



**ADELAIDE BRIGHTON LTD  
AND ITS CONTROLLED ENTITIES  
ABN 15 007 596 018**

**FINANCIAL REPORT  
FOR THE 12 MONTH PERIOD  
1 JANUARY 2009 TO 31 DECEMBER 2009**

## Adelaide Brighton Ltd and controlled entities

### Directors' report

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  
R D Barro  
J D McNerney (resigned 21 May 2009)  
L V Hosking  
G F Pettigrew  
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, ready mixed 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:

	2009 \$ million	2008 \$ million
<b>Sales revenue</b>	<b>987.2</b>	1,022.4
Depreciation	(56.8)	(56.8)
<b>Earnings before interest and tax ("EBIT")</b>	<b>185.3</b>	189.1
Net interest	(16.7)	(33.8)
<b>Profit before tax</b>	<b>168.6</b>	155.3
Income tax expense	(45.4)	(34.5)
<b>Net profit after tax</b>	<b>123.2</b>	120.8
Attributable to:		
Members of Adelaide Brighton Ltd	123.1	120.8
Minority interest	0.1	-
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.

## Directors' report (continued)

### Review of operations (continued)

#### *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.

## Directors' report (continued)

### Review of operations (continued)

#### *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.

## **Directors' report (continued)**

### **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.

**Directors' report (continued)**

**Information on Directors**

<b>Director</b>	<b>Experience</b>	<b>Special responsibilities</b>
<p>M A Kinnaird AC, DUniv, BE, Hon FIEAust, FTS</p> <p>Age 76</p>	<p>Independent non-executive Director since September 1996. (Deputy Chairman from September 1996 to January 1997).</p> <p>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.</p> <p>Chairman, Asia Pacific Transport Pty Ltd and Freight Link Pty Ltd. Director South Australia Mariculture Pty Ltd and United Water International Pty Ltd.</p> <p>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.</p> <p>Officer in the General Division of the Order of Australia for services to engineering and the community.</p>	<p>Appointed Chairman January 1997 Chairman, Independent Directors' Committee Member, Audit, Risk and Compliance Committee Member, Nomination and Remuneration Committee Member, Corporate Governance Committee Member, SH&amp;E Committee</p>
<p>C L Harris BEc, FCPA, FAICD</p> <p>Age 63</p>	<p>Independent non-executive Director since March 1995.</p> <p>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 &amp; Co Ltd, Chairman of Evogenix Ltd and Deputy Chairman of Adelaide Bank Ltd.</p> <p>Chairman, Argo Investments Ltd. Director, JM Financial Group Ltd and JMFG Nominees Limited.</p>	<p>Chairman, Nomination and Remuneration Committee Chairman, Superannuation Policy Committee Member, Audit, Risk and Compliance Committee Member, Corporate Governance Committee Member, Independent Directors' Committee</p>
<p>L V Hosking</p> <p>Age 65</p>	<p>Independent non-executive Director since June 2003.</p> <p>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).</p> <p>Director, Innovation Australia, AGL Energy Limited and Australian Energy Market Operator Limited.</p>	<p>Chairman, Audit, Risk and Compliance Committee Chairman, Corporate Governance Committee Member, Nomination and Remuneration Committee Member, Independent Directors' Committee</p>

**Adelaide Brighton Ltd and controlled entities**

**Directors' report (continued)**

**Information on Directors (continued)**

<b>Director</b>	<b>Experience</b>	<b>Special responsibilities</b>
G F Pettigrew FPNA, FAIM, FAICD  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 Member, Independent Directors' Committee Member, Nomination and Remuneration Committee
M P Chellew BSc, ME, Grad Diploma Mgt  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 Member, SH&E Committee
R D Barro BBus, CPA, ACIS 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

## Adelaide Brighton Ltd and controlled entities

### Directors' report (continued)

#### 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 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 27 to 35 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
M P Chellew	448,366
R D Barro	29,258,979

Full details of the interests in share capital of Directors of the Company are disclosed in Note 31 to the Financial Statements on page 77 of this report. Full details of the interests in Awards of Directors of the Company are set out in the Remuneration Report on pages 11 to 26 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 11 to 26 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.

## **Directors' report (continued)**

### **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.

## Directors' report (continued)

### 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 78 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 88.

### 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

## **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*

## Remuneration Report

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		Senior executives	Discussion in Remuneration Report
		Non-executive	Executive		
<b>Fixed remuneration</b>	Fees	✓	x	x	Pages 25, 26
	Salary	x	✓	✓	Page 16
<b>At-risk remuneration</b>	Short term incentive	x	✓	✓	Pages 16 - 18
	Long term incentive	x	✓	✓	Pages 19 – 22
<b>Post-employment</b>	Superannuation	✓	✓	✓	Pages 24, 26
	Notice periods & termination payments	x	✓	✓	Page 23

#### 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:

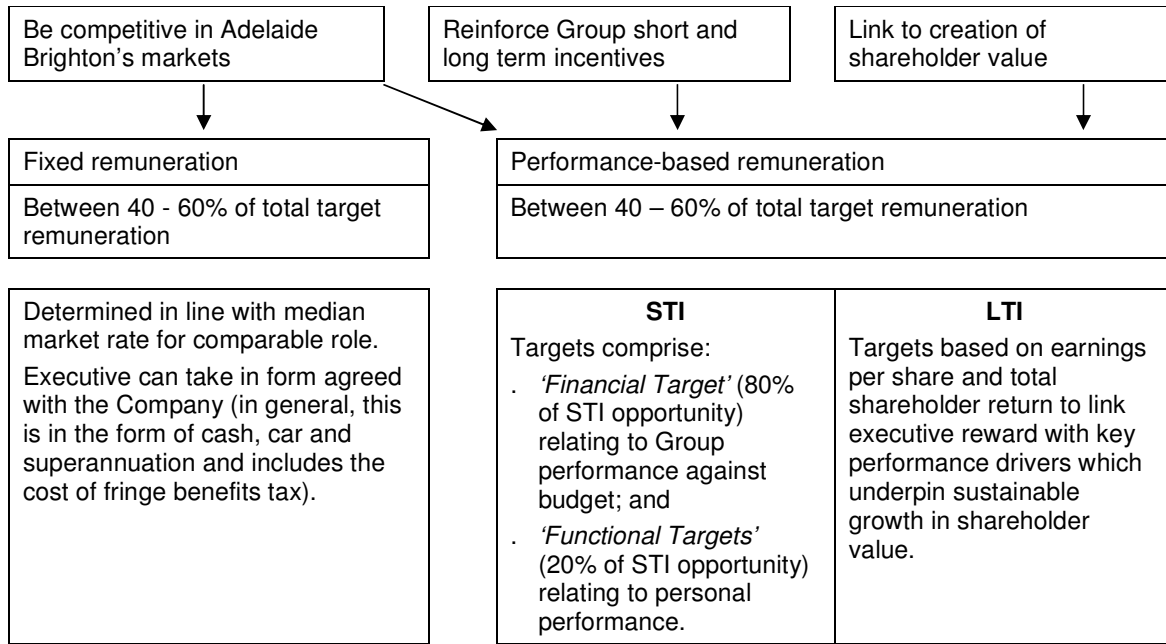
- Offering remuneration levels which are competitive relative to those offered by comparable employers; and
- Providing strong, transparent linkages between individual and Group performance and rewards.

