Board Committee, are set out on pages 23 to 30 of this report.

**Directors' interests**

The relevant interest of each Director in the share capital of the Company at the date of this report is as follows:

| | *Ordinary shares* |
|---|---|
| M A Kinnaird | 98,764 |
| C L Harris | 70,479 |
| L V Hosking | 4,739 |
| G F Pettigrew | 7,739 |
| R D Barro | 29,258,979 |
| M P Chellew | 448,366 |

Full details of the interests in share capital of Directors of the Company are disclosed in Note 31 to the Financial Statements on page 83 of this report. Full details of the interests in Awards of Directors of the Company are set out in the Remuneration Report on pages 39 to 47 of this report.

**Director and executive remuneration**

Details of the Company's remuneration policies and the nature and amount of the remuneration of the Directors and certain senior executives are set out in the Remuneration Report on pages 39 to 47 of this report.

**Company Secretaries**

The Company's principal Company Secretary is Marcus Clayton, who has been employed by the Company in the two separate offices of General Counsel and Company Secretary since 24 February 2003. He is a legal practitioner admitted in South Australia with 23 years experience.

Two other employees of the Company also hold the office of Company Secretary to assist with secretarial duties should the principal Company Secretary be absent. One is the Company's Chief Financial Officer, Andrew Poulter, who is a Chartered Accountant. The other is the Group's Corporate Affairs Adviser, Luba Alexander, who has been a Company Secretary since 22 March 2001.

**Indemnification and insurance of officers**

Rule 9 of the Company's constitution provides that the Company indemnifies each person who is or who has been an "officer" of the Company on a full indemnity basis and to the full extent permitted by law, against liabilities incurred by that person in their capacity as an officer of the Company or of a related body corporate.

Rule 9.1 of the constitution defines "officers" to mean:

- Each person who is or has been a Director, alternate Director or executive officer of the Company or of a related body corporate of the Company who in that capacity is or was a nominee of the Company; and
- Such other officers or former officers of the Company or of its related bodies corporate as the Directors in each case determine.

Additionally the Company has entered into Deeds of Access, Indemnity and Insurance with all Directors of the Company, its wholly owned subsidiaries, and nominee Directors on the Board of Independent Cement & Lime Pty Ltd. These deeds provide for indemnification on a full indemnity basis and to the full extent permitted by law against all losses or liabilities incurred by the person as an officer of the relevant Company. The indemnity is a continuing obligation and is enforceable by an officer even if he or she has ceased to be an officer of the relevant Company or its related bodies corporate.

The Company was not liable during 2009 under such indemnities.

No indemnity has been granted to an auditor of the Company in their capacity as auditor of the Company.

Rule 9.5 of the constitution provides that the Company may purchase and maintain insurance or pay or agree to pay a premium for insurance for "officers" (as defined in the constitution) against liabilities incurred by the officer in his or her capacity as an officer of the Company or of a related body corporate, including liability for negligence or for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal and whatever their outcome.

During the year the Company paid the premiums in respect of Directors' and Officers' Liability Insurance to cover the Directors and Secretaries of the Company and its subsidiaries, and the General Managers of each of the divisions of the Group, for the period 31 March 2009 to 30 April 2010. Due to confidentiality obligations under that policy, the premium payable and further details in respect of the nature of the liabilities insured against cannot be disclosed.

**Proceedings on behalf of the Company**

No person has applied for leave of the Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

**Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's experience and expertise with the Company and the Group are important.

Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year are set out in Note 32 to the Financial Statements on page 84 of this report.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 93.

**Rounding off**

The Company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

Dated on 5 March 2010

Signed in accordance with a resolution of the Directors

M Chellew
Managing Director

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**Introduction to Adelaide Brighton remuneration framework**

*Dear Shareholder*

*The Board of Adelaide Brighton is pleased to present the 2009 Remuneration Report.*

*As part of the Board's commitment to engaging with our shareholders in a transparent manner, this year we have redesigned the Remuneration Report with the aim of clearly setting out our remuneration policies and practices, how they relate to our corporate objectives and performance and how our performance for the 2009 financial year has resulted in particular remuneration outcomes.*

*The Group performed well during the unprecedented, difficult market conditions experienced during 2009, with an improved profit over the previous year.*

*Notwithstanding this, to ensure that Adelaide Brighton's remuneration policy remains appropriate in the context of the behaviours we are seeking to drive as an organisation, but recognising the difficult external environment in which we operate and the demand for restraint in executive remuneration, during the year the Board (through the Nomination and Remuneration Committee acting independently of management) undertook a comprehensive review of the Group's senior executive and Board remuneration practices. External advice was obtained to confirm that our remuneration practices are appropriate given the size and nature of the Group whilst also ensuring that remuneration levels remain competitive so that we can continue to attract and retain the right people.*

*Adelaide Brighton's remuneration framework is designed to create a performance culture by driving and rewarding executive performance for the achievement of the Group's business objectives and, ultimately, the creation of long term growth in shareholder wealth.*

*On behalf of the Board, I commend this Report to you.*

*Chris Harris*
*Chairman, Nomination and Remuneration Committee*

The Directors of the Company present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and the Group for the year ended 31 December 2009. This Remuneration Report, which has been audited by PricewaterhouseCoopers, forms part of the Directors' Report.

**Section 1 - Policy and Structure**

**1.1 Overview of elements of remuneration**

An overview of the elements of remuneration is set out in Table 1. A more detailed discussion of each element is contained in this Remuneration Report.

**Table 1 - Overview of elements of remuneration**

| | *Elements of remuneration* | *Directors Non-Executive* | *Directors Executive* | *Senior Executives* | *Discussion in Remuneration Report* |
|---|---|---|---|---|---|
| Fixed remuneration | Fees | ✓ | ✗ | ✗ | page 47 |
| | Salary | ✗ | ✓ | ✓ | page 42 |
| At-risk remuneration | Short term incentive | ✗ | ✓ | ✓ | pages 42, 43 |
| | Long term incentive | ✗ | ✓ | ✓ | pages 44, 45 |
| Post-employment | Superannuation | ✓ | ✓ | ✓ | pages 46, 47 |
| | Notice periods & termination payments | ✗ | ✓ | ✓ | page 46 |

**1.2 Board policy on executive remuneration**

The Nomination and Remuneration Committee has recommended, and the Board has adopted, a policy that executive remuneration will:

- Be competitive in the markets in which the Group operates in order to attract, motivate and retain high calibre employees;
- Reinforce the short and long term objectives of the Group as set out in the strategic business plans endorsed by the Board; and
- Provide a common interest between employees and shareholders by linking the rewards that accrue to management to the creation of value for shareholders, and ensuring that remuneration policy has regard to market practice and conditions.

The policy seeks to support the Group's objective to be perceived as "an employer of choice" by:

- Offering remuneration levels which are competitive relative to those offered by comparable employers; and
- Providing strong, transparent linkages between individual and Group performance and rewards.

The Board, based on the recommendations of the Nomination and Remuneration Committee, establishes the remuneration of the Managing Director. Following a comprehensive review during the year by two independent consultants, and in the context of the global financial crisis and the challenging market conditions, the Committee recommended, and the Board approved a 'freeze' on the Managing Director's fixed remuneration for 2010 and 2011. The Committee also reviewed the short term and long term incentive components of the Managing Director's total remuneration package.

The Nomination and Remuneration Committee, based on the recommendations of the Managing Director, approves the remuneration of senior executives reporting to the Managing Director, including their participation in both short term and long term incentive schemes.

The Board aims to achieve a balance between fixed and performance related components of remuneration that reflect market conditions at each job and seniority level.

| Be competitive in Adelaide Brighton's markets | Reinforce Group short and long term incentives | Link to creation of shareholder value |
|---|---|---|

| Fixed remuneration | Performance-based remuneration | |
|---|---|---|
| Between 40 - 60% of total target remuneration | Between 40 - 60% of total target remuneration | |
| Determined in line with median market rate for comparable role.<br>Executive can take in form agreed with the Company (in general, this is in the form of cash, car and superannuation and includes the cost of fringe benefits tax). | **STI**<br>Targets comprise:<br>• *'Financial Target'* (80% of STI opportunity) relating to Group performance against budget; and<br>• *'Functional Targets'* (20% of STI opportunity) relating to personal performance. | **LTI**<br>Targets based on earnings per share and total shareholder return to link executive reward with key performance drivers which underpin sustainable growth in shareholder value. |

## Section 2 - Group performance 2009

### 2.1 Shareholders' wealth

The Company's long term incentive arrangements for senior executives (described in section 3.3 below) are judged against two performance measures - total shareholder return (TSR) and earnings per share (EPS), which the Board believes are indicators of the long term creation of shareholder wealth.

As set out in section 3.3 below, the long term incentive rewards sustained performance in relation to growth in these measures (TSR when compared to performance against the chosen indices and EPS based on percentage growth) over 2, 3 and 4 year periods. In this way, the Board strives to link executive rewards to shareholder value creation over the longer term, through which executives focus on medium to longer term strategic decision making as opposed to taking decisions which result in short term gains alone.

TSR measures the change in shareholder wealth over time - being the dividends paid by the Company, changes in share price and any return of capital over the relevant period. EPS divides earnings by the number of shares on issue (which includes the effect of capital raisings which this year included the institutional equity raising and issue of new shares under the Share Purchase Plan).

The Company's 5 year TSR and EPS performance is set out in Table 2 below, together with details of dividends paid, the closing price of Adelaide Brighton shares on 31 December in each year (noting this year our share price fluctuated between a low of A$1.45 in March to a high of A$2.96 in October) and details of operating cash flow.

**Table 2 - Shareholders' wealth improvement from year 2005 to year 2009**

| | *Year ended 31 Dec 09* | *Year ended 31 Dec 08* | *Year ended 31 Dec 07* | *Year ended 31 Dec 06* | *Year ended 31 Dec 05* |
|---|---|---|---|---|---|
| Share price (A$)[1] | 2.75 | 2.10 | 3.48 | 2.81 | 2.10 |
| Total dividends paid (Ac) | 13.5 | 15.0 | 18.5 | 18.5 | 10.5 |
| Franked dividends | 100% | 100% | 100% | 100% | 100% |
| Operating cash flow | $188.1m | $150.1m | $140.4m | $144.3m | $123.4m |
| EPS (Ac)[2] | 20.4 | 22.2 | 21.0 | 18.4 | 16.2 |
| TSR (%)[2] | 37.4% | (35.3%) | 30.4% | 42.6% | 29.4% |
| Compound Annual Growth Rate since 2004 | 15.6% | 12.5% | 32.4% | 34.9% | 29.4% |

1 The amount disclosed is the closing price of the Company's shares on the ASX on 31 December of the relevant year.
2 2005 EPS and TSR are AIFRS adjusted.

As can be seen from these results, over the past 5 years, the Company has:

- Delivered compound annual growth in TSR of 15.6%;
- Maintained a strong dividend payout ratio to profit earned;
- Increased operating cash flow through tight controls over working capital, careful capital expenditure and the divestment of non-core property assets; and
- Generated an average annual increase in EPS of 7.9% since 2004.

## 2.2 Earnings

The Group's good result in 2009, posting a 1.9% increase in net profit after tax to $123.1 million, was earned in a challenging year when softer demand for cement, concrete and concrete products resulted in a 3.4% decrease in sales revenue to $987.2 million.

Table 3 sets out the Group's sales revenue, earnings before interest and tax (EBIT), Profit Before Tax (PBT) and Net Profit After Tax (NPAT) over the past 5 financial years.

**Table 3 - Earnings improvement from year 2005 to year 2009**

| *($ Million)* | *Year ending 31 Dec 09* | *Year ending 31 Dec 08* | *Year ending 31 Dec 07* | *Year ending 31 Dec 06* | *Year ending 31 Dec 05* |
|---|---|---|---|---|---|
| Sales revenue | 987.2 | 1,022.4 | 888.4 | 794.7 | 719.4 |
| EBIT | 185.3 | 189.1 | 171.3 | 148.8 | 134.1 |
| EBIT margin % | 18.8% | 18.5% | 19.3% | 18.7% | 18.6% |
| Profit before tax (PBT) | 168.6 | 155.3 | 149.6 | 133.6 | 120.1 |
| Net profit after tax (NPAT) | 123.1 | 120.8 | 113.9 | 102.1 | 90.9 |

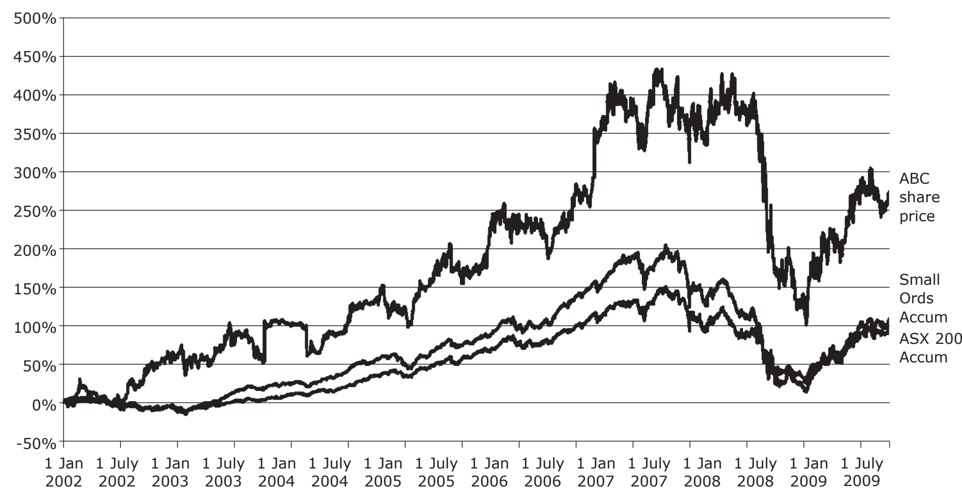
Notwithstanding the impact of the difficult market conditions on sales revenue in this year, EBIT margins actually increased, as did PBT and NPAT. PBT is the key component of the Group's short term incentive arrangements for senior executives (set out in section 3.2 below). As PBT for the 2009 year increased to $168.6 million, management exceeded 110% of budgeted profit before tax and earned all of the Financial Target applicable to the short term incentive.

The Group's committed executive team, who have overseen a consistent strategy over the 5 year period shown in Table 3, have seen underlying EBIT increase from $134.1 million in 2005 to $185.3 million in 2009 (a 38.2% increase) and PBT increase from $120.1 million in 2005 to $168.6 million in 2009 (a 40.4% increase).

The executive team responded to the difficult market conditions by continuing to drive for improved returns through the optimisation of the Group's strategy and the implementation of the divisional Profit Optimisation Plans, which resulted in cost reductions and non-core asset divestments.

The graph below depicts the performance of Adelaide Brighton's share price versus the ASX Small Ords Accumulation Index (AS38) and the ASX 200 Materials Accumulation Index (ASX51MATL) from 1 January 2002 to 31 December 2009. The Adelaide Brighton share price has outperformed both indices, reflecting the strength of its core markets in the resources and construction materials sectors and the success of Adelaide Brighton's strategy.

**Comparison of growth ABC share price to the ASX Small Ords and ASX200 Accumulation Index**



## Section 3 - Managing Director and senior executive remuneration

The following disclosures in relation to the remuneration of the Managing Director, Mr Mark Chellew, and members of the executive team, are provided on the basis that these executives ("senior executives") had the authority and responsibility for planning, directing and controlling the activities of the Company and the Group during the financial year. This includes the Managing Director and the five most highly remunerated senior executives of the Company and the Group during the financial year as required under section 300A of the *Corporations Act 2001*.

| *Executives* | *Position* |
|---|---|
| **Managing Director** | |
| M P Chellew | Managing Director and CEO |
| **Senior executives** | |
| A D Poulter | Chief Financial Officer |
| M R D Clayton | General Counsel and Company Secretary |
| M Brydon | Executive General Manager, Cement and Lime |
| M A Finney | Executive General Manager, Concrete and Aggregates |
| M Kelly | Executive General Manager, Strategy and Business Development |
| S B Rogers | Executive General Manager, Concrete Products |
| S J Toppenberg | Executive General Manager, Human Resources |

### 3.1 Fixed remuneration

The terms of employment for all senior executives contain a fixed remuneration component. This is expressed as a dollar amount that the executive may take in a form agreed with the Company.

This amount of remuneration is determined in line with the median market rate for a comparable role within comparable companies. Executive remuneration levels were reviewed during 2008 and on average, increased by 4% for the 2009 year, in order to bring them in line with the median market rate.

During the year, as part of the comprehensive review undertaken by the Nomination and Remuneration Committee, the Managing Director's fixed remuneration was reviewed for the 2010 year, and increased to $1.5 million per annum in order to bring it in line with the Group's policy of setting fixed remuneration in line with the median market rate. As noted above, in the context of the global financial crisis and the challenging market conditions during the year the Board determined to 'freeze' the Managing Director's fixed remuneration for 2010 and 2011. His fixed remuneration will not be reviewed again until November 2011, for the 2012 year.

### 3.2 At-risk remuneration - Short Term Incentive (STI)

#### 3.2.1 2009 Actual Performance

For 2009, the Group's actual PBT, as defined in section 3.2.2 was $168.6 million. The Managing Director and senior executives satisfied the Financial Component of the performance conditions applicable to the 2009 STI as the Group achieved in excess of 110% of budgeted PBT after exceptional, abnormal and extraordinary items. Tier 4 (Stretch) of the STI was reached, resulting in a maximum STI opportunity equal to 80% for senior executives and 100% for the Managing Director of fixed remuneration.

In accordance with the 2009 STI scheme detailed below, 80% of the maximum STI opportunities was payable based on a Financial Target in relation to the Group's performance against budget in the 2009 financial year. The proportion of the remaining 20% Functional Targets which was determined to be payable was dependent on each individual's success in achieving personal targets. The achievement of these personal targets by the individuals varied between 67% and 98% of the Functional Targets.

Specific information relating to the percentage of the 2009 and 2008 STI which was paid and the percentage that was forfeited for the Managing Director and senior executives of the Company and Group is set out in Table 5.

#### 3.2.2 Summary of STI program

*What is the STI and who participates?*

The STI program involves linking specific annual performance targets (predominantly financial) with the opportunity to earn cash incentives based on a percentage of fixed remuneration.

Participation in the STI is generally offered to the Managing Director and senior executives who are able to influence the generation of shareholder wealth, and thus have a direct impact on the Group's performance against the relevant performance hurdles.

*What is the maximum amount that executives can earn?*

If the relevant performance measures are met:

**Table 4 - Maximum STI opportunity**

| *2009 Group performance against budget* | | *% of fixed remuneration* Managing Director | *Senior executives* |
|---|---|---|---|
| Initial Target (Tier 1) | 90% - 99% | 12% | 10% |
| Target (Tier 2) | 100% | 60% | 50% |
| Partial Stretch (Tier 3) | 101% - 109% | 64% - 96% | 53% - 77% |
| Stretch (Tier 4) | 110% or greater | 100% | 80% |

*How are performance criteria set?*

The performance criteria are set by the Board and agreed with the executive, in general, by the end of February in each year.

*What were the performance conditions applicable under the 2009 STI program?*

In 2009, the amount payable to the Managing Director and eligible senior executives is based on two separate performance measures:

(1) 80% is tested on the Group's performance against budget (Financial Target); and

(2) 20% is tested on both the Group's performance against its budget and the senior executive/Managing Director meeting personal targets agreed with the Managing Director/Board (Functional Targets).

The cash bonus is, therefore, dependant on both the Group's performance and the individual's performance.

*Why were these performance conditions chosen?*

The key financial measure used is Profit Before Tax, which the Board believes is an appropriate annual performance target, aligned to Group budget.

Profit Before Tax is defined for STI purposes as net profit after interest but before income tax expense, exceptional, abnormal, extraordinary items and the effect of any acquisitions made during the financial period. A percentage of the executive's 2009 STI is also subject to additional personal functional performance hurdles appropriate to each executive's role.

*How is performance against the performance conditions assessed?*

In assessing the extent to which these performance conditions were satisfied, the Board reviews the budgeted targets for the year, focusing on PBT financial measure, and assesses the degree to which the Group met these targets. Where applicable, abnormal, extraordinary or unanticipated factors, which may have affected the Group's performance during the year, are considered and where necessary, the Group's performance is adjusted.

The Board also considers the Managing Director's performance against the agreed functional targets, and those of the senior executives based on the recommendation of the Managing Director.

*When is performance against criteria determined and the cash award paid?*

Assessment of performance against the performance hurdles for the relevant year is determined at the first Board meeting subsequent to the balance date, in conjunction with finalisation of the Group's full year results (generally in February), and is normally paid to the executive by March.

*What happens to the STI award on cessation of employment?*

In general, where an executive's employment is terminated by the Company (other than for cause) during the course of a performance year, the executive is entitled to a pro-rata STI for that proportion of the current financial year elapsed on the termination date. In general, where an executive's employment ceases by reason of resignation, any STI opportunity lapses.

**Table 5 - STI for the 2009 and 2008 financial years**

| *Managing Director & senior executives* | *Year* | *STI opportunity as % of fixed remuneration*[1] | *Actual STI as a % of STI opportunity*[1] | *% of STI opportunity*[1] *payment not achieved*[2] | *Actual STI payment*[3] |
|---|---|---|---|---|---|
| | | % | % | % | $ |
| M P Chellew | 2008 | 60.0 | 98.0 | 2.0 | 764,400 |
| | **2009** | **100.0** | **99.6** | **0.4** | **1,346,952** |
| A D Poulter | 2008 | 50.0 | 97.4 | 2.6 | 236,195 |
| | **2009** | **80.0** | **96.1** | **3.9** | **389,647** |
| M R D Clayton | 2008 | 50.0 | 96.7 | 3.3 | 178,821 |
| | **2009** | **80.0** | **97.4** | **2.6** | **299,836** |
| M Brydon | 2008 | 50.0 | 98.6 | 1.4 | 295,800 |
| | **2009** | **80.0** | **99.4** | **0.6** | **503,362** |
| M A Finney | 2008 | 50.0 | 90.0 | 10.0 | 193,500 |
| | **2009** | **80.0** | **93.6** | **6.4** | **328,424** |
| M Kelly | 2008 | 50.0 | 97.4 | 2.6 | 192,365 |
| | **2009** | **80.0** | **95.4** | **4.6** | **313,523** |
| S J Toppenberg | 2008 | 50.0 | 96.0 | 4.0 | 158,400 |
| | **2009** | **80.0** | **98.4** | **1.6** | **270,167** |
| S B Rogers | 2008 | 50.0 | 93.8 | 6.2 | 164,150 |
| | **2009** | **80.0** | **93.4** | **6.6** | **271,981** |

1 STI opportunity for 2009 is based on stretch STI Tier 4 (2008 Target STI Tier 2).

2 Where the actual STI payment is less than maximum potential, the difference is forfeited and does not become payable in subsequent years.

3 2009 STI constitutes a cash bonus granted during 2009; determined in conjunction with the finalisation of 2009 results and paid by March 2010.
2008 STI constitutes a cash bonus granted during 2008; determined in conjunction with the finalisation of 2008 results and paid by March 2009.

## 3.3 At-risk remuneration - Long Term Incentive (LTI)

### 3.3.1 Actual Performance - Tranche 1 of 2007 Awards

Tranche 1 of the 2007 Awards became exercisable on 1 May 2009. As detailed below, the relevant performance conditions for the 2007 Awards are tied to TSR and EPS.

The Company's TSR growth over the relevant period (1 January 2007 to 31 December 2008) was independently assessed and determined to have exceeded the growth in all three of the relevant indices by more than the required premiums. Accordingly, the 50% of Tranche 1 that was subject to the TSR condition became exercisable.

The average annual growth in EPS of the Company over the relevant period was 13.1% per annum compound growth, which exceeded the stretch level of 11%. Accordingly, the 50% of Tranche 1 that was subject to the EPS condition became exercisable.

As a result, 100% of the Tranche 1 of the 2007 Awards became exercisable. A detailed discussion of the Group's performance, set specifically against the Group's earnings and the consequences of the Group's performance on shareholder wealth, both in the current financial year and the previous four years, is set out on pages 40 to 41 of this Report.

### 3.3.2 Summary of Adelaide Brighton Ltd Executive Performance Share Plan ("the Plan")

**What is the Plan and who participates?**

The Group's LTI arrangements are designed to link executive reward with sustainable growth in shareholder value.

The Plan provides for grants of Awards to eligible executives, each Award being an entitlement to a fully paid ordinary share in Adelaide Brighton Ltd, subject to the satisfaction of performance conditions, on terms and conditions determined by the Board.

Participation in the Plan is generally offered to the Managing Director and executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against the relevant performance hurdles.

In accordance with the requirements of the ASX Listing Rules, the Awards granted to the Managing Director have been approved by shareholders.

**When do the 2007 Awards vest?**

The 2007 Awards are divided into 3 equal tranches and are exercisable (subject to satisfaction of relevant performance conditions) as follows:

- Tranche 1 - Exercise Date 1 May 2009
- Tranche 2 - Exercise Date 1 May 2010
- Tranche 3 - Exercise Date 1 May 2011

If the performance conditions are satisfied, the Awards are then exercisable. Shares are delivered to the executive on exercise of the Award. Awards are granted at no cost to the executive and no amount is payable by the executive on exercise of the Award. Any unexercised Awards expire on 30 September 2011.

**What are the performance conditions attaching to the 2007 Awards?**

The relevant performance conditions for the 2007 Awards are tied to TSR and EPS.

In relation to the 2007 Awards granted to the Managing Director and senior executives:

- 50% of each tranche of the Award is subject to the TSR hurdle; and
- 50% of each tranche of the Award is subject to the EPS hurdle.

**How is the TSR performance condition for the 2007 Awards measured?**

The Company's TSR performance is compared with the TSR performance of other companies in a comparator group.

The TSR hurdle is that the TSR growth of the Company must equal or exceed the growth in the returns of at least two of the three indices below (expressed as a percentage) plus the percentage premium applicable to the respective indices:

- S&P / ASX Small Ordinaries Accumulation Index (XSO AI) plus 2% premium.
- S&P / ASX 200 Materials Accumulation Index (XMJ AI) plus 2% premium.
- S&P / ASX 200 Accumulation Index (XJO AI) plus 3% premium.

The Company's growth in TSR is measured from 1 January 2007 to 31 December of the year prior to the exercise date for the relevant tranche of Awards.

In assessing whether the TSR performance hurdle has been met, the Company receives independent data, which provides both the Company's TSR growth over the relevant performance period and that of the comparator group.

As noted below, this condition will be altered in respect of the 2010 Awards.

**How is the EPS performance condition for the 2007 Awards measured?**

The EPS performance hurdle measures the average annual growth in EPS of the Company from 1 January 2007 until the end of the financial year immediately prior to the exercise date for a particular tranche.

As a threshold before any part of the relevant tranche of the Awards subject to the EPS hurdle will become exercisable, the average annual growth in EPS of the Company (as disclosed in the audited accounts of the Company and before any write downs and capital management initiatives) must equal or exceed 7% per annum growth measured against the EPS for the Company's financial year ended 31 December 2006 (before abnormal or exceptional items, such as (without limitation) capitalised interest and taxation benefits).

Once the 7% threshold is reached, the relevant tranche of Awards subject to the EPS hurdle vests in accordance with the following scale:

**Table 6 - EPS hurdle vesting schedule - 2007 Award**

| | *Average Annual Compound Growth in EPS* | | | | | |
|---|---|---|---|---|---|---|
| | *below 7%* | *7%* | *7% to 9%* | *9%* | *9% to 11%* | *11%* |
| Percentage of Awards subject to EPS hurdle which become exercisable | Nil | 40% | Pro-rata | 70% | Pro-rata | 100% |

**Why were the performance conditions chosen?**

The Board considers these performance conditions to be appropriate because they ensure that a proportion of each executive's remuneration is linked to the generation of profits (expressed on a per share basis), and shareholder value and ensure that executives only receive a benefit where there is a corresponding direct benefit to shareholders.

In particular, the use of a TSR based hurdle:

- Ensures alignment between comparative shareholder return and reward for the executive; and
- Provides a relative, external market performance measure, having regard to those companies with which the Group competes for capital, customers and talent;

while an EPS based hurdle:

- Is a fundamental indicator of financial performance, both internally and externally; and
- Links directly to the Group's long-term objectives of maintaining and improving earnings.

The use of dual performance measures combines a strong external market-based focus through share price growth and dividends (TSR), and a non-market based measure aimed at driving improved Company results and the creation of shareholder wealth (EPS).

**Is re-testing permitted?**

No. No re-testing of either of the performance conditions applicable to a Tranche of Awards is permitted.

**What happens to the Awards on cessation of employment?**

If an executive resigns or is terminated for cause, the Awards in respect of any tranche that is not exercisable will generally be forfeited. In all other circumstances the number of Awards that may become exercisable upon termination of employment will be determined pro rata to that part of the performance period that has elapsed at the time of termination.

**What other conditions apply to the Awards?**

An executive's entitlement to shares under an Award may also be adjusted to take account of capital reconstructions and bonus issues. In the event of a takeover bid (or other transaction likely to result in a change in control of the Company), an executive will only be allowed to exercise his or her Awards to the extent determined by the Board as provided in the Plan Rules.

The Awards will lapse if the Board considers that the executive has acted fraudulently, dishonestly or in breach of their obligations to the Company.

The Plan Rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan Participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it becomes exercisable (eg hedging the Awards).

Any shares allocated to the executive following exercise of an Award may only be dealt with in accordance with the Company's Share Trading Policy and subject to the generally applicable insider trading prohibitions.

**3.3.3 Long Term Incentive policy - 2010 Awards**

During the year the Board, through the Nomination and Remuneration Committee, reviewed the Executive Performance Share Plan in the context of the proposed grant of 2010 Awards.

The Board determined that the structure of the current plan remains appropriate. However, the performance hurdles for the 2010 Awards will be altered from the 2007 Awards to provide a more appropriate incentive to executives given current economic circumstances and changes in both the market capitalisation of the Company and contemporary remuneration practices. The Awards will remain subject to both TSR and EPS performance conditions, however:

- The TSR condition has been simplified so that performance will be assessed against one comparator index (rather than the three that are used in respect of the 2007 Awards) to provide better clarity around the performance condition, and will now provide for progressive vesting for performance between the 50th and 75th percentile of the comparator group, to better incentivise executives (given that performance against this condition will no longer be 'all or nothing'); and
- The EPS condition has been altered to measure the growth rate against an external benchmark measure of CPI plus a premium percentage increase. The external benchmark measure was considered a more appropriate measure due to the general economic uncertainty (ie rather than targets being an absolute target that due to external market conditions becomes inappropriate and/or unrealistic).

These Awards will be granted in May 2010 (after shareholder approval is obtained for the grant to the Managing Director) and further detail regarding their terms will be set out in the Notice of Annual General Meeting and the 2010 Remuneration Report.

Table 7 sets out details of the movement in Awards held by the Managing Director and senior executives during the reporting period.

**Table 7 - Movement in Awards during the year[1]**

| *Managing Director & senior executives* | *Balance at 31 Dec 2008* | *Exercised/ vested[2]* | *Balance at 31 Dec 2009* | *Exercise date* | *Value per share at the date of exercise[3]* |
|---|---|---|---|---|---|
| M P Chellew | 1,305,000 | 435,000 | 870,000 | 22 May 2009 | $2.1431 |
| A D Poulter | 300,000 | 100,000 | 200,000 | 1 May 2009 | $1.9954 |
| M R D Clayton | 300,000 | 100,000 | 200,000 | 1 May 2009 | $1.9954 |
| M Brydon | 300,000 | 100,000 | 200,000 | 1 May 2009 | $1.9954 |
| M A Finney | 300,000 | 100,000 | 200,000 | 6 May 2009 | $2.1348 |
| M Kelly | 300,000 | 100,000 | 200,000 | 1 May 2009 | $1.9954 |
| S J Toppenberg | 300,000 | 100,000 | 200,000 | 1 May 2009 | $1.9954 |
| S B Rogers | 200,000 | - | 200,000 | - | - |
| Total | 3,305,000 | 1,035,000 | 2,270,000 | | |

1 None were granted during the year and none lapsed or were forfeited during the year.

2 All 1,035,000 Awards which were exercisable were exercised in 2009. The number of Awards vested during the period and exercisable at 31 December 2009 is nil. The number of Awards vested but not yet exercisable at 31 December 2009 is nil.

3 The value per share shown at the date of exercise is the Volume Weighted Average Price (VWAP) calculated by the Australian Securities Exchange Limited for the 5 day trading period ending on the exercise date. The aggregate value of Awards that vested during the year is $2,143,429 based on the VWAP values per share.

### 3.4 Service agreements

The remuneration and other terms of employment for the Managing Director and senior executives are set out in formal Service Agreements. Key details of the Service Agreements are summarised in the discussion below.

All Service Agreements are for an unlimited duration. The agreement may be terminated by the executive giving three months notice of termination or by the Company on five weeks notice (except in cases of termination for cause where termination is immediate). In the case of ordinary resignation, no separation payment is made to the executive (only amounts due and payable up to the date of ceasing employment including accrued leave entitlements and unpaid salary).

Where the Company terminates employment by giving notice or where the executive is able to terminate the agreement following a "Fundamental Change", each of the executives reported on in this report are entitled to a separation payment which is equivalent to 12 months total remuneration on termination and, if applicable, any amounts payable pursuant to the Company's redundancy policy. A Fundamental Change includes circumstances where there has been a substantial diminution of responsibility, a material reduction in status or a relocation of the relevant position.

On termination of employment for any reason, the Managing Director and other senior executives are prohibited from engaging in any activity that would compete with the Group for a period of up to 6 months in order to protect the Group's business interests. During the period of the restraint the executive will be paid a monthly amount equivalent to the executive's monthly fixed remuneration at the time of termination.

Under an arrangement entered into some time ago, M Brydon is also entitled to an ex-gratia payment of $10,000 upon termination, as well as payment of accrued sick leave.

Each of the Service Agreements of current key management personnel was entered into prior to the amendments to the *Corporations Act 2001* regarding the payment of benefits on termination coming into effect on 24 November 2009. In accordance with the Government's intentions, entitlements under the pre-existing contracts are not subject to the new limits on termination payments. The Company is mindful of the new legislative provisions which will apply to agreements entered into with any key management personnel appointed after 24 November 2009.

### 3.5 Remuneration paid

Details of the remuneration paid to the Managing Director and key management personnel of the Company and the Group, which includes the five senior executives who received the highest remuneration during the 2009 and 2008 financial years are set out in Table 8 below.

**Table 8 – Remuneration for the 2009 and 2008 financial years**

| | | *Short-term benefits* | | *Post-employment benefits* | *Share based payments*[1] | *Total* | |
|---|---|---|---|---|---|---|---|
| | *Year* | *Fixed salary* | *STI* | *Super-annuation contributions* | *Long term incentive* | | |
| | | $ | $ | $ | $ | $ | %[2] |
| M P Chellew | 2008 | 1,286,563 | 764,400 | 13,437 | 656,467 | 2,720,867 | 24 |
| | **2009** | **1,337,897** | **1,346,592** | **14,103** | **265,455** | **2,964,047** | **9** |
| A D Poulter | 2008 | 471,563 | 236,195 | 13,437 | 132,041 | 853,236 | 15 |
| | **2009** | **492,722** | **389,647** | **14,103** | **49,943** | **946,415** | **5** |
| M R D Clayton | 2008 | 356,563 | 178,821 | 13,437 | 132,051 | 680,872 | 19 |
| | **2009** | **370,697** | **299,836** | **14,103** | **49,943** | **734,579** | **7** |
| M Brydon | 2008 | 586,563 | 295,800 | 13,437 | 162,421 | 1,058,221 | 15 |
| | **2009** | **618,897** | **503,362** | **14,103** | **63,834** | **1,200,196** | **5** |
| M A Finney | 2008 | 394,495 | 193,500 | 35,505 | 132,051 | 755,551 | 17 |
| | **2009** | **407,893** | **328,424** | **30,707** | **49,943** | **816,967** | **6** |
| M Kelly | 2008 | 362,385 | 192,365 | 32,615 | 211,879 | 799,244 | 27 |
| | **2009** | **381,340** | **313,523** | **29,460** | **49,943** | **774,266** | **6** |
| S J Toppenberg | 2008 | 302,752 | 158,400 | 27,248 | 140,133 | 628,533 | 22 |
| | **2009** | **316,531** | **270,167** | **26,669** | **49,943** | **663,310** | **8** |
| S B Rogers | 2008 | 321,101 | 164,150 | 28,899 | 106,259 | 620,409 | 17 |
| | **2009** | **336,473** | **271,981** | **27,527** | **83,423** | **719,404** | **12** |
| **Total for the Company and Group** | 2008 | 4,081,985 | 2,183,631 | 178,015 | 1,673,302 | 8,116,933 | |
| | **2009** | **4,262,450** | **3,723,532** | **170,775** | **662,427** | **8,819,184** | |

1 In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the notional value of equity compensation granted or outstanding during the year. The notional value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should the equity instruments vest. The notional value of Awards as at the date of their grant has been determined in accordance with the accounting policy note 1(w)(iv).

2 % of remuneration for the financial year which consists of Awards issued under the Adelaide Brighton Limited Executive Performance Share Plan.

## Section 4 - Non-executive Directors' remuneration

### 4.1 Board policy on remuneration

The remuneration of non-executive Directors is determined by the Board on the recommendation of its Nomination and Remuneration Committee within the maximum aggregate amount approved by shareholders. The remuneration of the non-executive Directors consists of Directors' fees, committee fees and superannuation contributions. This remuneration is not linked to the performance of the Group in order to maintain the independence and impartiality of the non-executive Directors.

In setting fee levels, the Nomination and Remuneration Committee, which makes recommendations to the Board, takes into account:

- The Group's existing remuneration policies;
- Independent professional advice;
- Fees paid by comparable companies;
- The general time commitment and responsibilities involved;
- The risks associated with discharging the duties attaching to the role of Director; and
- The level of remuneration necessary to attract and retain Directors of a suitable calibre.

A maximum aggregate amount of $950,000 per annum was approved at the 2008 Annual General Meeting. Following a review during the year of fees payable to non-executive Directors in the context of the considerations set out above, the Company is proposing to increase fees payable to non-executive Directors to ensure fees remain in line with general industry practice and best practice principles of corporate governance.

While the fees proposed to be paid for 2010 will fall within the existing shareholder approved aggregate, the Company is seeking approval from shareholders at its 2010 Annual General Meeting for an increase of $150,000 to the maximum aggregate amount of $1,100,000. This will allow the Board to continue its renewal process with the appointment of two, or possibly more new directors in the short to medium term and give further flexibility in respect of future non-executive Director remuneration.

Details of the membership of the Nomination and Remuneration Committee and its responsibilities are set out on pages 26 - 27 of the Corporate Governance Statement.

Fees payable to non-executive Directors are set out in Table 9.

**Table 9 - Non-executive Directors' fees**

| *Fee applicable for 2009* | *Chairman* | *Member* |
|---|---|---|
| | *$* | *$* |
| Board | 309,000[1] | 92,790[2] |
| Audit, Risk and Compliance Committee | 20,600 | 10,300 |
| Nomination and Remuneration Committee | 15,450 | 7,730 |
| Other Committees[3] | 9,180 | 6,180 |

1 The Chairman receives no additional fees for Committee work.

2 J D McNerney resigned as a Director effective 21 May 2009 and received a Director's fee of $27,671 for 2009.

3 At present, there are no fees payable for the Independent Directors' Committee.

Non-executive Directors' fees include a 10% contribution to superannuation. There are no superannuation contributions made for M A Kinnaird or J D McNerney. Consistent with best practice, the Group does not pay non-executive Director retirement benefits other than superannuation contributions.

In accordance with rule 7.3(f) of the Company's constitution, Directors are also permitted to be paid additional fees for special duties or exertions. Such fees may or may not be included in the aggregate amount approved by shareholders, as determined by the Directors. No such fees were paid during the year.