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.

**Remuneration Report (continued)**

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.



## Remuneration Report (continued)

### 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\$) <sup>1</sup>	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) <sup>2</sup>	20.4	22.2	21.0	18.4	16.2
TSR (%)	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%

<sup>1</sup> The amount disclosed is the closing price of the Company's shares on the ASX on 31 December of the relevant year.

<sup>2</sup> 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.

Remuneration Report (continued)

Table 3 – Earnings improvement from year 2005 to year 2009

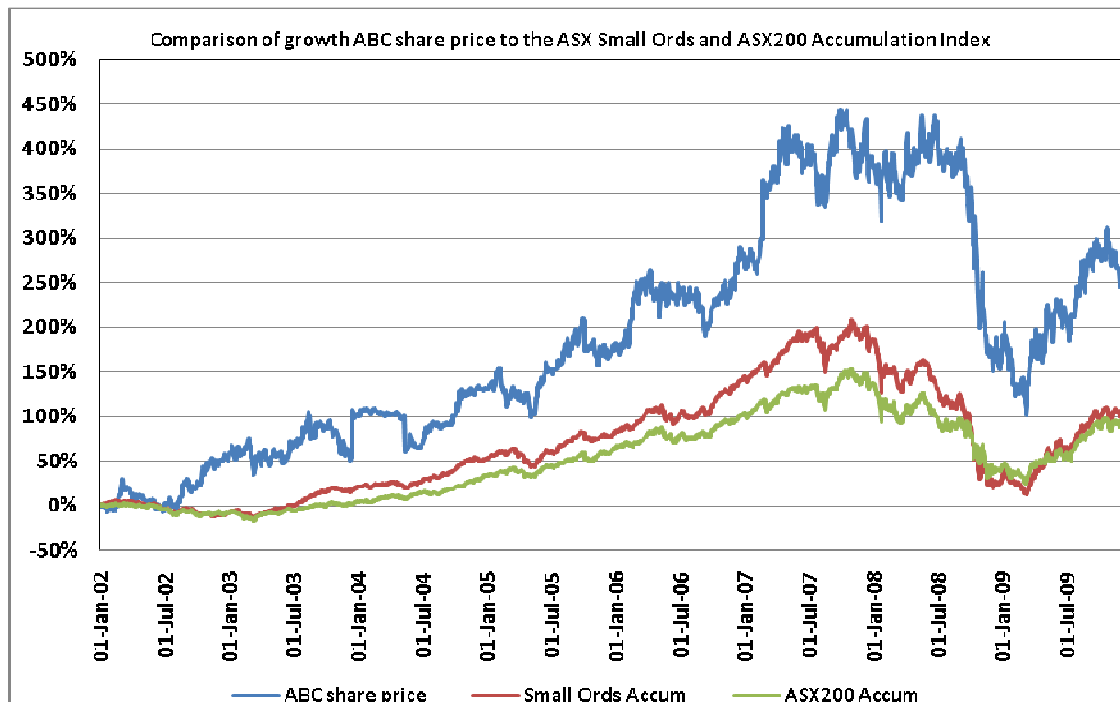
	Year ending 31 Dec 09 \$ million	Year ending 31 Dec 08 \$ million	Year ending 31 Dec 07 \$ million	Year ending 31 Dec 06 \$ million	Year ending 31 Dec 05 \$ million
Sales revenue	987.2	1,022.4	888.4	794.7	719.4
EBIT	185.3	189.1	171.3	148.8	134.1
EBIT margin %	18.8%	18.5%	19.3%	18.7%	18.6%
Profit before tax	168.6	155.3	149.6	133.6	120.1
Net profit after tax (PAT)	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.



## Remuneration Report (continued)

### 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*.

<b>Executives</b>	<b>Position</b>
<b>Managing Director</b>	
M P Chellew	Managing Director and CEO
<b>Senior executives</b>	
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 below (PBT) 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.

**Remuneration Report (continued)**

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.

## Remuneration Report (continued)

<p>Why were these performance conditions chosen?</p>	<p>The key financial measure used is Profit Before Tax, which the Board believes is an appropriate annual performance target, aligned to Group budget.</p> <p>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.</p>
<p>How is performance against the performance conditions assessed?</p>	<p>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.</p> <p>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.</p>
<p>When is performance against criteria determined and the cash award paid?</p>	<p>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.</p>
<p>What happens to the STI award on cessation of employment?</p>	<p>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.</p>

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

Managing Director & senior executives	Year	STI opportunity as % of fixed remuneration <sup>1</sup>	Actual STI as a % of STI opportunity <sup>1</sup>	% of STI opportunity <sup>1</sup> payment not achieved <sup>2</sup>	Actual STI payment <sup>3</sup>
		%	%	%	\$
M P Chellew	2008	60	98.0	2.0	764,400
	<b>2009</b>	<b>100</b>	<b>99.6</b>	<b>0.4</b>	<b>1,346,952</b>
A D Poulter	2008	50	97.4	2.6	236,195
	<b>2009</b>	<b>80</b>	<b>96.1</b>	<b>3.9</b>	<b>389,647</b>
M R D Clayton	2008	50	96.7	3.3	178,821
	<b>2009</b>	<b>80</b>	<b>97.4</b>	<b>2.6</b>	<b>299,836</b>
M Brydon	2008	50	98.6	1.4	295,800
	<b>2009</b>	<b>80</b>	<b>99.4</b>	<b>0.6</b>	<b>503,362</b>
M A Finney	2008	50	90.0	10.0	193,500
	<b>2009</b>	<b>80</b>	<b>93.6</b>	<b>6.4</b>	<b>328,424</b>
M Kelly	2008	50	97.4	2.6	192,365
	<b>2009</b>	<b>80</b>	<b>95.4</b>	<b>4.6</b>	<b>313,523</b>
S J Toppenberg	2008	50	96.0	4.0	158,400
	<b>2009</b>	<b>80</b>	<b>98.4</b>	<b>1.6</b>	<b>270,167</b>
S B Rogers	2008	50	93.8	6.2	164,150
	<b>2009</b>	<b>80</b>	<b>93.4</b>	<b>6.6</b>	<b>271,981</b>

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

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

<sup>3</sup> 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.

## Remuneration Report (continued)

### 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 14 to 15 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.

**Remuneration Report (continued)**

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 growth in EPS					
	below 7%	7%	7% to 9%	9%	9% to 11%	11%
<b>Percentage of Awards subject to EPS hurdle which become exercisable</b>	Nil	40%	Pro-rata	70%	Pro-rata	100%

## Remuneration Report (continued)

Why were the performance conditions chosen?	<p>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.</p> <p>In particular, the use of a TSR based hurdle:</p> <ul style="list-style-type: none"><li>• Ensures alignment between comparative shareholder return and reward for the executive; and</li><li>• Provides a relative, external market performance measure, having regard to those companies with which the Group competes for capital, customers and talent;</li></ul> <p>while an EPS based hurdle:</p> <ul style="list-style-type: none"><li>• Is a fundamental indicator of financial performance, both internally and externally; and</li><li>• Links directly to the Group's long-term objectives of maintaining and improving earnings.</li></ul> <p>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).</p>
Is re-testing permitted?	<p>No. No re-testing of either of the performance conditions applicable to a Tranche of Awards is permitted.</p>
What happens to the Awards on cessation of employment?	<p>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.</p>
What other conditions apply to the Awards?	<p>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.</p> <p>The Awards will lapse if the Board considers that the executive has acted fraudulently, dishonestly or in breach of their obligations to the Company.</p> <p>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).</p> <p>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.</p>

### 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:

## Remuneration Report (continued)

### 3.3.3 Long Term Incentive policy – 2010 Awards (continued)

- 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 50<sup>th</sup> and 75<sup>th</sup> 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<sup>1</sup>**

Managing Director/ senior executives	Balance at 31 Dec 2008	Exercised / vested <sup>2</sup>	Balance at 31 Dec 2009	Exercise date	Value per share at the date of exercise <sup>3</sup>
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	-	-
<b>Total</b>	<b>3,305,000</b>	<b>1,035,000</b>	<b>2,270,000</b>		

<sup>1</sup> None were granted during the year and none lapsed or were forfeited during the year.

<sup>2</sup> 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.

<sup>3</sup> 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.

## Remuneration Report (continued)

### 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.

## Remuneration Report (continued)

## 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 <sup>1</sup>	Total	
		Fixed salary	STI	Superannuation contributions	Long term incentive		
		\$	\$	\$	\$	\$	% <sup>2</sup>
M P Chellew	2008 2009	1,286,563 1,337,897	764,400 1,346,592	13,437 14,103	656,467 265,455	2,720,867 2,964,047	24 9
A D Poulter	2008 2009	471,563 492,722	236,195 389,647	13,437 14,103	132,041 49,943	853,236 946,415	15 5
M R D Clayton	2008 2009	356,563 370,697	178,821 299,836	13,437 14,103	132,051 49,943	680,872 734,579	19 7
M Brydon	2008 2009	586,563 618,897	295,800 503,362	13,437 14,103	162,421 63,834	1,058,221 1,200,196	15 5
M A Finney	2008 2009	394,495 407,893	193,500 328,424	35,505 30,707	132,051 49,943	755,551 816,967	17 6
M Kelly	2008 2009	362,385 381,340	192,365 313,523	32,615 29,460	211,879 49,943	799,244 774,266	27 6
S J Toppenberg	2008 2009	302,752 316,531	158,400 270,167	27,248 26,669	140,133 49,943	628,533 663,310	22 8
S B Rogers	2008 2009	321,101 336,473	164,150 271,981	28,899 27,527	106,259 83,423	620,409 719,404	17 12
<b>Total for the Company and Group</b>	2008 2009	4,414,891 4,262,450	2,362,341 3,723,532	216,331 170,775	1,677,720 662,427	8,671,283 8,819,184	

<sup>1</sup> 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).

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

## Remuneration Report (continued)

### 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 30 – 32 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 <sup>1</sup>	92,790 <sup>2</sup>
Audit, Risk and Compliance Committee	20,600	10,300
Nomination and Remuneration Committee	15,450	7,730
Other Committees <sup>3</sup>	9,180	6,180

<sup>1</sup> The Chairman receives no additional fees for Committee work.

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

<sup>3</sup> 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.

## Remuneration Report (continued)

## 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

	Year	Fees and allowances		Post-employment benefits	Total
		Directors' fees	Committee fees	Superannuation contributions <sup>1</sup>	
		\$	\$	\$	
M A Kinnaird (Chairman)	2008	300,000	-	-	300,000
	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 <sup>2</sup>	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
<b>Total</b>	2008	705,929	99,634	36,651	842,214
	2009	674,426	105,248	43,086	822,760

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

<sup>2</sup> J D McNerney resigned as a Director effective 21 May 2009.

Former Non-executive Director					
D Barro <sup>1</sup>	2008	60,000	-	-	60,000

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

## Corporate Governance Statement

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 pages 6 and 7 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](http://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 below) 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
<ul style="list-style-type: none"> <li>Input into and final approval of management's development of corporate strategy, including setting performance objectives and approving operating budgets</li> </ul>	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Reviewing and guiding systems of risk management and internal control and ethical and legal compliance</li> <li>Monitoring and reviewing processes aimed at ensuring integrity of financial and other reporting</li> </ul>
<ul style="list-style-type: none"> <li>Monitoring corporate performance and implementation of strategy and policy</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>Approving major capital expenditure, acquisitions and divestitures, cessation of any significant business activity and monitoring capital management</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring and reviewing policies and processes in place relating to occupational health and safety, compliance with laws, and the maintenance of high ethical standards</li> <li>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</li> </ul>

## 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

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

- 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

### 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

### 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

### 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

### 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

### 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

### 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

## **Corporate Governance Statement (continued)**

### **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 that 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 which might 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.

## Corporate Governance Statement (continued)

### 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](http://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 immediate 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

	<b><i>Audit, Risk and Compliance Committee</i></b>	<b><i>Nomination and Remuneration Committee</i></b>
Members	L V Hosking (Chairman) C L Harris G F Pettigrew M A Kinnaird  Details of these Directors' qualifications are set out on pages 6 and 7 of this report.	C L Harris (Chairman) M A Kinnaird L V Hosking G F Pettigrew  Details of these Directors' qualifications are set out on pages 6 and 7 of this report.
Composition	<ul style="list-style-type: none"> <li>Consist of a minimum of 3 members, all of whom must be non-executive Directors</li> <li>A majority of independent Directors</li> <li>An independent chair, who is not Chairman of the Board</li> </ul>	<ul style="list-style-type: none"> <li>Consist of a minimum of 3 members, the majority being independent directors</li> <li>An independent chair</li> </ul>
Key functions	<ul style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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;</li> <li>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;</li> </ul>	<ul style="list-style-type: none"> <li>To review (and recommend to the Board) the fees paid to non-executive Directors, within the limits approved by shareholders;</li> <li>To review (and recommend to the Board) the compensation arrangements for the Managing Director, including short term and long term incentives;</li> <li>To review performance targets, and approve recommendations from the Managing Director on total levels of remuneration, for senior executives;</li> <li>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;</li> <li>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;</li> </ul>