Directors are also entitled to be reimbursed for all business related expenses, including travel, as may be incurred in the discharge of their duties.

### 4.2 Remuneration

Details of non-executive Directors' remuneration for the years ended 31 December 2009 and 31 December 2008 are set out in Table 10. All values are in A$ unless otherwise stated.

**Table 10 - Non-executive Directors' remuneration for the 2009 and 2008 financial years**

| | | *Fees and allowances* | | *Post-employment benefits* | |
|---|---|---|---|---|---|
| | *Year* | *Directors' fees* | *Committee fees* | *Superannuation contributions[1]* | *Total* |
| | | *$* | *$* | *$* | *$* |
| M A Kinnaird | 2008 | 300,000 | - | - | 300,000 |
| (Chairman) | **2009** | **309,000** | **-** | **-** | **309,000** |
| C L Harris | 2008 | 81,819 | 36,363 | 11,818 | 130,000 |
| | **2009** | **84,439** | **37,379** | **12,182** | **134,000** |
| J D McNerney[2] | 2008 | 70,000 | 6,000 | - | 76,000 |
| | **2009** | **27,671** | **3,090** | **-** | **30,761** |
| L V Hosking | 2008 | 81,819 | 33,181 | 11,500 | 126,500 |
| | **2009** | **84,439** | **34,016** | **11,845** | **130,300** |
| G F Pettigrew | 2008 | 81,819 | 24,090 | 10,591 | 116,500 |
| | **2009** | **84,439** | **24,652** | **10,909** | **120,000** |
| R D Barro | 2008 | 30,472 | - | 2,742 | 33,214 |
| | **2009** | **84,439** | **6,111** | **8,150** | **98,700** |
| Total | 2008 | 645,929 | 99,634 | 36,651 | 782,214 |
| | **2009** | **674,427** | **105,248** | **43,086** | **822,761** |

1 Superannuation contributions are made on behalf of non-executive Directors to satisfy the Group's obligations under applicable Superannuation Guarantee Charge legislation.

2 J D McNerney resigned as a Director effective 21 May 2009

**Former Non-executive Director**

| | | | | | |
|---|---|---|---|---|---|
| D Barro[1] | 2008 | 60,000 | - | - | 60,000 |

1 D Barro retired on 19 August 2008, therefore remuneration details are shown for comparative purposes only.

| *For the year ended 31 December 2009* | | *Consolidated* | | *The Company* | |
|---|---|---|---|---|---|
| *($ Million)* | *Notes* | ***2009*** | *2008* | ***2009*** | *2008* |
| **Revenue from continuing operations** | 3 | **987.2** | 1,022.4 | **55.6** | 131.7 |
| Cost of sales | | **(635.0)** | (654.4) | **-** | - |
| Freight and distribution costs | | **(136.9)** | (142.7) | **-** | - |
| **Gross profit** | | **215.3** | 225.3 | **55.6** | 131.7 |
| Other income | 3 | **24.1** | 11.7 | **-** | - |
| Marketing costs | | **(25.1)** | (21.0) | **-** | - |
| Administration costs | | **(55.0)** | (54.4) | **(1.4)** | (1.5) |
| Finance costs | 4 | **(18.3)** | (36.9) | **(15.5)** | (32.2) |
| Share of net profits of joint ventures accounted for using the equity method | 11(c) | **27.6** | 30.6 | **-** | - |
| **Profit before income tax** | | **168.6** | 155.3 | **38.7** | 98.0 |
| Income tax (expense) benefit | 5(a) | **(45.4)** | (34.5) | **4.9** | 7.7 |
| Net profit | | **123.2** | 120.8 | **43.6** | 105.7 |
| Net profit attributable to: | | | | | |
| Equity holders of the Company | | **123.1** | 120.8 | **43.6** | 105.7 |
| Minority interest | | **0.1** | - | **-** | - |
| | | **123.2** | 120.8 | **43.6** | 105.7 |
| | | **Cents** | Cents | | |
| **Earnings per share for profit attributable to the ordinary equity holders of the Company:** | | | | | |
| Basic earnings per share | 38 | **20.4** | 22.2 | | |
| Diluted earnings per share | 38 | **20.3** | 22.0 | | |


THE INCOME STATEMENTS SHOULD BE READ IN CONJUNCTION WITH THE NOTES TO THE FINANCIAL STATEMENTS SET OUT ON PAGES 53 TO 92.

| *For the year ended 31 December 2009* | *Consolidated* | | *The Company* | |
|---|---|---|---|---|
| *($ Million)* | ***2009*** | *2008* | ***2009*** | *2008* |
| **Net Profit** | **123.2** | 120.8 | **43.6** | 105.7 |
| **Other comprehensive income** | | | | |
| Actuarial gains/(losses) on retirement benefit obligation | **5.8** | (16.4) | **-** | - |
| Exchange differences on translation of foreign operations | **(0.1)** | 0.2 | **-** | - |
| Income tax relating to components of other comprehensive income | **(1.8)** | 5.0 | **-** | - |
| Other comprehensive income for the financial year, net of tax | **3.9** | (11.2) | **-** | - |
| **Total comprehensive income for the financial year** | **127.1** | 109.6 | **43.6** | 105.7 |
| **Total comprehensive income is attributable to:** | | | | |
| Equity holders of the Company | **127.0** | 109.6 | **43.6** | 105.7 |
| Minority interest | **0.1** | - | **-** | - |
| **Total comprehensive income for the financial year** | **127.1** | 109.6 | **43.6** | 105.7 |


THE ABOVE STATEMENTS OF COMPREHENSIVE INCOME SHOULD BE READ IN CONJUNCTION WITH THE NOTES TO THE FINANCIAL STATEMENTS SET OUT ON PAGES 53 TO 92.

| As at 31 December 2009 | | Consolidated | | The Company | |
|---|---|---|---|---|---|
| *($ Million)* | *Notes* | ***2009*** | *2008* | ***2009*** | *2008* |
| **Current assets** | | | | | |
| Cash and cash equivalents | 6 | **25.5** | 23.1 | **2.8** | - |
| Trade and other receivables | 7 | **162.8** | 151.6 | **732.0** | 746.2 |
| Inventories | 8 | **107.8** | 116.1 | **-** | - |
| | | **296.1** | 290.8 | **734.8** | 746.2 |
| Assets classified as held for sale | 9 | **12.7** | - | **-** | - |
| Total current assets | | **308.8** | 290.8 | **734.8** | 746.2 |
| **Non-current assets** | | | | | |
| Receivables | 10 | **30.4** | 28.4 | **1.7** | 2.0 |
| Investments accounted for using the equity method | 11 | **72.5** | 67.6 | **-** | - |
| Other financial assets | 12 | **-** | - | **525.5** | 525.5 |
| Property, plant and equipment | 13 | **774.3** | 801.9 | **4.6** | 4.6 |
| Deferred tax assets | 14 | **-** | - | **1.3** | 1.6 |
| Intangible assets | 15 | **169.0** | 169.4 | **-** | - |
| Total non-current assets | | **1,046.2** | 1,067.3 | **533.1** | 533.7 |
| **Total assets** | | **1,355.0** | 1,358.1 | **1,267.9** | 1,279.9 |
| **Current liabilities** | | | | | |
| Bank overdraft | | **-** | - | **-** | 6.6 |
| Trade and other payables | 16 | **106.1** | 98.0 | **353.6** | 272.1 |
| Borrowings | 17 | **0.4** | 0.4 | **-** | - |
| Current tax liabilities | | **16.7** | 5.7 | **16.7** | 5.7 |
| Provisions | 18 | **24.4** | 23.6 | **-** | - |
| Other liabilities | 19 | **14.3** | 15.2 | **-** | - |
| Total current liabilities | | **161.9** | 142.9 | **370.3** | 284.4 |
| **Non-current liabilities** | | | | | |
| Borrowings | 20 | **200.5** | 410.5 | **199.6** | 409.1 |
| Deferred tax liabilities | 21 | **59.8** | 57.4 | **-** | - |
| Provisions | 22 | **29.9** | 32.7 | **-** | - |
| Retirement benefit obligations | 23(b) | **5.8** | 12.6 | **-** | - |
| Other non-current liabilities | | **0.1** | 0.1 | **-** | - |
| Total non-current liabilities | | **296.1** | 513.3 | **199.6** | 409.1 |
| **Total liabilities** | | **458.0** | 656.2 | **569.9** | 693.5 |
| **Net assets** | | **897.0** | 701.9 | **698.0** | 586.4 |
| **Equity** | | | | | |
| Contributed equity | 24 | **690.4** | 540.4 | **683.2** | 533.2 |
| Reserves | 25 | **2.9** | 3.5 | **2.9** | 3.4 |
| Retained earnings | 25(d) | **200.6** | 155.0 | **11.9** | 49.8 |
| Capital and reserves attributable to owners of the Company | | **893.9** | 698.9 | **698.0** | 586.4 |
| Minority interest | | **3.1** | 3.0 | **-** | - |
| **Total equity** | | **897.0** | 701.9 | **698.0** | 586.4 |


THE ABOVE BALANCE SHEETS SHOULD BE READ IN CONJUNCTION WITH THE NOTES TO THE FINANCIAL STATEMENTS SET OUT ON PAGES 53 TO 92.

*As at 31 December 2009*

| **Consolidated** *($ Million)* | *Attributable to owners of Adelaide Brighton Ltd* *Contributed equity* | *Reserves* | *Retained earnings* | *Total* | *Minority interest* | *Total equity* |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2009** | **540.4** | **3.5** | **155.0** | **698.9** | **3.0** | **701.9** |
| **Total comprehensive income** | **-** | **(0.1)** | **127.1** | **127.0** | **0.1** | **127.1** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Contributions of equity, net of transaction costs | 111.0 | - | - | 111.0 | - | 111.0 |
| Dividends provided for or paid | - | - | (81.5) | (81.5) | - | (81.5) |
| Dividend reinvestment plan | 35.9 | - | - | 35.9 | - | 35.9 |
| Executive performance share plan | 3.1 | (0.5) | - | 2.6 | - | 2.6 |
| | 150.0 | (0.5) | (81.5) | 68.0 | - | 68.0 |
| **Balance at 31 December 2009** | **690.4** | **2.9** | **200.6** | **893.9** | **3.1** | **897.0** |
| **Balance at 1 January 2008** | **514.0** | **14.5** | **136.4** | **664.9** | **3.0** | **667.9** |
| **Total comprehensive income** | **-** | **0.2** | **109.4** | **109.6** | **-** | **109.6** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Dividends provided for or paid | - | - | (103.2) | (103.2) | - | (103.2) |
| Dividend reinvestment plan | 26.9 | - | - | 26.9 | - | 26.9 |
| Executive performance share plan | (0.5) | 1.2 | - | 0.7 | - | 0.7 |
| Transfer to retained earnings | - | (12.4) | 12.4 | - | - | - |
| | 26.4 | (11.2) | (90.8) | (75.6) | - | (75.6) |
| **Balance at 31 December 2008** | **540.4** | **3.5** | **155.0** | **698.9** | **3.0** | **701.9** |

| **The Company** *($ Million)* | | | | | | |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2009** | **533.2** | **3.4** | **49.8** | **586.4** | **-** | **586.4** |
| **Total comprehensive income** | **-** | **-** | **43.6** | **43.6** | **-** | **43.6** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Contributions of equity, net of transaction costs | 111.0 | - | - | 111.0 | - | 111.0 |
| Dividends provided for or paid | - | - | (81.5) | (81.5) | - | (81.5) |
| Dividend reinvestment plan | 35.9 | - | - | 35.9 | - | 35.9 |
| Executive performance share plan | 3.1 | (0.5) | - | 2.6 | - | 2.6 |
| | 150.0 | (0.5) | (81.5) | 68.0 | - | 68.0 |
| **Balance at 31 December 2009** | **683.2** | **2.9** | **11.9** | **698.0** | **-** | **698.0** |
| **Balance at 1 January 2008** | **506.8** | **2.2** | **47.3** | **556.3** | **-** | **556.3** |
| **Total comprehensive income** | **-** | **-** | **105.7** | **105.7** | **-** | **105.7** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Dividends provided for or paid | - | - | (103.2) | (103.2) | - | (103.2) |
| Dividend reinvestment plan | 26.9 | - | - | 26.9 | - | 26.9 |
| Executive performance share plan | (0.5) | 1.2 | - | 0.7 | - | 0.7 |
| | 26.4 | 1.2 | (103.2) | (75.6) | - | (75.6) |
| **Balance at 31 December 2008** | **533.2** | **3.4** | **49.8** | **586.4** | **-** | **586.4** |

| *For the year ended 31 December 2009* | | *Consolidated* | | *The Company* | |
|---|---|---|---|---|---|
| *($ Million)* | *Notes* | ***2009*** | *2008* | ***2009*** | *2008* |
| **Cash flows from operating activities** | | | | | |
| Receipts from customers (inclusive of goods and services tax) | | **1,074.0** | 1,108.1 | **0.8** | - |
| Payments to suppliers and employees (inclusive of goods and services tax) | | **(877.3)** | (930.1) | **(1.0)** | (1.4) |
| Distributions received | | **22.7** | 30.6 | **55.0** | 131.0 |
| Interest received | | **1.6** | 2.9 | **0.6** | 0.7 |
| Other income | | **13.8** | 11.8 | **-** | - |
| Interest paid | | **(15.8)** | (32.4) | **(15.8)** | (32.4) |
| Income taxes paid | | **(30.9)** | (40.8) | **(31.1)** | (41.3) |
| **Net cash inflow from operating activities** | 36 | **188.1** | 150.1 | **8.5** | 56.6 |
| **Cash flows from investing activities** | | | | | |
| Payments for property, plant and equipment | | **(43.1)** | (56.0) | **-** | - |
| Payments for controlled entities and operations, net of cash acquired | | **-** | (86.9) | **-** | - |
| Proceeds from sale of property, plant and equipment | | **4.1** | 4.1 | **-** | - |
| Loans to joint venture entities | | **(2.1)** | 1.2 | **-** | - |
| Loans to other related parties | | **-** | - | **0.3** | 0.2 |
| Loans from (to) controlled entities | | **-** | - | **144.7** | (60.7) |
| **Net cash (outflow) from investing activities** | | **(41.1)** | (137.6) | **145.0** | (60.5) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of shares | | **113.5** | - | **113.5** | - |
| Share issue transaction costs | | **(2.5)** | - | **(2.5)** | - |
| Proceeds from borrowings | | **-** | 210.0 | **-** | 210.0 |
| Repayment of borrowings | | **(210.0)** | (142.4) | **(209.5)** | (141.2) |
| Dividends paid to Company's shareholders | 26 | **(45.6)** | (76.3) | **(45.6)** | (76.3) |
| **Net cash (outflow) from financing activities** | | **(144.6)** | (8.7) | **(144.1)** | (7.5) |
| **Net increase (decrease) in cash and cash equivalents** | | **2.4** | 3.8 | **9.4** | (11.4) |
| Cash and cash equivalents at the beginning of the financial year | 6 | **23.1** | 19.3 | **(6.6)** | 4.8 |
| **Cash and cash equivalents at the end of the financial year** | 6 | **25.5** | 23.1 | **2.8** | (6.6) |



THE STATEMENTS OF CASH FLOWS SHOULD BE READ IN CONJUNCTION WITH THE NOTES TO THE FINANCIAL STATEMENTS SET OUT ON PAGES 53 TO 92.

## 1 Summary of significant accounting policies

Adelaide Brighton Ltd (the Company) is a Company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The financial report includes separate financial statements for Adelaide Brighton Ltd as an individual entity and the Group consisting of Adelaide Brighton Ltd and its subsidiaries.

The financial report was authorised for issue by the Directors on 5 March 2010.

The principal accounting policies adopted in the preparation of the financial report are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

*Historical cost convention*
These financial statements have been prepared under the historical cost convention, except for the circumstances when fair value method has been applied as detailed in the accounting policies below.

*Compliance with IFRS*
The consolidated financial report of Adelaide Brighton Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The parent entity financial statements and notes also comply with IFRS.

### (b) Principles of consolidation

*(i) Subsidiaries*
The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Adelaide Brighton Ltd as at 31 December 2009 and the results of all controlled entities for the year then ended. The Company and its controlled entities together are referred to in this financial report as "the Group".

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Adelaide Brighton Ltd. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of interest-free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital. Trade amounts receivable from subsidiaries in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables.

*(ii) Employee Share Trust*
The Group has formed a trust to administer the Group's employee share scheme. The company that acts as the Trustee is consolidated as the company is controlled by the Group. The Adelaide Brighton employee share plan trust is not consolidated as it is not controlled by the Group.

*(iii) Joint venture entities*
The interest in joint ventures is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the joint venture is recognised in the income statement, and the share of movements in reserves is recognised in other comprehensive income. Profits or losses on transactions establishing the joint ventures and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint ventures on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

*(iv) Minority interest*
Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively. The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are recorded in equity.

(c) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

*Change in accounting policy*
The group has adopted AASB 8 Operating Segments from 1 January 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change to the reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. There has been no other impact on the measurement of the Company's assets and liabilities. Comparatives for 2008 have been restated.

(d) **Foreign currency translation**

*(i) Functional and presentation currency*
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Adelaide Brighton Ltd's functional and presentation currency.

*(ii) Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

*(iii) Group companies*
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(e) **Revenue recognition**

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

*(i) Sales revenue*
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is considered probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Sales of services are recognised in the accounting period in which the services are rendered.

*(ii) Deferred income*
Income received in advance in relation to contracts is deferred in the balance sheet and recognised as income on a straight-line basis over the period of the contract.

*(iii) Interest income*

Interest income is recognised using the effective interest rate method.

*(iv) Dividends*
Dividends are recognised as revenue when the right to receive payment is established.

(f) **Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit and loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

*Tax consolidations*
Adelaide Brighton Ltd and its wholly owned Australian subsidiaries implemented the tax consolidation legislation as of 1 January 2004. Adelaide Brighton Ltd, as the head entity in the tax consolidated group, recognises current tax liabilities and tax losses (subject to meeting the "probable test") relating to all transactions, events and balances of the tax consolidated group as if those transactions, events and balances were its own.

The entities in the tax consolidated group are part of a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of default by the head entity, Adelaide Brighton Ltd. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense. The wholly-owned entities fully compensate Adelaide Brighton Ltd for any current tax payable assumed and are compensated by Adelaide Brighton Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Adelaide Brighton Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

Individual tax consolidated entities recognise tax expenses and revenues and current and deferred tax balances in relation to their own taxable income, temporary differences and tax losses using the separate taxpayer within the group method. Entities calculate their current and deferred tax balances on the basis that they are subject to tax as part of the tax consolidated group.

Deferred tax balances relating to assets that had their tax values reset on joining the tax consolidated group have been remeasured based on the carrying amount of those assets in the tax consolidated group and their reset tax values. The adjustment to these deferred tax balances is recognised in the consolidated financial statements against income tax expense.

(g) **Leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(h) **Business combinations**

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(r)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) **Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) **Cash and cash equivalents**

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful receivables. Trade receivables are due for settlement no more than 30 to 45 days from the end of the month of invoice.

The collectibility of trade receivables is reviewed regularly. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the provision is recognised in the income statement. When a trade receivable for which a provision for doubtful receivables has been recognised becomes uncollectible in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against expenses in the income statement.

(l) **Inventories**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Imported inventory on hand at reporting date is adjusted by the value of the unrealised foreign exchange gains.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) **Financial assets**

The Group classifies its financial assets in the following categories: loans and receivables, and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*(i) Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

*(ii) Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(n) **Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Derivative instruments entered into by the Group do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or finance expense.

(o) **Non-current assets (or disposal groups) held for sale**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(p) **Property, plant and equipment**

Property, plant and equipment are shown at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

*(i) Mineral reserves*
Mineral reserves are amortised based on annual extraction rates over the estimated life of the reserves. The remaining useful life of each asset is reassessed at regular intervals. Where there is a change during the period to the useful life of the mineral reserve, amortisation rates are adjusted prospectively from the beginning of the reporting period.