	<b><i>Audit, Risk and Compliance Committee</i></b>	<b><i>Nomination and Remuneration Committee</i></b>
	<ul style="list-style-type: none"> <li>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;;</li> <li>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;</li> <li>To monitor compliance with the Company's policies and procedures that recognise the Company's business, environmental and statutory responsibilities; and</li> <li>To report the results of the Committee's review of risk management and internal compliance and control systems to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>To monitor the tenure of Board members, considering succession planning and identifying the likely order of retirement by rotation of non-executive Directors; and</li> <li>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.</li> </ul>
Key activities during 2009	<ul style="list-style-type: none"> <li>Ongoing review and consideration of financial and non-financial risks and the Company's system of identifying and managing risks;</li> <li>Monitoring and oversight of the Company's implementation of SAP enterprise resource planning system;</li> <li>Enhanced monitoring of credit terms and debtors across the Group in the widespread difficult financial circumstances experienced in 2009;</li> <li>Monitoring the performance, outcomes and actions of the Company's internal audit program;</li> <li>Receiving the external auditors' reports, monitoring issues reported and actions taken;</li> <li>Reviewing and overseeing of the Company's 2009 Half Year and Full Year Financial Reporting and associated audit;</li> <li>Establishing the internal audit plan for 2010 and reviewing and approving the internal and external auditors' fees;</li> <li>Monitoring the Group's insurance renewal programme; and</li> <li>Reviewing the Group's accounting policies and treatment for particular issues.</li> </ul>	<ul style="list-style-type: none"> <li>Oversight 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;</li> <li>Reviewing, after receiving advice and market data from independent experts, and recommending to the Board 2010 fees payable to non-executive Directors, including to seek shareholder approval for an increase to the limit approved by shareholders to provide further flexibility in respect of future non-executive Director remuneration including providing the capacity to appoint further Directors to the Board; and</li> <li>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.</li> </ul>

	<b><i>Audit, Risk and Compliance Committee</i></b>	<b><i>Nomination and Remuneration Committee</i></b>
Attendance	Details of attendance at Audit, Risk and Compliance Committee meetings are set out on page 8 of this report.	Details of attendance at Nomination and Remuneration Committee meetings are set out on page 8 of this report.
Consultation	<p>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.</p> <p>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.</p>	<p>It has been the practice of the Nomination and Remuneration Committee on occasion to invite other Directors to attend Committee meetings.</p> <p>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.</p>

## **2.2 Other Board committees**

### **2.2.1 Safety Health and Environment Committee**

The members of the Safety, Health & 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 a SH&E Committee meeting is held, it normally meets prior to a Board meeting with the SH&E Committee Chairman reporting at the Board meeting about the proceedings of the Committee.

### **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 the 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 oversight of the Company's practices in relation to social responsibility and sustainability.

### **2.2.3 Corporate Governance 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 8.

### 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 review 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 is 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 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)

##### 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

##### 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

##### Investment appraisal:

- clearly defined guidelines for capital expenditure
- eg annual budgets, detailed appraisal and review procedures, levels of delegated authority and due diligence requirements where businesses are being acquired or divested

**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.

##### Delegated authorities and restrictions:

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

## Corporate Governance Statement (continued)

### 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, which 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](http://www.adbri.com.au).

The Company has also adopted policies requiring compliance with (amongst 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-yearly 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](http://www.adbri.com.au).

## **Corporate Governance Statement (continued)**

### **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.

**Adelaide Brighton Ltd and controlled entities**

**Income statements**

For the year ended 31 December 2009

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

*The above income statements should be read in conjunction with the notes to the financial statements set out on pages 42 to 86.*

**Statements of comprehensive income**

For the year ended 31 December 2009

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

*The above statements of comprehensive income should be read in conjunction with the notes to the financial statements set out on pages 42 to 86.*

Adelaide Brighton Ltd and controlled entities

**Balance sheets**

As at 31 December 2009

	Notes	Consolidated		The Company	
		2009 \$ million	2008 \$ million	2009 \$ million	2008 \$ million
<b>Current assets</b>					
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	-	-
		<b>296.1</b>	290.8	<b>734.8</b>	746.2
Assets classified as held for sale	9	12.7	-	-	-
Total current assets		<b>308.8</b>	290.8	<b>734.8</b>	746.2
<b>Non-current assets</b>					
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		<b>1,046.2</b>	1,067.3	<b>533.1</b>	533.7
<b>Total assets</b>		<b>1,355.0</b>	1,358.1	<b>1,267.9</b>	1,279.9
<b>Current liabilities</b>					
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		<b>161.9</b>	142.9	<b>370.3</b>	284.4
<b>Non-current liabilities</b>					
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		<b>296.1</b>	513.3	<b>199.6</b>	409.1
<b>Total liabilities</b>		<b>458.0</b>	656.2	<b>569.9</b>	693.5
<b>Net assets</b>		<b>897.0</b>	701.9	<b>698.0</b>	586.4
<b>Equity</b>					
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		<b>893.9</b>	698.9	<b>698.0</b>	586.4
Minority interest		3.1	3.0	-	-
<b>Total equity</b>		<b>897.0</b>	701.9	<b>698.0</b>	586.4

The above balance sheets should be read in conjunction with the notes to the financial statements set out on pages 42 to 86.

Adelaide Brighton Ltd and controlled entities

**Statements of changes in equity**

As at 31 December 2009

Consolidated

	Attributable to owners of Adelaide Brighton Ltd				Minority interest \$ million	Total equity \$ million
	Contributed equity \$ million	Reserves \$ million	Retained earnings \$ million	Total \$ million		
<b>Balance at 1 January 2009</b>	<b>540.4</b>	<b>3.5</b>	<b>155.0</b>	<b>698.9</b>	<b>3.0</b>	<b>701.9</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>(0.1)</b>	<b>127.1</b>	<b>127.0</b>	<b>0.1</b>	<b>127.1</b>
<b>Transactions with owners in their capacity as owners:</b>						
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
<b>Balance at 31 December 2009</b>	<b>690.4</b>	<b>2.9</b>	<b>200.6</b>	<b>893.9</b>	<b>3.1</b>	<b>897.0</b>
<b>Balance at 1 January 2008</b>	<b>514.0</b>	<b>14.5</b>	<b>136.4</b>	<b>664.9</b>	<b>3.0</b>	<b>667.9</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>0.2</b>	<b>109.4</b>	<b>109.6</b>	<b>-</b>	<b>109.6</b>
<b>Transactions with owners in their capacity as owners:</b>						
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)
<b>Balance at 31 December 2008</b>	<b>540.4</b>	<b>3.5</b>	<b>155.0</b>	<b>698.9</b>	<b>3.0</b>	<b>701.9</b>

Adelaide Brighton Ltd and controlled entities

**Statements of changes in equity (continued)**

As at 31 December 2009

The Company

	Attributable to owners of Adelaide Brighton Ltd				Minority interest \$ million	Total equity \$ million
	Contributed equity \$ million	Reserves \$ million	Retained earnings \$ million	Total \$ million		
<b>Balance at 1 January 2009</b>	<b>533.2</b>	<b>3.4</b>	<b>49.8</b>	<b>586.4</b>	-	<b>586.4</b>
<b>Total comprehensive income</b>	-	-	<b>43.6</b>	<b>43.6</b>	-	<b>43.6</b>
<b>Transactions with owners in their capacity as owners:</b>						
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
<b>Balance at 31 December 2009</b>	<b>683.2</b>	<b>2.9</b>	<b>11.9</b>	<b>698.0</b>	-	<b>698.0</b>
<b>Balance at 1 January 2008</b>	<b>506.8</b>	<b>2.2</b>	<b>47.3</b>	<b>556.3</b>	-	<b>556.3</b>
<b>Total comprehensive income</b>	-	-	<b>105.7</b>	<b>105.7</b>	-	<b>105.7</b>
<b>Transactions with owners in their capacity as owners:</b>						
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)
<b>Balance at 31 December 2008</b>	<b>533.2</b>	<b>3.4</b>	<b>49.8</b>	<b>586.4</b>	-	<b>586.4</b>