*(ii) Complex assets*
The costs of replacing major components of complex assets, capitalised in accordance with note 1(q), are depreciated over the estimated useful life, generally being the period until next scheduled replacement.

*(iii) Leasehold property*
The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life, whichever is the shorter. Amortisation is over 5 - 30 years.

*(iv) Other fixed assets*
Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or deemed cost amounts, over their estimated useful lives, as follows:

| | |
|---|---|
| - Buildings | 20 - 40 years |
| - Plant and equipment | 3 - 40 years |
| - Leased plant and equipment | 6 - 10 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(q) **Overhaul of complex assets**

Significant items of plant that are overhauled during annual shutdowns are treated as complex assets and different depreciation rates applied to each major component as appropriate. When these components are replaced during a shutdown, and the replacement is considered to increase the service potential of the asset as a whole, the associated costs are capitalised and depreciated over their estimated useful life, in accordance with note 1(p). Carrying amounts of components being replaced are de-recognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(r) **Intangible assets**

*(i) Goodwill*
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of joint ventures is included in investments in joint ventures.

Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units are consistent with the Group's reporting segments.

*(ii) Lease rights*
Lease rights acquired have a finite useful life. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which varies from 2 to 5 years.

(s) **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(t) **Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(u) **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 - 60 days of recognition.

(v) **Provisions**

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

*(i) Dividends*

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the period but not distributed at balance date.

*(ii) Workers' compensation*

Certain entities within the Group are self insured for workers compensation purposes. For self-insured entities, provision is made that covers accidents that have occurred and have been reported together with an allowance for incurred but not reported claims. The provision is based on an actuarial assessment.

*(iii) Restructuring costs*

Liabilities arising directly from undertaking a restructuring program, not in connection with the acquisition of an entity, are recognised when a detailed plan has been developed, implementation has commenced, by entering into binding sales agreement and making detailed public announcements such that the affected parties are in no doubt that the restructuring program will proceed. The cost of a restructuring program provided for is the estimated future cash flows from implementation of the plan.

*(iv) Provisions for close down and restoration costs*

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Provisions for close down and restoration costs do not include any additional obligations, which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are reviewed annually during the life of the operation, based on the net present value of estimated future costs.

Estimate changes resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown in finance costs.

(w) **Employee benefits**

*(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

*(ii) Other long-term employee benefit obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*(iii) Retirement benefit obligations*

All employees of the Group who are members of the plan are entitled to benefits from the Group's superannuation plan on retirement, disability or death. The Group has a defined benefit section and defined contribution section within its plan. The defined benefit section provides defined lump sum benefits on retirement, death, disablement and withdrawal, based on years of service and final average salary. The defined benefit plan section is closed to new members. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments, which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, outside profit or loss directly in the statement of comprehensive income.

Past service costs are recognised immediately in profit or loss, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

*(iv) Share-based payments*
Share-based compensation benefits are provided to executives via the Adelaide Brighton Ltd Executive Performance Share Plan.

The fair value of Awards granted under the Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the Awards.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the Award, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the Award, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the Award.

The fair value of the Awards granted excludes the impact of any non-market vesting conditions (e.g. earnings per share). Non-market vesting conditions are included in assumptions about the number of Awards that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of Awards that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding entry to equity.

The Adelaide Brighton Ltd Executive Performance Share Plan is administered by the Adelaide Brighton employee share plan trust; see note 1(b)(ii).

*(v) Short-term incentives*
The Group recognises a liability and an expense for short-term incentives available to certain employees on a formula that takes into consideration agreed performance targets. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

*(vi) Termination benefits*
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

### (x) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the purpose of acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

### (y) Earnings per share

*(i) Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

*(ii) Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (z) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest one hundred thousand dollar, unless otherwise stated.

### (aa) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(ab) **Financial guarantee contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

(ac) **New accounting standards and UIG interpretations**

In the current year, the Group has adopted all of the new and revised accounting standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period.

Certain new accounting standards and UIG interpretations have been published but are not mandatory for 31 December 2009 reporting periods and have not yet been adopted by the Group. The group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

- AASB 3 *Business combinations* (revised), AASB 127 *Consolidated and separate financial statements* (revised) and AASB 2008-3 *Amendments arising from the revisions to AASB 3 and AASB 127* are effective for annual reporting periods commencing on or after 1 July 2009. The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.

  The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

  The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 January 2010.

- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions* [AASB 2] is effective from 1 January 2010. The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 January 2010. There will be no impact on the Group's or the parent entity's financial statements.

- AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013). AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. The group has decided not to early adopt AASB 9.

- AASB 2008-6 *Further amendments arising from the first annual improvements project* (effective for annual reporting periods from 1 July 2009). The accounting for sale plans that involve the loss of control of a subsidiary have been clarified. Under AASB 1 and AASB 5, all the assets and liabilities of such a subsidiary should be classified as held for sale. Various disclosure requirements have also been clarified. The Group will apply the revised standard from 1 January 2010 and is currently assessing the impact of adopting this standard.

- AASB 2009-4 and AASB 2009-5 *Amendments arising from the second annual improvements project* (effective for annual reporting periods from 1 January 2010). While the improvements do not change the meaning of the standards, some result in changes to the way some companies account for particular transactions or balances. The Group will apply the revised standard from 1 January 2010 and is currently assessing the impact of adopting these standards.

## 2 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that are significant to the carrying amounts of assets and liabilities in the next financial year are discussed below.

(a) **Provisions for close down and restoration costs**

Restoration provisions are based on estimates of the cost to rehabilitate currently disturbed areas based on current costs and legislative requirements. The Group progressively rehabilitates as part of the mining process. Cost estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The detailed accounting treatment is set out in note 1(v)(iv).

(b) **Impairment of assets**

The Group tests annually whether goodwill and other non-current assets have suffered any impairment, in accordance with the accounting policies stated in notes 1(i) and 1(r). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. For detailed assumptions refer to note 15.

| ($ Million) | Consolidated *2009* | *2008* | The Company *2009* | *2008* |
|---|---|---|---|---|
| **3 Revenue and other income** | | | | |
| **Revenue from continuing operations** | | | | |
| Sale of goods | **985.0** | 1,018.3 | **-** | - |
| Interest from joint ventures | **0.7** | 1.7 | **-** | - |
| Interest from other parties | **0.9** | 1.4 | **0.2** | 0.3 |
| Dividends from controlled entities | **-** | - | **55.0** | 131.0 |
| Royalties | **0.6** | 1.0 | **0.4** | 0.4 |
| | **987.2** | 1,022.4 | **55.6** | 131.7 |
| **Other income** | | | | |
| Net gain on disposal of property, plant and equipment | **1.4** | 0.8 | **-** | - |
| Insurance recovery relating to the Accolade incident | **13.4** | - | **-** | - |
| Other income | **9.3** | 10.9 | **-** | - |
| | **24.1** | 11.7 | **-** | - |
| Revenue and other income (excluding share of net profits of joint ventures accounted for using the equity method) | **1,011.3** | 1,034.1 | **55.6** | 131.7 |
| **4 Expenses** | | | | |
| **Profit before income tax includes the following specific expenses:** | | | | |
| Depreciation | | | | |
| Buildings | **3.1** | 2.6 | **-** | - |
| Plant and equipment | **52.4** | 52.3 | **-** | - |
| Mineral reserves | **1.3** | 1.9 | **-** | - |
| Total depreciation | **56.8** | 56.8 | **-** | - |
| Other charges | | | | |
| Employee benefits expense | **127.5** | 136.6 | **-** | - |
| Operating lease rental charge | **2.9** | 3.7 | **-** | - |
| Bad and doubtful debts - trade debtors | **1.1** | 2.5 | **-** | - |
| Finance costs | | | | |
| Interest and finance charges paid / payable | **15.7** | 32.2 | **15.5** | 32.2 |
| Unwinding of the discount on restoration provisions and retirement benefit obligation | **2.6** | 3.9 | **-** | - |
| Exchange losses / (gains) on foreign currency contracts | **-** | 0.8 | **-** | - |
| Total finance costs | **18.3** | 36.9 | **15.5** | 32.2 |

| ($ Million) | Consolidated *2009* | *2008* | The Company *2009* | *2008* |
|---|---|---|---|---|
| **5 Income tax** | | | | |
| (a) **Numerical reconciliation of income tax expense to prima facie tax payable** | | | | |
| Profit before income tax expense | **168.6** | 155.3 | **38.7** | 98.0 |
| Tax at the Australian tax rate of 30% (2008: 30%) | **50.6** | 46.6 | **11.6** | 29.4 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | | | |
| Non allowable expenses | **0.2** | 0.1 | **-** | - |
| Non assessable capital profits | **(1.1)** | (1.7) | **-** | - |
| Share of net profits of joint ventures | **0.1** | (0.2) | **-** | - |
| Rebateable dividends | **(4.7)** | (5.7) | **(16.5)** | (39.3) |
| Bad and doubtful debts | **-** | - | **-** | - |
| Research and development allowance | **-** | - | **-** | - |
| Uplift on inclusion of subsidiary into tax consolidation group | **-** | (3.5) | **-** | - |
| Investment allowance | **(0.3)** | - | **-** | - |
| Sundry items | **0.6** | 1.6 | **(0.1)** | 1.3 |
| | **45.4** | 37.2 | **(5.0)** | (8.6) |
| Under (over) provided in prior years | **-** | (2.7) | **0.1** | 0.9 |
| **Aggregate income tax expense (benefit)** | **45.4** | 34.5 | **(4.9)** | (7.7) |
| Aggregate income tax expense (benefit) comprises: | | | | |
| Current taxation provision | **47.0** | 40.0 | **(5.0)** | (9.9) |
| Net deferred tax (note 21) | **(1.7)** | 0.7 | **-** | 1.4 |
| Uplift on inclusion of subsidiary into tax consolidation group | **-** | (3.5) | **-** | - |
| (Over) under provided in prior year | **0.1** | (2.7) | **0.1** | 0.8 |
| | **45.4** | 34.5 | **(4.9)** | (7.7) |
| (b) **Amounts recognised directly in equity** | | | | |
| Aggregate current and deferred tax arising in the reporting period and not recognised in net profit and loss but directly debited (credited) to equity | | | | |
| Net deferred tax | **1.8** | (3.9) | **-** | - |
| (c) **Tax losses** | | | | |
| Unused tax losses for which no deferred tax asset has been recognised: | | | | |
| Capital losses | **21.7** | 20.9 | **21.7** | 20.9 |

This benefit for tax losses will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised,

(ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation, and

(iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

The accounting policy in relation to tax consolidation legislation is set out in note 1(f).

| ($ Million) | Consolidated 2009 | 2008 | The Company 2009 | 2008 |
|---|---|---|---|---|
| **6 Current assets - cash and cash equivalents** | | | | |
| Cash at bank and in hand | **23.1** | 20.7 | **2.8** | - |
| Deposits at call | **2.4** | 2.4 | **-** | - |
| Cash and cash equivalents | **25.5** | 23.1 | **2.8** | - |
| Bank overdrafts used for cash management purposes | **-** | - | **-** | (6.6) |
| Cash and cash equivalents in the statement of cash flows | **25.5** | 23.1 | **2.8** | (6.6) |
| **7 Current assets - trade and other receivables** | | | | |
| Trade receivables | **130.3** | 123.9 | **-** | - |
| Provision for doubtful receivables | **(2.0)** | (4.6) | **-** | - |
| | **128.3** | 119.3 | **-** | - |
| Amounts due by joint ventures | **15.7** | 21.8 | **-** | - |
| Loans to controlled entities | **-** | - | **682.4** | 697.4 |
| Tax amounts receivable from wholly-owned entities | **-** | - | **49.6** | 48.0 |
| Prepayments | **7.0** | 6.5 | **-** | - |
| Other receivables | **11.8** | 4.0 | **-** | 0.8 |
| | **162.8** | 151.6 | **732.0** | 746.2 |

(a) **Past due but not impaired**

Included in the Group's trade receivables balance are debtors with a carrying value of $5.2 million (2008: $4.5 million) which are past due but not impaired. The Group has not provided for these amounts as there has not been a significant change in credit quality or for debtors which there is no recent history of default. The Group believes these amounts are still recoverable. The ageing analysis is as follows: 60 days $3.4 million, 90 days $1.8 million (2008: 60 days $4.5 million).

(b) **Impaired trade receivables**

| ($ Million) | Consolidated 2009 | 2008 | The Company 2009 | 2008 |
|---|---|---|---|---|
| **Movement in provision for doubtful receivables** | | | | |
| Opening balance at 1 January | **4.6** | 2.1 | **-** | - |
| Amounts written off during the year | **(3.7)** | - | **-** | - |
| Increase recognised in income statement | **1.1** | 2.5 | **-** | - |
| Closing balance at 31 December | **2.0** | 4.6 | **-** | - |

The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations.
It was assessed that a portion of the receivables is expected to be recovered.

(c) **Fair value and credit, interest and foreign exchange risk**

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. All receivables are denominated in Australian dollars. Information concerning the fair value and risk management of both current and non-current receivables is set out in note 27.

| ($ Million) | Consolidated 2009 | 2008 | The Company 2009 | 2008 |
|---|---|---|---|---|
| **8 Current assets - inventories** | | | | |
| Engineering spare parts stores - at cost | **27.0** | 29.7 | **-** | - |
| Raw materials and work in progress - at cost | **35.2** | 35.8 | **-** | - |
| Finished goods - at cost | **45.6** | 50.6 | **-** | - |
| | **107.8** | 116.1 | **-** | - |

| ($ Million) | Consolidated 2009 | 2008 | The Company 2009 | 2008 |
|---|---|---|---|---|
| **9 Current assets - assets classified as held for sale** | | | | |
| Land | **12.7** | - | **-** | - |
| | **12.7** | - | **-** | - |

| ($ Million) | Consolidated 2009 | 2008 | The Company 2009 | 2008 |
|---|---|---|---|---|
| **10 Non-current assets - receivables** | | | | |
| Loans to joint ventures | **30.0** | 25.9 | **-** | - |
| Other debtors | **0.4** | 2.5 | **1.7** | 2.0 |
| | **30.4** | 28.4 | **1.7** | 2.0 |

Details of the fair values, effective interest rate and credit risk are set out in note 27.

(a) **Impaired receivables and receivables past due**

None of the non-current receivables are impaired or past due but not impaired.

**11 Non-current assets - investments accounted for using the equity method**

Interests in joint ventures are accounted for in the Group's financial statements using the equity method and are carried at cost by the respective parent entity.

(a) **Carrying amounts**

| | | *Ownership interest* | | *Consolidated* | | *The Company* | |
|---|---|---|---|---|---|---|---|
| *Name of company* | *Principal activity* | ***2009 %*** | *2008 %* | ***2009 $ Million*** | *2008 $ Million* | ***2009 $ Million*** | *2008 $ Million* |
| Sunstate Cement Ltd | Cement manufacture | **50** | 50 | **12.0** | 12.7 | **-** | - |
| Independent Cement and Lime Pty Ltd | Cement distribution | **50** | 50 | **35.8** | 32.9 | **-** | - |
| Alternative Fuel Company Pty Ltd | Processing waste materials | **50** | 50 | **-** | - | **-** | - |
| E.B. Mawson & Sons Pty Ltd and Lake Boga Quarries Pty Ltd | Concrete and quarries | **50** | 50 | **23.6** | 21.2 | **-** | - |
| Burrell Mining Services JV | Mining industry products | **50** | 50 | **1.0** | 0.8 | **-** | - |
| Batesford Quarry | Quarry products | **50** | - | **0.1** | - | **-** | - |
| Interest in joint venture entities | | | | **72.5** | 67.6 | **-** | - |

On 1 August 2009 Adelaide Brighton Cement Ltd entered into a 50% joint venture partnership with E&P Partners and Geelong Lime Pty Ltd, forming Batesford Quarry.

Each of above joint ventures is incorporated in Australia with the exception of Batesford Quarry and Burrell Mining Services JV. All the joint ventures, except Alternative Fuel Company Pty Ltd, have a balance sheet date of 30 June, which is different to our balance sheet date of 31 December. Financial reports prepared as at 31 December are used for equity accounting purposes.

| *($ Million)* | **2009** | *2008* |
| --- | --- | --- |
| **11 Non-current assets - investments accounted for using the equity method** *(continued)* | | |
| (b) **Movements in carrying amounts** | | |
| Carrying amount at 1 January | **67.6** | 66.9 |
| Share of net profits | **27.6** | 30.6 |
| Dividends received | **(22.7)** | (30.6) |
| Acquisition of joint ventures | **-** | 0.7 |
| Carrying amount at 31 December | **72.5** | 67.6 |
| (c) **Share of joint ventures' profits** | | |
| Revenues | **263.2** | 276.5 |
| Expenses | **(228.6)** | (236.8) |
| Profit before income tax | **34.6** | 39.7 |
| Income tax expense | **(7.0)** | (9.1) |
| Profit after income tax | **27.6** | 30.6 |
| Share of net profit - equity accounted | **27.6** | 30.6 |
| Retained profits at 1 January | **12.4** | 12.4 |
| Dividends and distributions | **(22.7)** | (30.6) |
| Share of retained profits at 31 December | **17.3** | 12.4 |
| (d) **Summarised financial information of joint ventures** | | |
| Current assets | **136.2** | 136.1 |
| Non-current assets | **178.8** | 164.1 |
| Total assets | **315.0** | 300.2 |
| Current liabilities | **(121.9)** | (63.0) |
| Non-current liabilities | **(64.3)** | (120.1) |
| Total liabilities | **(186.2)** | (183.1) |
| Net Assets | **128.8** | 117.1 |
| Group's 50% share of joint ventures net assets | **64.4** | 58.6 |
| Adjustments arising from equity accounting: | | |
| Goodwill | **8.7** | 8.7 |
| Unrealised profit in inventory | **(0.6)** | 0.3 |
| Carrying value at 31 December | **72.5** | 67.6 |
| (e) **Share of joint ventures' expenditure commitments** | | |
| Lease commitments | **35.7** | 38.2 |
| Capital commitments | **3.7** | 3.0 |
| | **39.4** | 41.2 |

| | *Consolidated* | | *The Company* | |
| --- | --- | --- | --- | --- |
| *($ Million)* | **2009** | *2008* | **2009** | *2008* |
| **12 Non-current assets - other financial assets** | | | | |
| Other (non-traded) investments | | | | |
| Shares in controlled entities - at cost | **-** | - | **367.2** | 367.2 |
| Loans to controlled entities[1] | **-** | - | **158.3** | 158.3 |
| | **-** | - | **525.5** | 525.5 |

Controlled entities are listed in note 34.

1 Loans to controlled entities represent non interest bearing loans in accordance with Group policy outlined in note 1(b).

## 13 Non-current assets - property, plant and equipment

**Consolidated at 31 December 2009**

| *($ Million)* | *Freehold land* | *Buildings* | *Leasehold property* | *Plant & equipment* | *Leased assets* | *Mineral reserves* | *Asset retirement cost* | *In course of con-struction* | *Total* |
|---|---|---|---|---|---|---|---|---|---|
| At cost | 110.3 | 89.5 | 4.6 | 1,058.5 | 1.9 | 118.3 | 5.1 | 45.6 | 1,433.8 |
| Accumulated depreciation | - | (37.1) | (1.0) | (605.2) | (0.6) | (13.4) | (2.2) | - | (659.5) |
| Net book amount | 110.3 | 52.4 | 3.6 | 453.3 | 1.3 | 104.9 | 2.9 | 45.6 | 774.3 |
| **Reconciliations** | | | | | | | | | |
| Carrying amount at 1 January 2009 | 123.4 | 57.4 | 4.1 | 450.2 | 1.7 | 105.8 | 3.1 | 56.2 | 801.9 |
| Additions | - | 0.1 | - | 9.7 | - | - | - | 33.3 | 43.1 |
| Disposals | (0.9) | (1.0) | - | (0.8) | - | - | - | - | (2.7) |
| Reclassification | (12.2) | (1.0) | (0.3) | 46.4 | (0.3) | 0.1 | - | (43.9) | (11.2) |
| Depreciation/ amortisation expense | - | (3.1) | (0.2) | (52.2) | (0.1) | (1.0) | (0.2) | - | (56.8) |
| **Carrying amount at 31 December 2009** | **110.3** | **52.4** | **3.6** | **453.3** | **1.3** | **104.9** | **2.9** | **45.6** | **774.3** |

**Consolidated at 31 December 2008**

| *($ Million)* | *Freehold land* | *Buildings* | *Leasehold property* | *Plant & equipment* | *Leased assets* | *Mineral reserves* | *Asset retirement cost* | *In course of con-struction* | *Total* |
|---|---|---|---|---|---|---|---|---|---|
| At cost | 123.4 | 91.6 | 6.7 | 1,021.1 | 3.0 | 118.2 | 5.1 | 56.2 | 1,425.3 |
| Accumulated depreciation | - | (34.2) | (2.6) | (570.9) | (1.3) | (12.4) | (2.0) | - | (623.4) |
| Net book amount | 123.4 | 57.4 | 4.1 | 450.2 | 1.7 | 105.8 | 3.1 | 56.2 | 801.9 |
| **Reconciliations** | | | | | | | | | |
| Carrying amount at 1 January 2008 | 89.2 | 42.0 | 4.3 | 439.4 | - | 103.0 | 3.3 | 61.3 | 742.5 |
| Additions | - | 0.3 | - | 20.0 | - | - | 0.2 | 35.5 | 56.0 |
| Disposals | (2.2) | (0.3) | - | (0.4) | - | - | - | - | (2.9) |
| Reclassification | 2.3 | 5.4 | - | 23.9 | 1.8 | 4.4 | - | (41.3) | (3.5) |
| Acquired in business combinations | 34.1 | 12.6 | 0.1 | 19.1 | - | - | - | 0.7 | 66.6 |
| Depreciation/amortisation expense | - | (2.6) | (0.3) | (51.8) | (0.1) | (1.6) | (0.4) | - | (56.8) |
| **Carrying amount at 31 December 2008** | **123.4** | **57.4** | **4.1** | **450.2** | **1.7** | **105.8** | **3.1** | **56.2** | **801.9** |

| | *The Company* | |
|---|---|---|
| *($ Million)* | ***2009*** | *2008* |
| **Mineral reserves** | | |
| Carrying amount at 1 January | **4.6** | 4.6 |
| Carrying amount at 31 December | **4.6** | 4.6 |

| ($ Million) | Consolidated *2009* | *2008* | The Company *2009* | *2008* |
|---|---|---|---|---|
| **14 Non-current assets - deferred tax assets** | | | | |
| **The balance comprises temporary differences attributable to:** | | | | |
| Property, plant and equipment | **(0.3)** | 0.4 | **-** | - |
| Share based payment reserve | **1.7** | 1.3 | **-** | - |
| Defined benefit obligations | **1.8** | 3.8 | **-** | - |
| Provisions | **20.8** | 20.5 | **-** | - |
| Tax losses | **2.7** | 3.0 | **2.7** | 3.0 |
| **Deferred tax assets** | **26.7** | 29.0 | **2.7** | 3.0 |
| Offset deferred tax liability (note 21) | **-** | - | **(1.4)** | (1.4) |
| **Net Deferred tax assets** | **26.7** | 29.0 | **1.3** | 1.6 |
| **Movements:** | | | | |
| Opening balance at 1 January | **29.0** | 25.7 | **1.6** | 3.3 |
| Recognised in the income statement | **0.1** | (0.6) | **-** | (1.4) |
| Recognised in equity | **(1.8)** | 3.9 | **-** | - |
| Acquired in business combinations | **-** | 0.6 | **-** | - |
| (Under)/over provision in prior year | **(0.6)** | (0.6) | **(0.3)** | (0.3) |
| Offset deferred tax liability (note 21) | **(26.7)** | (29.0) | **-** | - |
| Closing balance at 31 December | **-** | - | **1.3** | 1.6 |

| ($ Million) | Consolidated Goodwill | Total |
|---|---|---|
| **15 Non-current assets - intangible assets** | | |
| **31 December 2009** | | |
| Cost | **169.0** | **169.0** |
| Less: Accumulated amortisation | **-** | **-** |
| Carrying amount at 31 December 2009 | **169.0** | **169.0** |
| Opening balance at 1 January 2009 | **169.4** | **169.4** |
| Acquisitions in current year | **-** | **-** |
| Finalisation of prior year acquisitions (note 37) | **(0.4)** | **(0.4)** |
| Closing balance at 31 December 2009 | **169.0** | **169.0** |
| **31 December 2008** | | |
| Cost | 169.4 | 169.4 |
| Less: Accumulated amortisation | - | - |
| Carrying amount at 31 December 2008 | 169.4 | 169.4 |
| Opening balance at 1 January 2008 | 164.4 | 164.4 |
| Acquisitions in current year | 1.5 | 1.5 |
| Finalisation of prior year acquisitions | 3.5 | 3.5 |
| Closing balance at 31 December 2008 | 169.4 | 169.4 |

## 15 Non-current assets - intangible assets *(continued)*

### (a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segments. A segment level summary of the goodwill allocation is presented below.

| ($ Million) | Consolidated 2009 | 2008 |
|---|---|---|
| Cement, Lime and Concrete | **160.2** | 160.2 |
| Concrete Products | **8.8** | 9.2 |
| | **169.0** | 169.4 |

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on 2009 actual results and 2010 financial budgets approved by management. Cash flows beyond the financial year 2010 are extrapolated using the estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

### (b) Key assumptions used for value-in-use calculations

| | Gross margin[1] | | Growth rate[2] | | Discount rate[3] | |
|---|---|---|---|---|---|---|
| | **2009 %** | 2008 % | **2009 %** | 2008 % | **2009 %** | 2008 % |
| Cement, Lime and Concrete | **`41.8** | 47.4 | **2.5** | 2.5 | **10.0** | 9.2 |
| Concrete Products | **29.7** | 30.5 | **2.5** | 2.5 | **10.0** | 9.2 |

1 Budgeted gross margin (excluding fixed production costs)
2 Weighted average growth rate used to extrapolate cash flows beyond the budget period
3 Pre-tax discount rate applied to cash flow projections

The assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on the past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to relevant segments.

| ($ Million) | Consolidated 2009 | 2008 | The Company 2009 | 2008 |
|---|---|---|---|---|
| **16 Current liabilities - trade and other payables** | | | | |
| Trade payables and accruals | **103.3** | 95.1 | **-** | - |
| Loans from joint ventures | **2.8** | 2.9 | **-** | - |
| Loans from controlled entities | **-** | - | **353.3** | 271.5 |
| Other payables | **-** | - | **0.3** | 0.6 |
| | **106.1** | 98.0 | **353.6** | 272.1 |

All payables are denominated in Australian dollars.

| | Consolidated 2009 | 2008 | The Company 2009 | 2008 |
|---|---|---|---|---|
| **17 Current liabilities - borrowings** | | | | |
| **Secured** | | | | |
| Lease liabilities (note 29) | **0.4** | 0.4 | **-** | - |
| **Unsecured** | | | | |
| Bank loans | **-** | - | **-** | - |
| | **0.4** | 0.4 | **-** | - |

Details of the Group's exposure to interest rate changes and fair value of borrowings are set out in note 27.

| ($ Million) | Consolidated **2009** | Consolidated 2008 | The Company **2009** | The Company 2008 |
|---|---|---|---|---|
| **18 Current liabilities - provisions** | | | | |
| Employee benefits | **17.9** | 19.4 | **-** | - |
| Workers' compensation (note 1(v)(ii)) | **0.9** | 1.0 | **-** | - |
| Restoration provisions (note 1(v)(iv)) | **3.9** | 2.3 | **-** | - |
| Other provisions | **1.7** | 0.9 | **-** | - |
| | **24.4** | 23.6 | **-** | - |

Movement in each class of provision during the financial year, other than employee benefits, is set out below.

| ($ Million) | Workers' compensation | Restoration | Other |
|---|---|---|---|
| Opening balance at 1 January 2009 | 1.0 | 2.3 | 0.9 |
| Adjustments to income statement | 0.1 | - | 0.7 |
| Provisions reclassified | - | 1.6 | 0.1 |
| Payments | (0.2) | - | - |
| Closing balance at 31 December 2009 | 0.9 | 3.9 | 1.7 |

| ($ Million) | Consolidated **2009** | Consolidated 2008 | The Company **2009** | The Company 2008 |
|---|---|---|---|---|
| **19 Current liabilities - other liabilities** | | | | |
| Limited recourse loan | **12.3** | 12.3 | **-** | - |
| Other | **2.0** | 2.9 | **-** | - |
| | **14.3** | 15.2 | **-** | - |

A limited recourse loan of $12.3 million was owing to Rugby Holdings Ltd at 31 December 2009 (2008 - $12.3 million) by Cockburn Cement Ltd, a subsidiary of Adelaide Brighton Ltd. This is in respect of real property belonging to Rugby Holdings Ltd on loan to Cockburn Cement Ltd. The loan is non-interest bearing. Rugby Holdings Ltd was the direct parent Company of Adelaide Brighton Ltd in the period from July 1999 to December 2003.

| ($ Million) | Consolidated **2009** | Consolidated 2008 | The Company **2009** | The Company 2008 |
|---|---|---|---|---|
| **20 Non-current liabilities - borrowings** | | | | |
| **Secured** | | | | |
| Lease liabilities (note 29) | **0.9** | 1.4 | **-** | - |
| **Unsecured** | | | | |
| Bank loans | **199.6** | 409.1 | **199.6** | 409.1 |
| | **200.5** | 410.5 | **199.6** | 409.1 |

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default. The carrying amount of plant & equipment under finance lease is $1.3 million (2008 - $1.7 million). Details of the Group's exposure to interest rate changes and fair values of borrowings are set out in note 27.

| ($ Million) | Consolidated 2009 | Consolidated 2008 | The Company 2009 | The Company 2008 |
|---|---|---|---|---|
| **21 Non-current liabilities - deferred tax liabilities** | | | | |
| **The balance comprises temporary differences attributable to:** | | | | |
| Property, plant and equipment | **72.7** | 73.4 | **1.4** | 1.4 |
| Inventories | **8.5** | 9.8 | **-** | - |
| Other | **5.3** | 3.2 | **-** | - |
| **Deferred tax liabilities** | **86.5** | 86.4 | **1.4** | 1.4 |
| Offset deferred tax assets (note 14) | **(26.7)** | (29.0) | **-** | - |
| **Net deferred tax liabilities** | **59.8** | 57.4 | **1.4** | 1.4 |
| **Movements:** | | | | |
| Opening balance at 1 January | **57.4** | 63.0 | **1.4** | - |
| Recognised in the income statement | **(1.7)** | 0.7 | **-** | 1.4 |
| Recognised in equity | **1.8** | (3.9) | **-** | - |
| Acquired in business combinations | **-** | 0.3 | **-** | - |
| (Over)/under provision in prior year | **2.3** | (2.7) | **-** | - |
| Offset deferred tax assets (note 14) | **-** | - | **(1.4)** | (1.4) |
| Closing balance at 31 December | **59.8** | 57.4 | **-** | - |

| ($ Million) | Consolidated 2009 | Consolidated 2008 | The Company 2009 | The Company 2008 |
|---|---|---|---|---|
| **22 Non-current liabilities - provisions** | | | | |
| Employee benefits | **2.8** | 3.8 | **-** | - |
| Restoration provisions (note 1(v)(iv)) | **27.1** | 28.9 | **-** | - |
| | **29.9** | 32.7 | **-** | - |

Movement in each class of provision during the financial year, other than employee benefits, are set out below.

| ($ Million) | *Restoration provisions* |
|---|---|
| Opening balance at 1 January 2009 | 28.9 |
| Discount unwinding to finance costs | 0.4 |
| Adjustments to income statement | (0.5) |
| Provisions reclassified to current | (1.7) |
| Closing balance at 31 December 2009 | 27.1 |

| ($ Million) | Consolidated 2009 | Consolidated 2008 | The Company 2009 | The Company 2008 |
|---|---|---|---|---|
| **Employee benefit liabilities** | | | | |
| Provision for employee benefits | | | | |
| Current (note 18) | **17.9** | 19.4 | **-** | - |
| Non-current | **2.8** | 3.8 | **-** | - |
| Aggregate employee benefit liability | **20.7** | 23.2 | **-** | - |
| **Employee numbers** | *Number* | | *Number* | |
| Average number of employees during the year | **1,393** | 1,328 | **-** | - |

## 22 Non-current liabilities - provisions *(continued)*

As explained in note 1(w)(ii), the liability for long service leave is measured at its present value. The following assumptions were adopted in measuring present values:

| | *Consolidated* | | *The Company* | |
|---|---|---|---|---|
| | ***2009*** | *2008* | ***2009*** | *2008* |
| **Long service leave** | | | | |
| Weighted average rates of increase in annual employee benefits to settlement of the liabilities | **2.5%** | 4.6% | **-** | - |
| Weighted average discount rates | **5.2%** | 5.2% | **-** | - |
| Weighted average years to settlement of the liabilities | **10** | 10 | **-** | - |

## 23 Retirement benefit obligations

### (a) Superannuation plan

The majority of Adelaide Brighton Ltd employees are members of the consolidated superannuation entity being the Adelaide Brighton Group Superannuation Plan ("the Plan"), a sub-plan of the Mercer Super Trust ("MST"). The MST is a superannuation master trust arrangement governed by an independent trustee, Mercer Investment Nominees Ltd. The Plan commenced in the MST on 1 August 2001.

Membership is in either the Defined Benefit or Accumulation categories of the Plan. The following sets out details in respect of the defined benefit section only.

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section of the Plan is closed to new members. All new members receive accumulation only benefits. During the 12 months to 31 December 2009, all new employees, who are members of this fund, have become members of the accumulation category of the Plan. The limited number of employees who are not members of the Plan are in complying superannuation funds as specified by the Enterprise Bargaining Agreements (WA and Victoria Award covered employees) that cover their employment.

| | *Consolidated* | | *The Company* | |
|---|---|---|---|---|
| *($ Million)* | ***2009*** | *2008* | ***2009*** | *2008* |
| **(b) Balance sheet amounts** | | | | |
| Present value of the defined benefit obligation | **52.1** | 54.9 | **-** | - |
| Fair value of defined benefit plan assets | **(46.3)** | (42.3) | **-** | - |
| Net liability in the balance sheet | **5.8** | 12.6 | **-** | - |

The Group has no legal obligation to settle this liability with an immediate contribution or additional one-off contributions.

| | *Consolidated* | | *The Company* | |
|---|---|---|---|---|
| *($ Million)* | ***2009*** | *2008* | ***2009*** | *2008* |
| **(c) Reconciliations** | | | | |
| *Reconciliation of the present value of defined benefit obligation, which is wholly funded:* | | | | |
| Opening balance at 1 January | **54.9** | 57.9 | **-** | - |
| Current service costs | **2.3** | 1.9 | **-** | - |
| Interest costs | **2.2** | 3.1 | **-** | - |
| Actuarial (gains) and losses | **(1.6)** | (2.4) | **-** | - |
| Contributions by plan participants | **1.5** | 1.6 | **-** | - |
| Benefits, expenses and insurance premium paid | **(7.3)** | (7.3) | **-** | - |
| Transfers in | **0.1** | 0.1 | **-** | - |
| Closing balance at 31 December | **52.1** | 54.9 | **-** | - |
| *Reconciliation of the fair value of plan assets* | | | | |
| Opening balance at 1 January | **42.3** | 60.6 | **-** | - |
| Expected return on plan assets | **2.8** | 3.9 | **-** | - |
| Actuarial gains and (losses) | **4.2** | (18.8) | **-** | - |
| Employer contributions | **2.7** | 2.2 | **-** | - |
| Contributions by plan participants | **1.5** | 1.6 | **-** | - |
| Benefits, expenses and insurance premiums paid | **(7.3)** | (7.3) | **-** | - |
| Transfers in | **0.1** | 0.1 | **-** | - |
| Closing balance at 31 December | **46.3** | 42.3 | **-** | - |

| ($ Million) | Consolidated **2009** | Consolidated 2008 | The Company **2009** | The Company 2008 |
|---|---|---|---|---|
| **23 Retirement benefit obligations** *(continued)* | | | | |
| (d) **Amounts recognised in income statement and statement of comprehensive income** | | | | |
| The amounts recognised in the income statement are as follows: | | | | |
| Current service costs | **2.3** | 1.9 | **-** | - |
| Interest costs | **2.2** | 3.1 | **-** | - |
| Expected return on plan assets | **(2.8)** | (3.9) | **-** | - |
| Total included in employee benefits expense | **1.7** | 1.1 | **-** | - |
| Actual return on plan assets | **7.0** | (14.9) | **-** | - |
| The amounts recognised in the statement of comprehensive income are as follows: | | | | |
| Actuarial (gain)/loss recognised in the year | **(5.8)** | 16.4 | **-** | - |
| Cumulative actuarial losses recognised in statement of comprehensive income | **8.0** | 13.8 | **-** | - |
| (e) **Categories of plan assets** | | | | |
| The major categories of plan assets are as follows: | | | | |
| Australian Equity | **15.3** | 12.3 | **-** | - |
| International Equity | **13.0** | 11.4 | **-** | - |
| Fixed income | **4.6** | 4.2 | **-** | - |
| Property | **4.2** | 5.5 | **-** | - |
| Cash | **6.0** | 5.1 | **-** | - |
| Other | **3.2** | 3.8 | **-** | - |
| | **46.3** | 42.3 | **-** | - |

| % | **2009** | 2008 | **2009** | 2008 |
|---|---|---|---|---|
| (f) **Principal actuarial assumptions** | | | | |
| The principal actuarial assumptions used were as follows: | | | | |
| Discount rate | **5.1** | 4.0 | **-** | - |
| Expected return on plan assets | **7.0** | 7.0 | **-** | - |
| Future salary increases | **4.0** | 4.0 | **-** | - |

The expected rate of return on assets is based on historical and future expectations of returns for each of the major categories of asset classes (equities, property, fixed interest and cash) as well as the expected actual allocation of plan assets to these major categories. This resulted in the selection of a 7.0% rate of return net of tax and expenses. The discount rate used to value the defined benefit obligation is based on the 10 year government bond rate.

(g) **Employer contributions**

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, and the last assessment was made as at 1 July 2007.

Total employer contributions expected to be paid by Group companies for the year ended 31 December 2010 are $1.9 million (parent entity: $nil).

| ($ Million) | **2009** | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| (h) **Historic summary** | | | | | |
| Defined benefit obligation | **(52.1)** | (54.9) | (57.9) | (55.9) | (52.8) |
| Plan assets | **46.3** | 42.3 | 60.6 | 56.0 | 51.4 |
| (Deficit) surplus | **(5.8)** | (12.6) | 2.7 | 0.1 | (1.4) |
| Experience adjustments arising on plan liabilities | **(4.2)** | 18.8 | (2.2) | (2.4) | (3.6) |
| Experience adjustments arising on plan assets | **1.3** | (6.4) | 2.1 | 3.2 | 5.0 |

| ($ Million) | Notes | Consolidated 2009 | Consolidated 2008 | The Company 2009 | The Company 2008 |
|---|---|---|---|---|---|
| **24 Contributed equity** | | | | | |
| (a) **Share capital** | | | | | |
| Issued and paid up capital 634,144,970 (2008: 552,488,537) ordinary shares, fully paid | | **690.4** | 540.4 | **683.2** | 533.2 |
| (b) **Movements in ordinary share capital** | | | | | |
| Opening balance at 1 January | | **540.4** | 514.0 | **533.2** | 506.8 |
| Shares issued | | | | | |
| 1,130,000 shares issued under Executive Performance Share Plan (2008: 930,000) | (i) | **3.1** | (0.5) | **3.1** | (0.5) |
| 10,068,621 shares issued under Final Dividend Reinvestment Plan | | **17.9** | - | **17.9** | - |
| 6,673,768 shares issued under Interim Dividend Reinvestment Plan (2008: 8,559,970) | | **18.0** | 26.9 | **18.0** | 26.9 |
| 47,752,809 shares issued under institutional equity raising | | **85.0** | - | **85.0** | - |
| 16,031,235 shares issued under Share Purchase Plan | | **28.5** | - | **28.5** | - |
| Equity raising transaction costs | | **(2.5)** | - | **(2.5)** | - |
| Closing balance at 31 December | | **690.4** | 540.4 | **683.2** | 533.2 |

(i) Ordinary shares issued under the Adelaide Brighton Ltd Executive Performance Share Plan (refer note 30). 2008 includes tax adjustments relating to prior year share issues.