*The above statements of changes in equity should be read in conjunction with the notes to the financial statements set out on pages 42 to 86.*

**Statements of cash flows**

For the year ended 31 December 2009

	Notes	Consolidated		The Company	
		2009 \$ million	2008 \$ million	2009 \$ million	2008 \$ million
<b>Cash flows from operating activities</b>					
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)
<b>Net cash inflow from operating activities</b>	36	<b>188.1</b>	<b>150.1</b>	<b>8.5</b>	<b>56.6</b>
<b>Cash flows from investing activities</b>					
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)
<b>Net cash (outflow) from investing activities</b>		<b>(41.1)</b>	<b>(137.6)</b>	<b>145.0</b>	<b>(60.5)</b>
<b>Cash flows from financing activities</b>					
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)
<b>Net cash (outflow) from financing activities</b>		<b>(144.6)</b>	<b>(8.7)</b>	<b>(144.1)</b>	<b>(7.5)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>2.4</b>	<b>3.8</b>	<b>9.4</b>	<b>(11.4)</b>
Cash and cash equivalents at the beginning of the financial year	6	23.1	19.3	(6.6)	4.8
<b>Cash and cash equivalents at the end of the financial year</b>	6	<b>25.5</b>	<b>23.1</b>	<b>2.8</b>	<b>(6.6)</b>

The statements of cash flows should be read in conjunction with the notes to the financial statements set out on pages 42 to 86.

## 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

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**1 Summary of significant accounting policies (continued)**

**(b) Principles of consolidation (continued)**

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.

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**1 Summary of significant accounting policies (continued)**

**(d) Foreign currency translation (continued)**

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.

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**1 Summary of significant accounting policies (continued)**

**(f) Income tax (continued)**

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.

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**1 Summary of significant accounting policies (continued)**

**(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.

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**1 Summary of significant accounting policies (continued)**

**(k) Trade receivables (continued)**

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.

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**1 Summary of significant accounting policies (continued)**

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

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.

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**1 Summary of significant accounting policies (continued)**

**(r) Intangible assets (continued)**

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.

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**1 Summary of significant accounting policies (continued)**

**(v) Provisions (continued)**

*(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 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.

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**1 Summary of significant accounting policies (continued)**

**(w) Employee benefits (continued)**

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.

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**1 Summary of significant accounting policies (continued)**

**(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

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**1 Summary of significant accounting policies (continued)**

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

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.

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**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.

Adelaide Brighton Ltd and controlled entities

Notes to the financial statements (continued)

For the year ended 31 December 2009

3 Revenue and other income

	Consolidated		The Company	
	2009 \$ million	2008 \$ million	2009 \$ million	2008 \$ million
<b>Revenue from continuing operations</b>				
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
	<b>987.2</b>	<b>1,022.4</b>	<b>55.6</b>	<b>131.7</b>
<b>Other income</b>				
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	-	-
	<b>24.1</b>	<b>11.7</b>	<b>-</b>	<b>-</b>
Revenue and other income (excluding share of net profits of joint ventures accounted for using the equity method)	<b>1,011.3</b>	<b>1,034.1</b>	<b>55.6</b>	<b>131.7</b>

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	<b>56.8</b>	<b>56.8</b>	<b>-</b>	<b>-</b>
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	<b>18.3</b>	<b>36.9</b>	<b>15.5</b>	<b>32.2</b>

Adelaide Brighton Ltd and controlled entities

Notes to the financial statements (continued)

For the year ended 31 December 2009

5 Income tax

	Consolidated		The Company	
	2009 \$ million	2008 \$ million	2009 \$ million	2008 \$ million
<b>(a) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
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
<b>Aggregate income tax expense (benefit)</b>	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>(b) Amounts recognised directly in equity</b>				
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)	-	-
<b>(c) Tax losses</b>				
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).

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**6 Current assets - cash and cash equivalents**

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
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**

**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.

**8 Current assets – inventories**

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
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	45.68	50.6	-	-
	107.8	116.1	-	-

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**9 Current assets - Assets classified as held for sale**

	Consolidated		The Company	
	2009 \$ million	2008 \$ million	2009 \$ million	2008 \$ million
Land	12.7	-	-	-
	<b>12.7</b>	-	-	-

**10 Non-current assets – receivables**

Loans to joint ventures	30.0	25.9	-	-
Other debtors	0.4	2.5	1.7	2.0
	<b>30.4</b>	<b>28.4</b>	<b>1.7</b>	<b>2.0</b>

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**

Name of the Company	Principal activity	Ownership interest		Consolidated		The Company	
		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		50	-	0.1	-	-	-
Interest in joint venture entities				<b>72.5</b>	<b>67.6</b>	-	-

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.

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**11 Non-current assets – investments accounted for using the equity method (continued)**

	<b>2009</b>	2008
	<b>\$ million</b>	\$ million
<b>(b) Movements in carrying amounts</b>		
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	<u>72.5</u>	<u>67.6</u>
<b>(c) Share of joint ventures' profits</b>		
Revenues	263.2	276.5
Expenses	(228.6)	(236.8)
Profit before income tax	<u>34.6</u>	<u>39.7</u>
Income tax expense	(7.0)	(9.1)
Profit after income tax	<u>27.6</u>	<u>30.6</u>
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	<u>17.3</u>	<u>12.4</u>
<b>(d) Summarised financial information of joint ventures</b>		
Current assets	136.2	136.1
Non-current assets	178.8	164.1
Total assets	<u>315.0</u>	<u>300.2</u>
Current liabilities	(121.9)	(63.0)
Non-current liabilities	(64.3)	(120.1)
Total liabilities	<u>(186.2)</u>	<u>(183.1)</u>
Net Assets	<u>128.8</u>	<u>117.1</u>
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	<u>72.5</u>	<u>67.6</u>
<b>(e) Share of joint ventures' expenditure commitments</b>		
Lease commitments	35.7	38.2
Capital commitments	3.7	3.0
	<u>39.4</u>	<u>41.2</u>

**12 Non-current assets – other financial assets**

	Consolidated		The Company	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>\$ million</b>	\$ million	<b>\$ million</b>	\$ million
<b>Other (non-traded) investments</b>				
Shares in controlled entities – at cost	-	-	367.2	367.2
Loans to controlled entities <sup>1</sup>	-	-	158.3	158.3
	<u>-</u>	<u>-</u>	<u>525.5</u>	<u>525.5</u>

Controlled entities are listed in note 34.