(c) **Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote and, on a poll, each share is entitled to one vote.

(d) **Dividend reinvestment plan**

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash. At the time of declaring each dividend, the Board will determine the discount which will apply to the shares to be allocated under the Plan for each dividend. In February 2010 the Company suspended the dividend reinvestment plan with immediate effect until further notice.

(e) **Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Board reviews the capital structure on an annual basis. The Board will balance its overall capital structure through the payment of dividends, share issues as well as the issue of new debt or the redemption of existing debt. The Group monitors capital on the basis of the gearing ratio.

During 2009 in order to achieve balance sheet flexibility in uncertain global credit markets the Company undertook a capital raising which, together with effective cash flow management, reduced year end gearing to 19.6% below the Board's preferred range of 40% - 60%. The Company has an implied BBB+ credit rating and chooses not to apply for an official credit rating. The gearing ratios at 31 December were as follows:

| ($ Million) | Consolidated 2009 | Consolidated 2008 | The Company 2009 | The Company 2008 |
|---|---|---|---|---|
| Total borrowings | **200.9** | 410.9 | **199.6** | 409.1 |
| Less cash and cash equivalents | **(25.5)** | (23.1) | **(2.8)** | 6.6 |
| Net debt | **175.4** | 387.8 | **196.8** | 415.7 |
| Total equity | **897.0** | 701.9 | **698.0** | 586.4 |
| Total capital | **1,072.4** | 1,089.7 | **894.8** | 1,002.1 |
| Gearing ratio | **19.6%** | 55.3% | **28.2%** | 70.9% |

| ($ Million) | Consolidated 2009 | Consolidated 2008 | The Company 2009 | The Company 2008 |
|---|---|---|---|---|
| **25 Reserves and retained earnings** | | | | |
| **Reserves** | | | | |
| Asset revaluation reserve | **-** | - | **-** | - |
| Foreign currency translation reserve | **-** | 0.1 | **-** | - |
| Share-based payment reserve | **2.9** | 3.4 | **2.9** | 3.4 |
| | **2.9** | 3.5 | **2.9** | 3.4 |
| **Movements were as follows:** | | | | |
| (a) **Asset revaluation reserve** | | | | |
| Opening balance at 1 January | **-** | 12.4 | **-** | - |
| Transfer to retained earnings | **-** | (12.4) | **-** | - |
| Closing balance at 31 December | **-** | - | **-** | - |
| (b) **Foreign currency translation reserve** | | | | |
| Opening balance at 1 January | **0.1** | (0.1) | **-** | - |
| Currency translation differences arising during the year | **(0.1)** | 0.2 | **-** | - |
| Closing balance at 31 December | **-** | 0.1 | **-** | - |
| (c) **Share-based payment reserve** | | | | |
| Opening balance at 1 January | **3.4** | 2.2 | **3.4** | 2.2 |
| Awards expense | **0.8** | 1.9 | **-** | - |
| Deferred tax | **0.4** | (0.2) | **-** | - |
| Issue of shares to employees | **(1.7)** | (0.5) | **(1.7)** | (0.5) |
| Group transactions | **-** | - | **1.2** | 1.7 |
| Closing balance at 31 December | **2.9** | 3.4 | **2.9** | 3.4 |
| (d) **Retained earnings** | | | | |
| Opening balance at 1 January | **155.0** | 136.4 | **49.8** | 47.3 |
| Net profit for the year | **123.1** | 120.8 | **43.6** | 105.7 |
| Actuarial gain / (loss) on defined benefit obligation (net of tax) | **4.0** | (11.4) | **-** | - |
| Dividends | **(81.5)** | (103.2) | **(81.5)** | (103.2) |
| Transfer from asset revaluation reserve | **-** | 12.4 | **-** | - |
| Closing balance at 31 December | **200.6** | 155.0 | **11.9** | 49.8 |

(e) **Nature and purpose of reserves**

(i) *Asset revaluation reserve*

The asset revaluation reserve was used prior to the adoption of AIFRS to record increments and decrements on the revaluation of non-current assets. In 2008, this balance was transferred to retained profits.

(ii) *Foreign currency translation reserve*

Exchange differences arising on translation of the foreign controlled entities (Adelaide Brighton Cement Inc., Fuel and Combustion Technology International Inc., and Fuel and Combustion Technology International Ltd) are taken to the foreign currency translation reserve, as described in note 1(d)(iii).

(iii) *Share-based payment reserve*

The share-based payment reserve is used to recognise the fair value of Awards issued but not exercised.

| ($ Million) | The Company 2009 | 2008 |
|---|---|---|
| **26 Dividends** | | |
| **Dividends paid during the year** | | |
| 2009 interim dividend of 5.5 cents (2008 - 6.5 cents) per fully paid ordinary share, franked at 100% (2008 - 100%) paid on 19 October 2009 | **34.5** | 35.3 |
| 2008 final dividend of 8.5 cents (2007 - 9.0 cents) per fully paid ordinary share, franked at 100% (2007 - 100%) paid on 22 April 2009 | **47.0** | 48.9 |
| 2007 special dividend of 3.5 cents per fully paid ordinary share, franked at 100% paid on 10 April 2008 | **-** | 19.0 |
| Total dividends | **81.5** | 103.2 |
| Paid in cash | **45.6** | 76.3 |
| Satisfied by issue of shares under the Dividend Reinvestment Plan | **35.9** | 26.9 |
| **Dividends not recognised at year end** | | |
| Since the end of the year the Directors have recommended the payment of a final dividend of 8.0 cents (2008 - 8.5 cents) per fully paid share, franked at 100% (2008 - 100%). The aggregate amount of the proposed final dividend to be paid on 12 April 2010, not recognised as a liability at the end of the reporting period, is | **50.7** | 47.0 |

**Franked dividends**

The franked portions of the dividends proposed as at 31 December 2009 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 December 2010.

| ($ Million) | Consolidated 2009 | Consolidated 2008 | The Company 2009 | The Company 2008 |
|---|---|---|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 30% (2008 - 30%) | **53.1** | 52.1 | **53.1** | 52.1 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of any current tax liability

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $21.7 million (2008: $20.1 million).

## 27 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board approves written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk. The Group uses derivative financial instruments in the form of foreign exchange contracts to hedge certain currency risk exposures.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date. The Company does not utilise hedge accounting as permitted under AIFRS.

The Group's Corporate Treasury Function provides services to the business, co-ordinates access to domestic financial markets and monitors and manages the financial risks relating to the operations of the Group. The Group Corporate Treasury Function reports to the Board on a monthly basis an analysis of exposures by degree and magnitude of risk.

### (a) Market risk

(i) *Foreign exchange risk*

The Group's activities through its overseas cement, clinker and equipment purchases expose it to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Japanese Yen. The parent Company is not exposed to foreign exchange risk.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group enters into foreign exchange forward contracts to hedge its foreign exchange risk on these overseas trading activities against movements in the Australian dollar. Due to the decreasing dependence on imported cement and clinker the Group has decreased its exposure to foreign currency exchange rates over the last year.

The Group Treasury's risk management policy is to hedge firm commitments for purchases for three months forward. Longer hedge positions on the Japanese Yen are deemed too expensive versus the value at risk due to the respective currencies' interest rate spread. Derivative instruments entered into by the Group do not qualify for hedge accounting.

(ii) *Cash flow interest rate risk*

The Group's main interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Due to the historically low levels of gearing, Group policy is to take on senior debt facilities on a one to three year term with fixed bank lending margins associated with each term. Bank bills to meet short and medium term borrowing requirements are drawn down against the senior debt lending facilities on a 30, 60 or 90 day basis, at a variable lending rate comprising the fixed bank margin applied to the daily bank bill swap rate effective at the date of each bank bill. During both 2009 and 2008, the Group's borrowings at variable rate were denominated in Australian Dollars.

The Group analyses its interest rate exposure on a dynamic basis. Periodically, various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on forecast profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the latest calculations performed, the impact on profit and equity of a 100 basis-point movement would be a maximum increase/decrease of $2.0 million (2008: $2.1 million - 50 basis-point movement). A 100 basis-point sensitivity has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates.

(iii) *Summarised sensitivity analysis*

The following table summarises the sensitivity of the Group's and the Company's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

**27 Financial risk management objectives** *(continued)*

(iii) *Summarised sensitivity analysis (continued)*

| *2009 ($ Million)* | *Notes* | *Carrying Value Consolidated* | *Carrying Value The Company* | *Interest rate risk -1.0% Consolidated Profit & Equity* | *Interest rate risk +1.0% Consolidated Profit & Equity* | *Interest rate risk -1.0% The Company Profit & Equity* | *Interest rate risk +1.0% The Company Profit & Equity* | *Foreign exchange risk -10% Consolidated Profit & Equity* | *Foreign exchange risk +10% Consolidated Profit & Equity* |
|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | |
| Cash | 6 | 25.5 | 2.8 | (0.3) | 0.3 | - | - | - | - |
| Receivables | 7&10 | 193.2 | 733.7 | (1.9) | 1.9 | - | - | - | - |
| | | **218.7** | **736.5** | **(2.2)** | **2.2** | **-** | **-** | **-** | **-** |
| **Financial liabilities** | | | | | | | | | |
| Borrowings | 17&20 | 200.9 | 199.6 | 2.0 | (2.0) | 2.0 | (2.0) | - | - |
| Payables | 16 | 106.1 | 353.6 | - | - | - | - | - | - |
| Limited recourse loan | 19 | 12.3 | - | - | - | - | - | - | - |
| | | **319.3** | **553.2** | **2.0** | **(2.0)** | **2.0** | **(2.0)** | **-** | **-** |
| Total increase/(decrease) | | | | **(0.2)** | **0.2** | **2.0** | **(2.0)** | **-** | **-** |

| *2008 ($ Million)* | *Notes* | *Carrying Value Consolidated* | *Carrying Value The Company* | *Interest rate risk -0.5% Consolidated Profit & Equity* | *Interest rate risk +0.5% Consolidated Profit & Equity* | *Interest rate risk -0.5% The Company Profit & Equity* | *Interest rate risk +0.5% The Company Profit & Equity* | *Foreign exchange risk -10% Consolidated Profit & Equity* | *Foreign exchange risk +10% Consolidated Profit & Equity* |
|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | |
| Cash | 6 | 23.1 | (6.6) | (0.1) | 0.1 | - | - | - | - |
| Receivables | 7&10 | 180.0 | 748.2 | (0.2) | 0.2 | - | - | - | - |
| | | **203.1** | **741.6** | **(0.3)** | **0.3** | **-** | **-** | **-** | **-** |
| **Financial liabilities** | | | | | | | | | |
| Borrowings | 17&20 | 410.9 | 409.1 | 2.1 | (2.1) | 2.1 | (2.1) | - | - |
| Payables | 16 | 98.0 | 272.1 | - | - | - | - | - | - |
| Limited recourse loan | 19 | 12.3 | - | - | - | - | - | - | - |
| | | **521.2** | **681.2** | **2.1** | **(2.1)** | **2.1** | **(2.1)** | **-** | **-** |
| Total increase/(decrease) | | | | **1.8** | **(1.8)** | **2.1** | **(2.1)** | **-** | **-** |

**27 Financial risk management objectives** *(continued)*

(b) **Credit risk**

Credit risk is managed on a group basis using delegated regional authority limits. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. For trading credit risk wholesale customers are rated using external independent agency ratings and if there is no independent rating, Credit Control assesses the credit quality of the customer, taking into account its financial position, past experience, external credit agency reports and credit references. Individual risk limits are set based on internal or external ratings in accordance with delegated authority limits set by the Board. The compliance with credit limits by credit approved customers is regularly monitored by line credit management. Sales to retail customers are settled either in cash or using major credit cards, mitigating credit risk.

Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

The Group has no significant concentration of credit risk. The Group has policies and procedures in place to ensure that sales are made to customers with an appropriate credit history. With a small number of customers, with uncertain credit history, the Group has taken out personal guarantees in order to cover credit exposures. As at 31 December 2009, the Group held no collateral over outstanding debts. Consequently, the maximum exposure to credit risk represents the carrying value of receivables and derivatives. Derivative counterparties and cash transactions are limited to high credit quality institutions.

(c) **Liquidity risk**

The ultimate responsibility for liquidity risk management rests with the Board which has established an appropriate risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group's Corporate Treasury Function manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included below is a statement of undrawn facilities that the Group and Company has at its disposal to further reduce liquidity risk.

| | *Consolidated* | | *The Company* | |
|---|---|---|---|---|
| *($ Million)* | ***2009*** | *2008* | ***2009*** | *2008* |
| **Financing arrangements** | | | | |
| Unrestricted access was available at balance date to the following lines of credit: | | | | |
| **Credit standby arrangements** | | | | |
| Total facilities | | | | |
| Bank overdrafts | **4.0** | 4.0 | **4.0** | 4.0 |
| Bank facilities - external parties | **520.0** | 520.0 | **520.0** | 520.0 |
| Lease liabilities | **1.3** | 1.8 | **-** | - |
| | **525.3** | 525.8 | **524.0** | 524.0 |
| Used at balance date | | | | |
| Bank overdrafts | **-** | 4.0 | **-** | 4.0 |
| Bank facilities - external parties | **199.6** | 409.1 | **199.6** | 411.7 |
| Lease liabilities | **1.3** | 1.8 | **-** | - |
| | **200.9** | 414.9 | **199.6** | 415.7 |
| Unused at balance date | | | | |
| Bank overdrafts | **4.0** | - | **4.0** | - |
| Bank facilities - external parties | **320.4** | 110.9 | **320.4** | 108.3 |
| | **324.4** | 110.9 | **324.4** | 108.3 |

## 27 Financial risk management objectives *(continued)*

The table below analyses the Group's and the Company's financial liabilities that will be settled on a gross basis. The amounts disclosed are the contractual undiscounted cash flows. The interest rate used is 6% (2008: 6%) based on current bank borrowing rates and current expectations.

| | *Consolidated* | | *The Company* | |
|---|---|---|---|---|
| *($ Million)* | ***2009*** | *2008* | ***2009*** | *2008* |
| Ageing of financial liabilities into relevant maturity groups: | | | | |
| Less than 1 year | | | | |
| Lease liabilities (note 17) | **0.4** | 0.4 | **-** | - |
| | **0.4** | 0.4 | **-** | - |
| Between 1 and 2 years | | | | |
| Bank borrowings - external parties (note 20) | **211.6** | 433.6 | **211.6** | 433.6 |
| Lease liabilities (note 20) | **0.9** | 1.4 | **-** | - |
| | **212.5** | 435.0 | **211.6** | 433.6 |

(d) **Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The carrying amounts of financial assets and liabilities of the Group and the Company at balance date equate fair values. Fair value is exclusive of costs which would be incurred on realisation of an asset, and inclusive of costs which would be incurred on settlement of a liability.

| | *Consolidated* | | *The Company* | |
|---|---|---|---|---|
| *($ Million)* | ***2009*** | *2008* | ***2009*** | *2008* |
| **28 Contingencies** | | | | |
| Details and estimates of maximum amounts of contingent liabilities are as follows: | | | | |
| (a) **Guarantees** | | | | |
| Bank guarantees | **12.3** | 11.7 | **2.6** | 2.0 |

(b) **Litigation**

At the time of preparing this financial report some companies included in the Group are parties to pending legal proceedings, the outcome of which is not known. The entities are defending, or prosecuting, these proceedings. The Directors have assessed the impact on the Group from the individual actions to be non-material.

No material losses are anticipated in respect of any of the above contingent liabilities.

| ($ Million) | Consolidated *2009* | *2008* | The Company *2009* | *2008* |
|---|---|---|---|---|
| **29 Commitments for expenditure** | | | | |
| (a) **Capital commitments - Property, plant & equipment** | | | | |
| Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows: | | | | |
| Within one year | **11.3** | 3.5 | **-** | - |
| (b) **Lease commitments** | | | | |
| (i) *Finance leases* | | | | |
| Commitments in relation to finance leases are payable as follows: | | | | |
| Within one year | **0.4** | 0.5 | **-** | - |
| Later than one year but not later than five years | **0.9** | 1.3 | **-** | - |
| Minimum lease payments | **1.3** | 1.8 | **-** | - |
| Less: Future finance charges | **-** | - | **-** | - |
| Recognised as a liability | **1.3** | 1.8 | **-** | - |
| Representing lease liabilities: | | | | |
| Current (note 17) | **0.4** | 0.4 | **-** | - |
| Non current (note 20) | **0.9** | 1.4 | **-** | - |
| | **1.3** | 1.8 | **-** | - |
| (ii) *Operating leases* | | | | |
| Commitments in relation to operating leases contracted for at the reporting date, but not recognised as liabilities, are payable as follows: | | | | |
| Within one year | **2.6** | 3.3 | **-** | - |
| Later than one year but not later than five years | **5.5** | 5.8 | **-** | - |
| Later than five years | **16.4** | 11.2 | **-** | - |
| | **24.5** | 20.3 | **-** | - |

Commitments for operating lease payments relate mainly to rental leases on property.

## 30 Share-based payment plans

(a) **Employee Share Plan**

The establishment of the Adelaide Brighton Ltd Employee Share Plan was approved by special resolution at the Annual General Meeting of the Company held on 19 November 1997. All full time employees of the Company and its controlled entities who have been continuously employed by the Company or a controlled entity for a period of one year are eligible to participate in the plan. Casual employees and contractors are not eligible to participate in the Plan.

No shares were issued under the Employee Share Plan during the year (2008 - nil). In subsequent years, the Board will decide whether, considering the profitability of the Company and the demands of the business, further invitations to take up grants of shares should be made.

(b) **Executive Performance Share Plan**

The Adelaide Brighton Ltd Executive Performance Share Plan ("the Plan") provides for grants of Awards to the Managing Director and eligible executives. This plan was approved by shareholders at the Annual General Meeting held on 19 November 1997. In accordance with the requirements of the ASX Listing Rules, the Awards since granted to the Managing Director have been approved by shareholders.

Under the Plan, eligible executives are granted Awards (each being an entitlement to a fully paid ordinary share of Adelaide Brighton Ltd, subject to the satisfaction of performance conditions) on terms and conditions determined by the Board.

*2007 Award*

Under the Plan, Participants were invited to apply to take up an Award up to a maximum number of shares, divided into three equal tranches exercisable no earlier than 1 May 2009, 1 May 2010 and 1 May 2011 respectively. The total number of Awards granted under the 2007 Award was 3,590,000 with 1,115,000 exercised by 31 December 2009. During the period no Awards were granted. The grant date of the 2007 Awards is set out on page 82.

*Performance conditions*

Detailed discussion of 2007 Award performance conditions is set out in the Remuneration Report on pages 44 to 45.

*Awards exercised to date*

During 2009, 1,130,000 shares were issued under the Plan on the exercise of Tranche 1 under the 2007 Award, following the Board's determination that:

- Earnings per share exercise condition applicable to 50% of exercisable Awards had been satisfied for Tranche 1; and
- Total Shareholder Return exercise condition applicable to 50% of exercisable Awards had been satisfied for Tranche 1.

The value per share at the date of exercise is the Volume Weighted Average Price (VWAP) calculated by the Australian Securities Exchange Limited for the 5 day trading period ending on the exercise date. The aggregate value of Awards exercised during the year is $2,323,396 based on the VWAP values per share.

*Balance of Awards*

As at 31 December 2009, if the exercise conditions are satisfied and the remaining balance of all currently approved Awards are exercised, the Company would be obliged to transfer:

- 2,460,000 shares to the Participants, under the 2007 Award (2008 - 3,590,000 shares).

The Plan does not entitle the Participants to participate in any other share issues of the Company and the unexercised Awards do not attract dividend or voting rights. The Plan is accounted for by the Company in accordance with note 1(w)(iv), with $803,442 (2008 - $1,936,416) recognised as an expense during the year.

| ($ Million) | Consolidated 2009 | Consolidated 2008 | The Company 2009 | The Company 2008 |
|---|---|---|---|---|
| **31 Key management personnel disclosures** | | | | |
| (a) **Compensation of key management personnel** | | | | |
| Short-term employee benefits | **9.4** | 7.6 | **0.8** | 0.8 |
| Post-employment benefits | **0.2** | 0.2 | **-** | - |
| Share-based payments | **0.7** | 1.7 | **-** | - |
| | **10.3** | 9.5 | **0.8** | 0.8 |

The Company has applied the exemption under Amendment to Australian Accounting Standard - Key Management Personnel Disclosures by Disclosing Entities which exempts disclosing companies from the application of AASB 124 paragraphs AUS 25.2 to AUS 25.6 and AUS 25.7.1 and AUS 25.7.2 as the requirements are now incorporated into the Corporations Law and are provided in the section titled Remuneration Report included in the Directors Report designated as audited on pages 39 to 47.

(b) **Awards holdings of key management personnel**

The number of Awards granted as compensation and details of Awards vested, exercised or lapsed during the year are disclosed in the Remuneration Report on page 45.

For the purposes of pricing model inputs, the exercise price of awards is based on the closing published share price at grant date. The assessed fair value at grant date of Awards granted to the individuals is allocated equally over the period from grant date to vesting date. Fair values at the grant date are independently determined using Black Scholes option pricing model that takes into account the exercise price, the term of the Awards, the lack of marketability, the impact of TSR vesting condition (applicable to 50% of Awards), the expected future dividends and the risk free interest rate for the term of the Award.

**2007 Awards grant - pricing model inputs**

| | *Number of awards* | *Grant date* | *Exercise price* | *Value per award at grant date* | *Expected annual dividends* | *Risk-free interest rate* | *Lack of marketability discount* | *TSR condition discount* |
|---|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | % | % | % |
| M P Chellew | | | | | | | | |
| Tranche 1 | 435,000 | 31/12/06 | 2.81 | 1.495 | 0.125 | 6.10 | 3.0 | 50.0 |
| Tranche 2 | 435,000 | 31/12/06 | 2.81 | 1.275 | 0.125 | 6.10 | 6.0 | 50.0 |
| Tranche 3 | 435,000 | 31/12/06 | 2.81 | 1.080 | 0.125 | 6.10 | 9.0 | 50.0 |
| M Brydon | | | | | | | | |
| Tranche 1 | 100,000 | 1/3/07 | 3.31 | 1.745 | 0.145 | 5.92 | 3.0 | 50.0 |
| Tranche 2 | 100,000 | 1/3/07 | 3.31 | 1.485 | 0.145 | 5.92 | 6.0 | 50.0 |
| Tranche 3 | 100,000 | 1/3/07 | 3.31 | 1.260 | 0.145 | 5.92 | 9.0 | 50.0 |
| A D Poulter, M R D Clayton, M A Finney, M Kelly and S J Toppenberg | | | | | | | | |
| Tranche 1 | 100,000 | 31/12/06 | 2.81 | 1.495 | 0.125 | 6.10 | 3.0 | 50.0 |
| Tranche 2 | 100,000 | 31/12/06 | 2.81 | 1.275 | 0.125 | 6.10 | 6.0 | 50.0 |
| Tranche 3 | 100,000 | 31/12/06 | 2.81 | 1.080 | 0.125 | 6.10 | 9.0 | 50.0 |
| S B Rogers | | | | | | | | |
| Tranche 2 | 100,000 | 3/3/08 | 3.37 | 1.755 | 0.165 | 6.14 | 6.6 | 50.0 |
| Tranche 3 | 100,000 | 3/3/08 | 3.37 | 1.480 | 0.165 | 6.14 | 9.6 | 50.0 |

**31 Key management personnel disclosures** *(continued)*

(c) **Shareholdings of key management personnel**

The movement during the reporting period in the number of ordinary shares in Adelaide Brighton Ltd held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

**Number of shares held in Adelaide Brighton Limited at 31 December 2009**

| | *Balance at start of year* | *Received on exercise of EPSP* | *Other changes* | *Balance at end of year* |
|---|---|---|---|---|
| **Non-executive Directors** | | | | |
| M A Kinnaird | 74,286 | - | 24,478 | 98,764 |
| C L Harris | 65,001 | - | 5,478 | 70,479 |
| J D McNerney* | 101,000 | - | (101,000) | - |
| L V Hosking | 2,000 | - | 2,739 | 4,739 |
| G F Pettigrew | 5,000 | - | 2,739 | 7,739 |
| R D Barro | 18,001,696 | - | 11,257,283 | 29,258,979 |
| **Executive Director** | | | | |
| M P Chellew | 440,149 | 435,000 | (426,783) | 448,366 |
| **Senior executives** | | | | |
| A D Poulter | 101,613 | 100,000 | (79,013) | 122,600 |
| M R D Clayton | 4,357 | 100,000 | (104,334) | 23 |
| M Brydon | 5,000 | 100,000 | (97,261) | 7,739 |
| M A Finney | 170,000 | 100,000 | (25,312) | 244,688 |
| M Kelly | 936 | 100,000 | (56,321) | 44,615 |
| S J Toppenberg | - | 100,000 | (100,000) | - |
| S B Rogers | - | - | - | - |
| **Total** | **18,971,038** | **1,035,000** | **10,302,693** | **30,308,731** |

* J D McNerney resigned on 21 May 2009

**Number of shares held in Adelaide Brighton Limited at 31 December 2008**

| | *Balance at start of year* | *Received on exercise of EPSP* | *Other changes* | *Balance at end of year* |
|---|---|---|---|---|
| **Non-executive Directors** | | | | |
| M A Kinnaird | 74,286 | - | - | 74,286 |
| C L Harris | 70,001 | - | (5,000) | 65,001 |
| D Barro* | 125,236,706 | - | (125,236,706) | - |
| J D McNerney | 101,000 | - | - | 101,000 |
| L V Hosking | 2,000 | - | - | 2,000 |
| G F Pettigrew | 5,000 | - | - | 5,000 |
| R D Barro* | - | - | 18,001,696 | 18,001,696 |
| **Executive Director** | | | | |
| M P Chellew | 440,149 | 300,000 | (300,000) | 440,149 |
| **Senior executives** | | | | |
| A D Poulter | 100,000 | 85,000 | (83,387) | 101,613 |
| M R D Clayton | 26,337 | 85,000 | (106,980) | 4,357 |
| M Brydon | 5,000 | 85,000 | (85,000) | 5,000 |
| M A Finney | 170,000 | 85,000 | (85,000) | 170,000 |
| M Kelly | - | 85,000 | (84,064) | 936 |
| S J Toppenberg | - | 85,000 | (85,000) | - |
| S B Rogers | - | - | - | - |
| **Total** | **126,230,479** | **810,000** | **(108,069,441)** | **18,971,038** |

* D Barro resigned and R D Barro appointed on 19 August 2008. 2008: 2,606,398 shares acquired and 12,988 shares disposed

## 31 Key management personnel disclosures *(continued)*

### (d) Other transactions with key management personnel

R D Barro a Director of Adelaide Brighton Ltd, is Managing Director of Barro Group Pty Ltd. Barro Group Pty Ltd and Adelaide Brighton Ltd, through its 100% owned subsidiary, Adelaide Brighton Management Ltd, each control 50% of Independent Cement and Lime Pty Ltd, a distributor of cement and lime in Victoria and New South Wales.

During the year, the Barro Group of Companies purchased goods and materials from and sold goods, materials and services to Independent Cement and Lime Pty Ltd. The Barro Group of Companies also purchased goods and materials from Sunstate Cement Ltd, a Company in which the Group has a 50% share.

M P Chellew, an executive Director of Adelaide Brighton Ltd and M Brydon, a senior executive of Adelaide Brighton Ltd, are Directors of Sunstate Cement Ltd. M Kelly, a senior executive of Adelaide Brighton Ltd, and M Brydon are Directors of Independent Cement and Lime Pty Ltd. During the year, the Group traded significantly with both Independent Cement and Lime Pty Ltd and Sunstate Cement Ltd. M Kelly is a Director of companies within the Mawson Group.

All transactions involving the Barro Group Pty Ltd and Adelaide Brighton Ltd and its subsidiaries, Independent Cement and Lime Pty Ltd and its subsidiaries and Sunstate Cement Ltd were conducted on standard commercial terms.

From time to time Directors of the Company or its controlled entities, or their related parties, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees. These transactions are conducted on standard commercial terms.

| | *Consolidated* | | *The Company* | |
|---|---|---|---|---|
| *$* | ***2009*** | *2008* | ***2009*** | *2008* |
| Aggregate amounts of the above transactions with the Directors and their related parties: | | | | |
| Sales to Director related parties | **47,953,384** | 48,406,391 | **-** | - |
| Purchases from Director related parties | **5,973,628** | 6,586,550 | **-** | - |

## 32 Remuneration of auditors

| | | | | |
|---|---|---|---|---|
| During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms: | | | | |
| **(a) Audit services** | | | | |
| PricewaterhouseCoopers Australian firm | | | | |
| Audit and review of financial reports and other audit work under the *Corporations Act 2001* | **762,233** | 657,345 | **46,603** | 46,604 |
| Total remuneration for audit services | **762,233** | 657,345 | **46,603** | 46,604 |
| **(b) Non-audit services** | | | | |
| PricewaterhouseCoopers Australian firm | | | | |
| Other assurance services | **92,184** | 65,700 | **-** | - |
| Taxation services | **-** | 22,000 | **-** | - |
| Total remuneration for non-audit services | **92,184** | 87,700 | **-** | - |

## 33 Related parties

(a) **Key management personnel**

Disclosures relating to key management personnel are set out in note 31.

(b) **Controlled entities**

Details of interests in controlled entities are set out in note 34. The ultimate parent Company is Adelaide Brighton Ltd.

(c) **Joint venture entities**

Details of interests in joint venture entities are set out in note 11(a).

Nature of transactions with joint venture entities:

Adelaide Brighton Cement Ltd and Morgan Cement International Ltd supplied finished products and raw materials to Sunstate Cement Ltd and Independent Cement and Lime Pty Ltd.

Hy-Tec Industries (Victoria) Pty Ltd, Hy-Tec Industries (Queensland) Pty Ltd, Adbri Masonry Group Pty Ltd and Adelaide Brighton Cement Ltd purchased raw materials from Sunstate Cement Ltd and Independent Cement and Lime Pty Ltd.

Alternative Fuel Company Pty Ltd supplied waste fuel materials to Adelaide Brighton Cement Ltd.

All transactions are on normal commercial terms and conditions and transactions for the supply of raw materials and finished products are covered by shareholder agreements.

| | *Consolidated* | | *The Company* | |
|---|---|---|---|---|
| *($'000)* | ***2009*** | *2008* | ***2009*** | *2008* |
| (d) **Transactions with related parties** | | | | |
| The following transactions occurred with related parties: | | | | |
| *Sales of goods* | | | | |
| - Joint venture entities | **137,093** | 158,992 | **-** | - |
| *Purchases of materials and goods* | | | | |
| - Joint venture entities | **29,550** | 38,286 | **-** | - |
| *Interest revenue* | | | | |
| - Joint venture entities | **697** | 1,724 | **-** | - |
| - Other related parties | **205** | 306 | **205** | 306 |
| *Dividend income* | | | | |
| - Controlled entities | **-** | - | **55,000** | 131,000 |
| - Joint venture entities | **22,695** | 30,778 | **-** | - |
| *Superannuation contributions* | | | | |
| - Contributions to superannuation funds on behalf of employees | **2,714** | 2,151 | **-** | - |
| *Loans advanced to/(from):* | | | | |
| - Controlled entities | **-** | - | **(14,809)** | 169,525 |
| - Joint venture entities | **3,214** | (1,583) | **-** | - |
| - Other related parties | **(287)** | (221) | **(287)** | (221) |

## 33 Related parties *(continued)*

### (e) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | *Consolidated* | | *The Company* | |
|---|---|---|---|---|
| *($'000)* | ***2009*** | *2008* | ***2009*** | *2008* |
| *Current receivables* | | | | |
| - Controlled entities (trade) | **-** | - | **682,400** | 697,209 |
| - Controlled entities (tax amounts receivable under tax consolidation legislation) | **-** | - | **49,567** | 48,132 |
| - Joint venture entities (interest) | **288** | 733 | **-** | - |
| - Joint venture entities (trade) | **15,375** | 21,041 | **-** | - |
| *Non-current receivables* | | | | |
| - Controlled entities (loans) | **-** | - | **158,216** | 158,216 |
| - Joint venture entities (loans) | **28,234** | 25,020 | **-** | - |
| - Other related parties (loans) | **1,735** | 2,022 | **1,735** | 2,022 |
| *Current payables* | | | | |
| - Controlled entities (trade) | **-** | - | **353,300** | 271,521 |
| - Joint venture entities (trade) | **2,824** | 2,907 | **-** | - |

Outstanding balances are unsecured and repayable in cash. No provisions for doubtful debts have been raised in relation to any outstanding balances.

### (f) Loans to related parties

A loan to Adelaide Brighton Cement Ltd of $82,860,247 funds a capital reduction payment. The loan is subordinated and is only repayable after full repayment of external borrowings. There was no interest charged on the outstanding balance during the reporting year. All other loans to and from group entities are repayable at call.

The Company has provided Adbri Masonry Group Pty Ltd with a loan of $42,718,929. There was no interest charged on the outstanding balance during the reporting year.

A loan to Independent Cement and Lime Pty Ltd has interest charged at the ruling commercial rates on the outstanding balance. Interest revenue brought to account by the Group during the reporting year on this loan was $697,000 (2008: $1,433,000).

A loan to Alternative Fuel Company Pty Ltd has no interest charged due to an interest waiver deed waiving the requirement of interest being paid until 1 September 2010.

The Company has provided MCB Wingfield Pty Ltd (MCBW), with a loan of $2.75 million to fund the construction of the waste processing plant at the site owned by MCBW at Wingfield, South Australia. The site and the plant are leased to Alternative Fuel Company Pty Ltd and Resourceco. MCBW's obligations to the Company under the loan documents are secured by various securities including a deed of charge over all of the assets and undertaking of MCBW and a real property mortgage over the entire parcel of land. Interest revenue brought to account by the Group during the reporting year on this loan was $205,000 (2008: $306,000).

## 34 Investments in controlled entities

| Name of entity | Place of incorporation | Class of shares | Equity holding 2009 % | Equity holding 2008 % |
|---|---|---|---|---|
| **Adelaide Brighton Ltd** | | | | |
| Adelaide Brighton Cement Ltd[2] | South Australia | Ord | 100 | 100 |
| Adelaide Brighton Cement Inc | Washington USA | Ord | 80 | 80 |
| Adelaide Brighton Cement Investments Pty Ltd[2] | South Australia | Ord | 100 | 100 |
| Adelaide Brighton Management Ltd[2] | South Australia | Ord | 100 | 100 |
| Adelaide Brighton Cement International Pty Ltd[1] | South Australia | Ord | 100 | 100 |
| Adelaide Brighton Intellectual Property Pty Ltd[1] | South Australia | Ord | 100 | 100 |
| Cement Resources Consolidated Pty Ltd[1] | South Australia | Ord | 100 | 100 |
| Cockburn Cement Ltd[2] | Western Australia | Ord | 100 | 100 |
| Hy-Tec Industries (Queensland) Pty Ltd[2] | South Australia | Ord | 100 | 100 |
| Northern Cement Ltd[2] | Northern Territory | Ord | 100 | 100 |
| Premier Resources Ltd[2] | New South Wales | Ord | 100 | 100 |
| Adbri Masonry Group Pty Ltd[2,3] | Victoria | Ord | 100 | 100 |
| **Adelaide Brighton Cement Ltd** | | | | |
| Exmouth Limestone Pty Ltd[1] | Western Australia | Ord | 51 | 51 |
| **Adelaide Brighton Cement Inc** | | | | |
| Adelaide Brighton Cement (Florida) Inc | Florida USA | Ord | 100 | 100 |
| Adelaide Brighton Cement (Hawaii) Inc | Hawaii USA | Ord | 100 | 100 |
| Hileah (Florida) Management Inc | Florida USA | Ord | 100 | 100 |
| **Adelaide Brighton Management Ltd** | | | | |
| Accendo Pty Ltd[1] | South Australia | Ord | 100 | 100 |
| Global Cement Australia Pty Ltd[1] | New South Wales | Ord | 100 | 100 |
| Hurd Haulage Pty Ltd[1] | Victoria | Ord | 100 | 100 |
| K.C. Mawson Pty Ltd[1] | New South Wales | Ord | 100 | 100 |
| **Adelaide Brighton Cement International Pty Ltd** | | | | |
| Adelaide Brighton Cement Inc | Washington USA | Ord | 20 | 20 |
| Fuel & Combustion Technology International Ltd | United Kingdom | Ord | 100 | 100 |
| **Fuel & Combustion Technology International Ltd** | | | | |
| Fuel & Combustion Technology International Inc | USA | Ord | 100 | 100 |
| **Northern Cement Ltd** | | | | |
| Mataranka Lime Pty Ltd[1] | South Australia | Ord | 100 | 100 |
| **Cockburn Cement Ltd** | | | | |
| Cockburn Waters Pty Ltd[1] | Western Australia | Ord | 100 | 100 |
| Hydrated Lime Pty Ltd[1] | Western Australia | Ord | 100 | 100 |
| Chemical Unit Trust[1] | Western Australia | Units | 100 | 100 |
| Kalgoorlie Lime & Chemical Company Pty Ltd[1] | Western Australia | Ord | 100 | 100 |
| **Premier Resources Ltd** | | | | |
| Hy-Tec Industries Pty Ltd[2] | New South Wales | Ord | 100 | 100 |
| Hy-Tec Industries (Victoria) Pty Ltd[2] | New South Wales | Ord | 100 | 100 |
| Bonfoal Pty Ltd[1] | New South Wales | Ord | 100 | 100 |
| Aus-10 Rhyolite Pty Ltd[1] | New South Wales | Ord | 100 | 100 |
| Morgan Cement International Pty Ltd[2] | New South Wales | Ord | 100 | 100 |
| **Hy-Tec Industries (Victoria) Pty Ltd** | | | | |
| CRC2 Pty Ltd[1] | Victoria | Ord | 100 | 100 |
| CRC3 Pty Ltd[1] | Victoria | Ord | 100 | 100 |
| Hy-Tec Industries (Victoria) No 1 Pty Ltd[1] | New South Wales | Ord | 100 | 100 |
| Hy-Tec Industries (Victoria) No 2 Pty Ltd[1] | New South Wales | Ord | 100 | 100 |
| Sheltacrete Pty Ltd[1] | New South Wales | Ord | 100 | 100 |
| **Adbri Masonry Group Pty Ltd[3]** | | | | |
| Adbri Masonry Pty Ltd[2] | Queensland | Ord | 100 | 100 |
| Adbri Mining Products Pty Ltd[2] | Queensland | Ord | 100 | 100 |
| C&M Masonry Products Pty Ltd[2] | South Australia | Ord | 100 | 100 |
| Betta Brick Pty Ltd[1] | Victoria | Ord | 100 | 100 |
| C&M Brick (Bendigo) Pty Ltd[1] | Victoria | Ord | 100 | 100 |
| C&M Design/Construct Pty Ltd[1] | Victoria | Ord | 100 | 100 |

1 Small proprietary Company as defined by the Corporations Act and is not required to be audited for statutory purposes.

2 These controlled entities have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities & Investments Commission. For further information see note 35.