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

Adelaide Brighton Ltd and controlled entities

Notes to the financial statements (continued)

For the year ended 31 December 2009

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 construction	Total
<b>At cost</b>	110.3	89.5	4.6	1,058.5	1.9	118.3	5.1	45.6	1,433.8
<b>Accumulated depreciation</b>	-	(37.1)	(1.0)	(605.2)	(0.6)	(13.4)	(2.2)	-	(659.5)
<b>Net book amount</b>	<b>110.3</b>	<b>52.4</b>	<b>3.6</b>	<b>453.3</b>	<b>1.3</b>	<b>104.9</b>	<b>2.9</b>	<b>45.6</b>	<b>774.3</b>
<b>Reconciliations</b>									
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)
<b>Carrying amount at 31 December 2009</b>	<b>110.3</b>	<b>52.4</b>	<b>3.6</b>	<b>453.3</b>	<b>1.3</b>	<b>104.9</b>	<b>2.9</b>	<b>45.6</b>	<b>774.3</b>

Consolidated at 31 December 2008

(\$ million)	Freehold land	Buildings	Leasehold property	Plant & equipment	Leased assets	Mineral reserves	Asset retirement cost	In course of construction	Total
<b>At cost</b>	123.4	91.6	6.7	1,021.1	3.0	118.2	5.1	56.2	1,425.3
<b>Accumulated depreciation</b>	-	(34.2)	(2.6)	(570.9)	(1.3)	(12.4)	(2.0)	-	(623.4)
<b>Net book amount</b>	<b>123.4</b>	<b>57.4</b>	<b>4.1</b>	<b>450.2</b>	<b>1.7</b>	<b>105.8</b>	<b>3.1</b>	<b>56.2</b>	<b>801.9</b>
<b>Reconciliations</b>									
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)
<b>Carrying amount at 31 December 2008</b>	<b>123.4</b>	<b>57.4</b>	<b>4.1</b>	<b>450.2</b>	<b>1.7</b>	<b>105.8</b>	<b>3.1</b>	<b>56.2</b>	<b>801.9</b>

The Company

Mineral reserves

	2009 \$ million	2008 \$ million
Carrying amount at 1 January	4.6	4.6
Carrying amount at 31 December	4.6	4.6

Adelaide Brighton Ltd and controlled entities

Notes to the financial statements (continued)

For the year ended 31 December 2009

14 Non-current assets – deferred tax assets

	Consolidated		The Company	
	2009 \$ million	2008 \$ million	2009 \$ million	2008 \$ million
<b>The balance comprises temporary differences attributable to:</b>				
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
<b>Deferred tax assets</b>	<b>26.7</b>	<b>29.0</b>	<b>2.7</b>	<b>3.0</b>
Offset deferred tax liability (note 21)	-	-	(1.4)	(1.4)
<b>Net Deferred tax assets</b>	<b>26.7</b>	<b>29.0</b>	<b>1.3</b>	<b>1.6</b>

**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

15 Non-current assets – intangible assets

\$ million

31 December 2009

	Consolidated	
	Goodwill	Total
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
<b>31 December 2008</b>		
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

(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.

	Consolidated	
	2009 \$ million	2008 \$ million
Cement, Lime and Concrete	160.2	160.2
Concrete Products	8.8	9.2
	<b>169.0</b>	<b>169.4</b>

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

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

**(a) Impairment tests for goodwill (continued)**

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 <sup>(1)</sup>		Growth rate <sup>(2)</sup>		Discount rate <sup>(3)</sup>	
	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.

**16 Current liabilities – trade and other payables**

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
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
	<b>106.1</b>	<b>98.0</b>	<b>353.6</b>	<b>272.1</b>

All payables are denominated in Australian dollars.

**17 Current liabilities – borrowings**

**Secured**

Lease liabilities (note 29)	0.4	0.4	-	-
-----------------------------	-----	-----	---	---

**Unsecured**

Bank loans	-	-	-	-
	<b>0.4</b>	<b>0.4</b>	<b>-</b>	<b>-</b>

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

**18 Current liabilities - provisions**

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
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	-	-
	<b>24.4</b>	<b>23.6</b>	<b>-</b>	<b>-</b>

## Adelaide Brighton Ltd and controlled entities

### Notes to the financial statements (continued)

For the year ended 31 December 2009

#### 18 Current liabilities – provisions (continued)

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

	Workers' compensation \$ million	Restoration provisions \$ million	Other provisions \$ million
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	<u>0.9</u>	<u>3.9</u>	<u>1.7</u>

#### 19 Current liabilities – other liabilities

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
Limited recourse loan	12.3	12.3	-	-
Other	2.0	2.9	-	-
	<u>14.3</u>	<u>15.2</u>	<u>-</u>	<u>-</u>

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.

#### 20 Non-current liabilities – borrowings

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
<b>Secured</b>				
Lease liabilities (note 29)	0.9	1.4	-	-
<b>Unsecured</b>				
Bank loans	199.6	409.1	199.6	409.1
	<u>200.5</u>	<u>410.5</u>	<u>199.6</u>	<u>409.1</u>

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.

#### 21 Non-current liabilities – deferred tax liabilities

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
<b>The balance comprises temporary differences attributable to:</b>				
Property, plant and equipment	72.7	73.4	1.4	1.4
Inventories	8.5	9.8	-	-
Other	5.3	3.2	-	-
<b>Deferred tax liabilities</b>	<b>86.5</b>	<b>86.4</b>	<b>1.4</b>	<b>1.4</b>
Offset deferred tax assets (note 14)	(26.7)	(29.0)	-	-
<b>Net deferred tax liabilities</b>	<b>59.8</b>	<b>57.4</b>	<b>1.4</b>	<b>1.4</b>

#### 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	<u>59.8</u>	<u>57.4</u>	<u>-</u>	<u>-</u>

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**22 Non-current liabilities – provisions**

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
Employee benefits	2.8	3.8	-	-
Restoration provisions (note 1(v)(iv))	27.1	28.9	-	-
	<b>29.9</b>	<b>32.7</b>	<b>-</b>	<b>-</b>

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

	Restoration provisions \$ million
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	<b>27.1</b>

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
<b>Employee benefit liabilities</b>				
Provision for employee benefits				
Current (note 18)	17.9	19.4	-	-
Non-current	2.8	3.8	-	-
Aggregate employee benefit liability	<b>20.7</b>	<b>23.2</b>	<b>-</b>	<b>-</b>

**Employee numbers**

	Number		Number	
Average number of employees during the year	<b>1,393</b>	1,328	-	-

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
<b>Long service leave</b>				
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.

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**23 Non- current liabilities - retirement benefit obligations (continued)**

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 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.

**(b) Balance sheet amounts**

	Consolidated		The Company	
	2009 \$ million	2008 \$ million	2009 \$ million	2008 \$ million
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.

**(c) Reconciliations**

	Consolidated		The Company	
	2009 \$ million	2008 \$ million	2009 \$ million	2008 \$ million
<i>Reconciliation of the present value of defined benefit obligation, which is wholly funded:</i>				
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 premiums paid	(7.3)	(7.3)	-	-
Transfers in	0.1	0.1	-	-
Closing balance at 31 December	52.1	54.9	-	-
<i>Reconciliation of the fair value of plan assets</i>				
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	-	-

**(d) Amounts recognised in income statement and statement of comprehensive income**

The amounts recognised in the income statement are as follows:

	Consolidated		The Company	
	2009 \$ million	2008 \$ million	2009 \$ million	2008 \$ million
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)	-	-

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**23 Retirement benefit obligations (continued)**

The amounts recognised in the statement of comprehensive income are as follows:

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
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	-	-

**(f) Principal actuarial assumptions**

The principal actuarial assumptions used were as follows:

	2009	2008	2009	2008
	%	%	%	%
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).

**(h) Historic summary**

	2009	2008	2007	2006	2005
	\$ million	\$ million	\$ million	\$ million	\$ million
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

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**24 Contributed equity**

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

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**24 Contributed equity (continued)**

**(e) Capital risk management (continued)**

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:

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
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%

**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

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**25 Reserves and retained earnings (continued)**

**(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.

**26 Dividends**

	The Company	
	2009	2008
	\$ million	\$ million
<b>Dividends paid during the year</b>		
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	<b>34.5</b>	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	<b>47.0</b>	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	<b>81.5</b>	103.2
Paid in cash	<b>45.6</b>	76.3
Satisfied by issue of shares under the Dividend Reinvestment Plan	<b>35.9</b>	26.9
<b>Dividends not recognised at year end</b>		
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	<b>50.7</b>	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.

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
Franking credits available for subsequent financial years based on a tax rate of 30% (2008 – 30%)	<b>53.1</b>	52.1	<b>53.1</b>	52.1

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**26 Dividends (continued)**

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.

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**27 Financial risk management (continued)**

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.

	Notes	Carrying Value		Interest rate risk				Foreign exchange risk	
		Consolidated	The Company	-1.0%	+1.0%	-1.0%	+1.0%	-10%	+10%
2009				Consolidated		The Company		Consolidated	
\$ million				Profit & Equity		Profit & Equity		Profit & Equity	
<b>Financial assets</b>									
Cash	6	25.5	2.8	(0.3)	0.3	-	-	-	-
Receivables	7 & 10	193.2	733.7	(1.9)	1.9	-	-	-	-
		<b>218.7</b>	<b>736.5</b>	<b>(2.2)</b>	<b>2.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>									
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	-	-	-	-	-	-	-
		<b>319.3</b>	<b>553.2</b>	<b>2.0</b>	<b>(2.0)</b>	<b>2.0</b>	<b>(2.0)</b>	<b>-</b>	<b>-</b>
Total increase/(decrease)				<b>(0.2)</b>	<b>0.2</b>	<b>2.0</b>	<b>(2.0)</b>	<b>-</b>	<b>-</b>

Adelaide Brighton Ltd and controlled entities

Notes to the financial statements (continued)

For the year ended 31 December 2009

27 Financial risk management (continued)

		Carrying Value		Interest rate risk				Foreign exchange risk	
		Consolidated	The Company	-0.5%	+0.5%	-0.5%	+0.5%	-10%	+10%
2008	\$ million			Consolidated	The Company			Consolidated	
				Profit & Equity	Profit & Equity			Profit & Equity	
<b>Financial assets</b>									
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	-	-	-	-
<b>Financial liabilities</b>									
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)	-	-

(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.

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**27 Financial risk management (continued)**

**Financing arrangements**

Unrestricted access was available at balance date to the following lines of credit:

**Credit standby arrangements**

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
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	-	-
	<b>525.3</b>	<b>525.8</b>	<b>524.0</b>	<b>524.0</b>
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	-	-
	<b>200.9</b>	<b>414.9</b>	<b>199.6</b>	<b>415.7</b>
Unused at balance date				
Bank overdrafts	4.0	-	4.0	-
Bank facilities – external parties	320.4	110.9	320.4	108.3
	<b>324.4</b>	<b>110.9</b>	<b>324.4</b>	<b>108.3</b>

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	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
Ageing of financial liabilities into relevant maturity groups:				
Less than 1 year				
Lease liabilities (note 17)	0.4	0.4	-	-
	<b>0.4</b>	<b>0.4</b>	<b>-</b>	<b>-</b>
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	-	-
	<b>212.5</b>	<b>435.0</b>	<b>211.6</b>	<b>433.6</b>

**(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.

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**28 Contingencies**

Details and estimates of maximum amounts of contingent liabilities are as follows:

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
<b>(a) Guarantees</b>				
Bank guarantees	<b>12.3</b>	11.7	<b>2.6</b>	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.

**29 Commitments for expenditure**

	Consolidated		The Company	
	2009	2008	2009	2008
	\$ million	\$ million	\$ million	\$ million
<b>(a) Capital commitments – Property, plant &amp; equipment</b>				

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

Within one year	<b>11.3</b>	3.5	-	-
-----------------	-------------	-----	---	---

**(b) Lease commitments**

*(i) Finance leases*

Commitments in relation to finance leases are payable as follows:

Within one year	<b>0.4</b>	0.5	-	-
Later than one year but not later than five years	<b>0.9</b>	1.3	-	-
Minimum lease payments	<b>1.3</b>	1.8	-	-
Less: Future finance charges	-	-	-	-
Recognised as a liability	<b>1.3</b>	1.8	-	-
Representing lease liabilities:				
Current (note 17)	<b>0.4</b>	0.4	-	-
Non current (note 20)	<b>0.9</b>	1.4	-	-
	<b>1.3</b>	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	<b>2.6</b>	3.3	-	-
Later than one year but not later than five years	<b>5.5</b>	5.8	-	-
Later than five years	<b>16.4</b>	11.2	-	-
	<b>24.5</b>	20.3	-	-

Commitments for operating lease payments relate mainly to rental leases on property.

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**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 1,150,000 exercised by 31 December 2009. During the period no Awards were granted. The grant date of the 2007 Awards is set out on page 76.

*Performance conditions*

Detailed discussion of 2007 Award performance conditions is set out in the Remuneration Report on pages 19 to 22.

*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.

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**31 Key management personnel disclosures**

**(a) Compensation of key management personnel**

	Consolidated		The Company	
	2009 \$ million	2008 \$ million	2009 \$ million	2008 \$ million
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	-	-
	<b>10.3</b>	9.5	<b>0.8</b>	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 11 to 26.

**(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 22.

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 %
<b>M P Chellew</b>								
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
<b>M Brydon</b>								
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
<b>A D Poulter, M R D Clayton, M A Finney, M Kelly and S J Toppenberg</b>								
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
<b>S B Rogers</b>								
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

Adelaide Brighton Ltd and controlled entities

Notes to the financial statements (continued)

For the year ended 31 December 2009

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
<b>Non-executive Directors</b>				
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
<b>Executive Director</b>				
M P Chellew	440,149	435,000	(426,783)	448,366
<b>Senior executives</b>				
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	-	-	-	-
<b>Total</b>	<b>18,971,038</b>	<b>1,035,000</b>	<b>10,302,693</b>	<b>30,308,731</b>

\* 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
<b>Non-executive Directors</b>				
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
<b>Executive Director</b>				
M P Chellew	440,149	300,000	(300,000)	440,149
<b>Senior executives</b>				
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	-	-	-	-
<b>Total</b>	<b>126,230,479</b>	<b>810,000</b>	<b>(108,069,441)</b>	<b>18,971,038</b>

\* D Barro resigned and R D Barro appointed on 19 August 2008. 2008: 2,606,398 shares acquired and 12,988 shares disposed

## Adelaide Brighton Ltd and controlled entities

### Notes to the financial statements (continued)

For the year ended 31 December 2009

#### 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 Chelley, 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.