3 C&M Brick Pty Ltd changed company name to Adbri Masonry Group Pty Ltd on 21 January 2009.

## 35 Deed of cross guarantee

As at the date of this report, Adelaide Brighton Ltd, Adelaide Brighton Cement Ltd, Cockburn Cement Ltd, Adelaide Brighton Cement Investments Pty Ltd, Adelaide Brighton Management Ltd, Northern Cement Ltd, Premier Resources Ltd, Hy-Tec Industries Pty Ltd, Hy-Tec Industries (Victoria) Pty Ltd, Hy-Tec Industries (Queensland) Pty Ltd, Morgan Cement International Pty Ltd, Adbri Masonry Group Pty Ltd, C&M Masonry Products Pty Ltd and Adbri Masonry Pty Ltd are parties to a Deed of Cross Guarantee (the Deed) under which each Company guarantees the debts of the others. By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities & Investments Commission. The above companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the Deed that are controlled by the Company, they also represent the "Extended Closed Group".

Set out below is a consolidated balance sheet as at 31 December 2009 of the Closed Group.

| *($ Million)* | ***2009*** | *2008* |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | **21.0** | 18.8 |
| Trade and other receivables | **245.3** | 235.2 |
| Inventories | **99.8** | 109.7 |
| | **366.1** | 363.7 |
| Non-current assets classified as held for sale | **12.7** | - |
| Total current assets | **378.8** | 363.7 |
| **Non-current assets** | | |
| Receivables | **30.5** | 28.6 |
| Investments accounted for using the equity method | **68.5** | 63.6 |
| Other financial assets | **10.2** | 10.2 |
| Property, plant and equipment | **683.2** | 710.3 |
| Intangible assets | **169.0** | 169.4 |
| Total non-current assets | **961.4** | 982.1 |
| **Total assets** | **1,340.2** | 1,345.8 |
| **Current liabilities** | | |
| Trade and other payables | **164.9** | 156.6 |
| Borrowings | **0.4** | 0.4 |
| Current tax liabilities | **16.1** | 5.3 |
| Provisions | **24.2** | 23.5 |
| Other liabilities | **14.3** | 15.3 |
| Total current liabilities | **219.9** | 201.1 |
| **Non-current liabilities** | | |
| Borrowings | **200.5** | 410.5 |
| Deferred tax liabilities | **48.2** | 46.1 |
| Provisions | **29.9** | 32.6 |
| Retirement benefit obligations | **5.8** | 12.6 |
| Other non-current liabilities | **0.1** | 0.1 |
| Total non-current liabilities | **284.5** | 501.9 |
| **Total liabilities** | **504.4** | 703.0 |
| **Net assets** | **835.8** | 642.8 |
| **Equity** | | |
| Contributed equity | **690.4** | 540.4 |
| Reserves | **2.9** | 3.4 |
| Retained earnings | **142.5** | 99.0 |
| **Total equity** | **835.8** | 642.8 |

| *($ Million)* | ***2009*** | *2008* |
|---|---|---|
| **35 Deed of cross guarantee** *(continued)* | | |
| Set out below is a condensed consolidated income statement and a summary of movements in consolidated retained profits for the year ended 31 December 2009 of the Closed Group. | | |
| **Profit before income tax** | **165.6** | 154.0 |
| Income tax expense | **(44.6)** | (34.0) |
| **Profit for the year** | **121.0** | 120.0 |
| **Retained earnings 1 January** | **99.0** | 78.8 |
| Profit for the year | **121.0** | 120.0 |
| Transactions recognised directly in retained earnings | **4.0** | (11.5) |
| Dividends paid | **(81.5)** | (103.2) |
| Transfer from reserves | **-** | 14.9 |
| **Retained earnings 31 December** | **142.5** | 99.0 |

| | *Consolidated* | | *The Company* | |
|---|---|---|---|---|
| *($ Million)* | ***2009*** | *2008* | ***2009*** | *2008* |
| **36 Notes to the statements of cash flows** | | | | |
| **Reconciliation of profit after income tax to net cash inflow from operating activities** | | | | |
| Profit after tax for the year | **123.1** | 120.8 | **43.6** | 105.7 |
| Doubtful debts | **(2.6)** | 2.5 | **-** | - |
| Depreciation and amortisation | **56.8** | 56.8 | **-** | - |
| Share based payments expense | **0.8** | 1.9 | **-** | - |
| Net finance charges | **2.6** | 4.6 | **-** | - |
| (Gain) loss on sale of non-current assets | **(1.0)** | (0.8) | **-** | - |
| Share of profits of joint ventures | **(4.8)** | - | **-** | - |
| Other | **(2.2)** | (1.9) | **-** | 1.0 |
| Net cash provided by operating activities before changes in assets and liabilities | **172.7** | 183.9 | **43.6** | 106.7 |
| Changes in operating assets and liabilities, net of effects from purchase of controlled entity: | | | | |
| Decrease (increase) in inventories | **5.4** | (18.1) | **-** | - |
| Decrease (increase) in prepayments | **0.5** | 0.5 | **-** | - |
| (Increase) in receivables | **(9.0)** | (11.5) | **(46.3)** | (48.1) |
| Increase (decrease) in trade creditors | **7.2** | 8.1 | **(0.1)** | (0.2) |
| (Decrease) increase in provisions | **(2.0)** | (6.5) | **-** | - |
| Increase (decrease) in taxes payable | **11.0** | (3.5) | **11.0** | (3.5) |
| Increase (decrease) in deferred taxes payable | **2.3** | (2.8) | **0.3** | 1.7 |
| Net cash inflow from operating activities | **188.1** | 150.1 | **8.5** | 56.6 |

## 37 Business combinations

### (a) Summary of acquisitions

The following acquisition was made during the year:

- On 18 December 2009, AUS-10 Rhyolite Pty Ltd purchased the assets of Tinda Park sand mine in Colo Heights, New South Wales.

If the acquisition had occurred on 1 January 2009, consolidated revenue and consolidated profit for the year ended 31 December 2009 would have been $1.2 million and $0.2 million respectively.

The finalisation of prior year acquisitions resulted in a decrease to goodwill of $0.4 million and profit on acquisition of $0.6 million, being Adbri Masonry Pty Ltd.

The following acquisitions were made during the year:

| *($ Million)* | *Consolidated* |
|---|---|
| Purchase consideration | |
| Cash paid | 2.6 |
| Direct costs | 0.3 |
| Total purchase consideration | 2.9 |

## 38 Earnings per share

| *(Cents)* | *Consolidated* **2009** | *2008* |
|---|---|---|
| Basic earnings per share | **20.4** | 22.2 |
| Diluted earnings per share | **20.3** | 22.0 |

| *(Number)* | *Consolidated* **2009** | *2008* |
|---|---|---|
| **Weighted average number of shares used as the denominator** | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **603,750,770** | 545,281,649 |
| Adjustments for calculation of diluted earnings per share: | | |
| Awards | **2,460,000** | 3,590,000 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | **606,210,770** | 548,871,649 |

| *($ Million)* | *Consolidated* **2009** | *2008* |
|---|---|---|
| **Reconciliations of earnings used in calculating earnings per share** | | |
| *Basic and diluted earnings per share* | | |
| Profit after tax | **123.2** | 120.8 |
| Profit attributable to minority interest | **(0.1)** | - |
| Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share | **123.1** | 120.8 |

## 39 Events occurring after the balance sheet date

As at the date of this report, no other matter or circumstance has arisen since 31 December 2009 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## 40 Segment reporting

(a) **Description of segments**

Management has determined the operating segments based on the reports reviewed by the Managing Director. These reports are evaluated regularly in deciding how to allocate resources and in assessing performance.

The two reportable segments have been identified as follows;

- Cement, Lime and Concrete
- Concrete Products

The operating segments, Cement, Lime and Concrete, all individually meet the quantitative thresholds required by AASB 8 as well as meeting the aggregation criteria allowing them to be reported as one segment. Concrete Products meets the quantitative threshold therefore is reported as a separate segment. The Joint Ventures form part of the above two reportable segments as they meet the aggregation criteria.

The major end-use markets of Adelaide Brighton's products include residential and non-residential construction, engineering construction, alumina and steel production and mining.

(b) **Segment information provided to the Managing Director**

The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2009 is as follows:

**2009**

| *($ Million)* | *Cement, Lime and Concrete* | *Concrete Products* | *All other segments* | *Total* |
|---|---|---|---|---|
| Total segment operating revenue | **1,007.2** | **132.8** | **54.2** | **1,194.2** |
| Inter-segment revenue | **(31.2)** | **-** | **-** | **(31.2)** |
| Revenue from external customers | **976.0** | **132.8** | **54.2** | **1,163.0** |
| Depreciation and amortisation | **44.6** | **8.1** | **4.1** | **56.8** |
| EBIT | **185.1** | **4.4** | **(4.2)** | **185.3** |

*2008*

| *($ Million)* | *Cement, Lime and Concrete* | *Concrete Products* | *All other segments* | *Total* |
|---|---|---|---|---|
| Total segment operating revenue | 1,060.3 | 122.2 | 48.5 | 1,231.0 |
| Inter-segment revenue | (30.6) | - | - | (30.6) |
| Revenue from external customers | 1,029.7 | 122.2 | 48.5 | 1,200.4 |
| Depreciation and amortisation | 46.4 | 6.4 | 4.0 | 56.8 |
| EBIT | 191.8 | 8.5 | (11.2) | 189.1 |

| **Total segment assets** | | | | |
|---|---|---|---|---|
| 31 December 2009 | 709.8 | 239.1 | 927.9 | 1,876.8 |
| 31 December 2008 | 590.1 | 209.7 | 1,052.3 | 1,852.1 |

| ($ Million) | Consolidated 2009 | 2008 |
|---|---|---|
| **40 Segment reporting** *(continued)* | | |
| The operating revenue assessed by the Managing Director excludes freight revenue, interest revenue and royalties. A reconciliation of segment operating revenue to revenue from continuing operations is provided as follows: | | |
| Revenue from external customers | **1,194.2** | 1,231.0 |
| Inter-segment revenue elimination | **(31.2)** | (30.6) |
| Freight revenue | **86.5** | 85.0 |
| Interest revenue | **1.6** | 3.1 |
| Royalties | **0.6** | 1.0 |
| Consolidation adjustments | **(264.5)** | (267.1) |
| Revenue from continuing operations | **987.2** | 1,022.4 |

The Managing Director assesses the performance of the operating segments based on a measure of EBIT. This measurement basis excludes the effect of net interest. A reconciliation of the EBIT to operating profit before income tax is provided as follows:

| ($ Million) | Consolidated 2009 | 2008 |
|---|---|---|
| EBIT | **185.3** | 189.1 |
| Net interest | **(16.7)** | (33.8) |
| Profit before income tax from continuing operations | **168.6** | 155.3 |
| A reconciliation of the total assets to consolidated total assets is provided as follows: | | |
| Total segment assets | **1,876.8** | 1,852.1 |
| Consolidation adjustments | **(521.8)** | (494.0) |
| Total consolidated assets | **1,355.0** | 1,358.1 |

**In the Directors' opinion**

(a) the financial statements and notes set out on pages 48 to 92 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's and Group's financial position as at 31 December 2009 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 35 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in note 35.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

M Chellew
Managing Director
Dated on 5 March 2010



PRICEWATERHOUSECOOPERS

**Auditor's Independence Declaration**

As lead auditor for the audit of Adelaide Brighton Limited for the year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Adelaide Brighton Ltd and the entities it controlled during the year.

A G Forman
Partner
PricewaterhouseCoopers

Adelaide
5 March 2010

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PRICEWATERHOUSECOOPERS

### Report on the financial report

We have audited the accompanying financial report of Adelaide Brighton Limited (the company), which comprises the balance sheet as at 31 December 2009, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Adelaide Brighton Ltd and the Adelaide Brighton Ltd group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

### Auditor's opinion

In our opinion:

(a) the financial report of Adelaide Brighton Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

### Report on the Remuneration Report

We have audited the remuneration report included in pages 39 to 47 of the directors' report for the year ended 31 December 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's opinion

In our opinion, the remuneration report of Adelaide Brighton Limited for the year ended 31 December 2009, complies with section 300A of the *Corporations Act 2001.*

PricewaterhouseCoopers

A G Forman
Partner

Adelaide
5 March 2010

| *Year ended* *($ Million unless stated)* | *Dec 2009* | *Dec 2008* | *Dec 2007* | *Dec 2006* | *Dec 2005* | *Dec[11] 2004* | *Dec 2003* | *Dec 2002* | *Dec 2001* | *Dec[8] 2000* | *Dec[8] 1999* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Statements of financial performance** | | | | | | | | | | | |
| Sales revenue | 987.2 | 1,022.4 | 888.4 | 794.7 | 717.3 | 683.4 | 630.6 | 486.8 | 387.8 | 401.9 | 378.7 |
| Depreciation[9] | (56.8) | (56.8) | (52.4) | (51.8) | (47.0) | (51.4) | (52.3) | (45.1) | (41.0) | (43.2) | (28.5) |
| Earnings before interest and tax | 185.3 | 189.1 | 171.3 | 148.8 | 134.1 | 119.6 | 97.0 | 80.0 | 46.9 | 48.6 | 48.3 |
| Net interest earned (paid) | (16.7) | (33.8) | (21.7) | (15.2) | (14.0) | (14.7) | (12.6) | (13.1) | (16.3) | (19.5) | (18.3) |
| **Profit before tax, abnormal and extraordinary items** | 168.6 | 155.3 | 149.6 | 133.6 | 120.1 | 104.9 | 84.4 | 66.9 | 30.6 | 29.1 | 30.0 |
| Tax expense[1] | (45.4) | (34.5) | (35.7) | (31.0) | (29.2) | (11.8) | (25.8) | (16.2) | - | - | 3.0 |
| Profit from discontinued operations | - | - | - | - | - | 1.3 | - | - | - | - | - |
| Minority interest[1] | (0.1) | - | - | (0.5) | - | (1.1) | (0.9) | - | - | - | 3.2 |
| **Net profit after tax and outside equity interest before abnormal and extraordinary items[1]** | 123.1 | 120.8 | 113.9 | 102.1 | 90.9 | 93.3 | 57.7 | 50.7 | 30.6 | 29.1 | 23.8 |
| Abnormal and extraordinary items after tax and outside equity interest | - | - | - | - | - | - | - | - | - | - | (49.1) |
| **Net profit (loss) after tax, abnormal and extraordinary items** | 123.1 | 120.8 | 113.9 | 102.1 | 90.9 | 93.3 | 57.7 | 50.7 | 30.6 | 29.1 | (25.3) |
| **Group balance sheet** | | | | | | | | | | | |
| Current assets | 308.8 | 290.8 | 233.1 | 224.7 | 211.0 | 196.2 | 173.3 | 143.3 | 119.0 | 136.4 | 167.9 |
| Property, plant and equipment | 774.3 | 801.9 | 742.5 | 694.2 | 665.6 | 613.5 | 620.1 | 561.3 | 510.7 | 509.1 | 514.7 |
| Receivables | 30.4 | 28.4 | 29.5 | 27.5 | 23.3 | 19.1 | 12.2 | 12.5 | 11.7 | 10.9 | - |
| Investments | 72.5 | 67.6 | 66.9 | 40.8 | 38.1 | 35.6 | 33.6 | 30.8 | 27.6 | 26.9 | 34.0 |
| Intangibles | 169.0 | 169.4 | 164.4 | 164.6 | 165.0 | 165.5 | 166.4 | 146.6 | 147.2 | 152.7 | 159.9 |
| Other non-current assets | - | - | 2.7 | 22.9 | 19.0 | 19.7 | 17.1 | 28.5 | 37.0 | 29.6 | 26.0 |
| **Total assets** | 1,355.0 | 1,358.1 | 1,239.1 | 1,174.7 | 1,122.0 | 1,049.6 | 1,022.7 | 923.0 | 853.2 | 865.6 | 902.5 |
| Current borrowings and creditors | 106.5 | 98.4 | 145.5 | 125.8 | 323.5 | 294.6 | 306.3 | 58.3 | 49.9 | 99.4 | 54.6 |
| Current provisions | 55.4 | 44.5 | 49.5 | 54.1 | 58.2 | 48.1 | 42.3 | 54.8 | 43.8 | 52.2 | 37.7 |
| Non-current borrowings | 200.5 | 410.5 | 281.9 | 210.7 | 1.0 | 1.1 | 1.5 | 200.8 | 228.5 | 204.9 | 300.1[3] |
| Deferred income tax and other non-current provisions | 95.6 | 102.8 | 94.3 | 109.1 | 105.3 | 116.8 | 97.0 | 83.3 | 77.0 | 66.9 | 83.0 |
| **Total liabilities** | 458.0 | 656.2 | 571.2 | 499.7 | 488.0 | 460.6 | 447.1 | 397.2 | 399.2 | 423.4 | 475.4 |
| **Net assets** | 897.0 | 701.9 | 667.9 | 675.0 | 634.0 | 589.0 | 575.6 | 525.8 | 454.0 | 442.2 | 427.1 |
| Share Capital | 690.4 | 540.4 | 514.0 | 513.3 | 513.3 | 512.8 | 512.8 | 512.1 | 462.4 | 462.2 | 462.2 |
| Reserves | 2.9 | 3.5 | 14.5 | 13.3 | 14.0 | 12.8 | 30.4 | 30.6 | 30.9 | 30.8 | 31.2 |
| Retained Profits | 200.6 | 155.0 | 136.4 | 139.8 | 98.4 | 54.1 | 22.4 | (19.9) | (42.2) | (53.8) | (69.3) |
| Shareholders' equity attributable to members of the company | 893.9 | 698.9 | 664.9 | 666.4 | 625.7 | 579.7 | 565.6 | 522.8 | 451.0 | 439.2 | 424.1 |
| Outside equity interest | 3.1 | 3.0 | 3.0 | 8.6 | 8.3 | 9.3 | 10.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| **Total Shareholders funds** | 897.0 | 701.9 | 667.9 | 675.0 | 634.0 | 589.0 | 575.6 | 525.8 | 454.0 | 442.2 | 427.1 |
| **Share information** | | | | | | | | | | | |
| Asset Backing (A$/share) | 1.21 | 0.97 | 0.93 | 0.94 | 0.87 | 0.78 | 0.76 | 0.70 | 0.65 | 0.61 | 0.56 |
| Return on shareholders' funds (%) | 13.8% | 17.2% | 17.1% | 15.3% | 14.5% | 16.1% | 10.2% | 9.7% | 6.8% | 6.6% | 5.6% |
| Basic earnings per share (¢/share) | 20.4 | 22.2 | 21.0 | 18.8 | 16.8 | 17.2 | 10.7 | 9.9 | 6.5 | 6.1 | (5.3) |
| Alternative earnings (¢/share) | 20.3 | 22.0 | 20.8 | 16.4 | 16.2 | 14.6 | 10.7 | 9.9 | 6.5 | 6.1 | 5.0 |
| Total dividend (¢/share) | 13.5 | 15.0 | 18.5 | 18.5 | 10.5 | 7.5 | 6.0 | 5.25 | 4.0 | 3.0 | - |
| Interim dividend (¢/share) | 5.5[2] | 6.5[2] | 6.0[2] | 5.0[2] | 4.25[2] | 3.5[2] | 2.75[4] | 2.5[6] | 2.0[7] | 1.5[2] | - |
| Final dividend (¢/share) | 8.0[2] | 8.5[2] | 9.0[2] | 7.5[2] | 6.25[2] | 4.0[2] | 3.25[2,10] | 2.75[5] | 2.0[6] | 1.5[2] | - |
| Special dividend (¢/share) | - | - | 3.5[2] | 6.0[2] | - | - | - | - | - | - | - |
| Gearing | 19.6% | 55.3% | 48.4% | 33.6% | 35.8% | 31.4% | 37.7% | 34.6% | 45.6% | 51.8% | 62.4% |

1 Excluding extraordinary items
2 Fully franked
3 Includes convertible notes
4 60% Franked
5 35% Franked
6 20% Franked
7 13% Franked
8 Proforma 12 month period
9 Includes amortisation of complex asset components from 1/7/98
10 Dividend declared after year end as a result of Boral Ltd Takeover Offer of Adelaide Brighton Ltd
11 Restated for AIFRS

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Jorgensen Design

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