Aggregate amounts of the above transactions with the Directors and their related parties:

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
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:

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>(a) Audit services</b>				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	762,233	657,345	46,603	46,604
Total remuneration for audit services	<b>762,233</b>	<b>657,345</b>	<b>46,603</b>	<b>46,604</b>
<b>(b) Non-audit services</b>				
PricewaterhouseCoopers Australian firm				
Other assurance services	92,184	65,700	-	-
Taxation services	-	22,000	-	-
Total remuneration for non-audit services	<b>92,184</b>	<b>87,700</b>	<b>-</b>	<b>-</b>

## Adelaide Brighton Ltd and controlled entities

### Notes to the financial statements (continued)

For the year ended 31 December 2009

#### 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.

##### (d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<i>Sales of goods</i>				
- Joint venture entities	137,093	158,992	-	-
<i>Purchases of materials and goods</i>				
- Joint venture entities	29,550	38,286	-	-
<i>Interest revenue</i>				
- Joint venture entities	697	1,724	-	-
- Other related parties	205	306	205	306
<i>Dividend income</i>				
- Controlled entities	-	-	55,000	131,000
- Joint venture entities	22,695	30,778	-	-
<i>Superannuation contributions</i>				
- Contributions to superannuation funds on behalf of employees	2,714	2,151	-	-
<i>Loans advanced to/(from):</i>				
- Controlled entities	-	-	(14,809)	169,525
- Joint venture entities	3,214	(1,583)	-	-
- Other related parties	(287)	(221)	(287)	(221)

**Adelaide Brighton Ltd and controlled entities****Notes to the financial statements (continued)**

For the year ended 31 December 2009

**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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Current receivables</i>				
- Controlled entities (trade)	-	-	<b>682,400</b>	697,209
- Controlled entities (tax amounts receivable under tax consolidation legislation)	-	-	<b>49,567</b>	48,132
- Joint venture entities (interest)	<b>288</b>	733	-	-
- Joint venture entities (trade)	<b>15,375</b>	21,041	-	-
<i>Non-current receivables</i>				
- Controlled entities (loans)	-	-	<b>158,216</b>	158,216
- Joint venture entities (loans)	<b>28,234</b>	25,020	-	-
- Other related parties (loans)	<b>1,735</b>	2,022	<b>1,735</b>	2,022
<i>Current payables</i>				
- Controlled entities (trade)	-	-	<b>353,300</b>	271,521
- Joint venture entities (trade)	<b>2,824</b>	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).

## Adelaide Brighton Ltd and controlled entities

### Notes to the financial statements (continued)

For the year ended 31 December 2009

#### 34 Investments in controlled entities

Name of entity	Place of incorporation	Class of shares	2009 %	2008 %
<b>Adelaide Brighton Ltd</b>				
Adelaide Brighton Cement Ltd <sup>2</sup>	South Australia	Ord	100	100
Adelaide Brighton Cement Inc	Washington USA	Ord	80	80
Adelaide Brighton Cement Investments Pty Ltd <sup>2</sup>	South Australia	Ord	100	100
Adelaide Brighton Management Ltd <sup>2</sup>	South Australia	Ord	100	100
Adelaide Brighton Cement International Pty Ltd <sup>1</sup>	South Australia	Ord	100	100
Adelaide Brighton Intellectual Property Pty Ltd <sup>1</sup>	South Australia	Ord	100	100
Cement Resources Consolidated Pty Ltd <sup>1</sup>	South Australia	Ord	100	100
Cockburn Cement Ltd <sup>2</sup>	Western Australia	Ord	100	100
Hy-Tec Industries (Queensland) Pty Ltd <sup>2</sup>	South Australia	Ord	100	100
Northern Cement Ltd <sup>2</sup>	Northern Territory	Ord	100	100
Premier Resources Ltd <sup>2</sup>	New South Wales	Ord	100	100
Adbri Masonry Group Pty Ltd <sup>2,3</sup>	Victoria	Ord	100	100
<b>Adelaide Brighton Cement Ltd</b>				
Exmouth Limestone Pty Ltd <sup>1</sup>	Western Australia	Ord	51	51
<b>Adelaide Brighton Cement Inc</b>				
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
<b>Adelaide Brighton Management Ltd</b>				
Accendo Pty Ltd <sup>1</sup>	South Australia	Ord	100	100
Global Cement Australia Pty Ltd <sup>1</sup>	New South Wales	Ord	100	100
Hurd Haulage Pty Ltd <sup>1</sup>	Victoria	Ord	100	100
K.C. Mawson Pty Ltd <sup>1</sup>	New South Wales	Ord	100	100
<b>Adelaide Brighton Cement International Pty Ltd</b>				
Adelaide Brighton Cement Inc	Wash. State USA	Ord	20	20
Fuel & Combustion Technology International Ltd	United Kingdom	Ord	100	100
<b>Fuel &amp; Combustion Technology International Ltd</b>				
Fuel & Combustion Technology International Inc	USA	Ord	100	100
<b>Northern Cement Ltd</b>				
Mataranka Lime Pty Ltd <sup>1</sup>	South Australia	Ord	100	100
<b>Cockburn Cement Ltd</b>				
Cockburn Waters Pty Ltd <sup>1</sup>	Western Australia	Ord	100	100
Hydrated Lime Pty Ltd <sup>1</sup>	Western Australia	Ord	100	100
Chemical Unit Trust <sup>1</sup>	Western Australia	Units	100	100
Kalgoorlie Lime & Chemical Company Pty Ltd <sup>1</sup>	Western Australia	Ord	100	100
<b>Premier Resources Ltd</b>				
Hy-Tec Industries Pty Ltd <sup>2</sup>	New South Wales	Ord	100	100
Hy-Tec Industries (Victoria) Pty Ltd <sup>2</sup>	New South Wales	Ord	100	100
Bonfoal Pty Ltd <sup>1</sup>	New South Wales	Ord	100	100
Aus-10 Rhyolite Pty Ltd <sup>1</sup>	New South Wales	Ord	100	100
Morgan Cement International Pty Ltd <sup>2</sup>	New South Wales	Ord	100	100
<b>Hy-Tec Industries (Victoria) Pty Ltd</b>				
CRC2 Pty Ltd <sup>1</sup>	Victoria	Ord	100	100
CRC3 Pty Ltd <sup>1</sup>	Victoria	Ord	100	100
Hy-Tec Industries (Victoria) No 1 Pty Ltd <sup>1</sup>	New South Wales	Ord	100	100
Hy-Tec Industries (Victoria) No 2 Pty Ltd <sup>1</sup>	New South Wales	Ord	100	100
Sheltacrete Pty Ltd <sup>1</sup>	New South Wales	Ord	100	100
<b>Adbri Masonry Group Pty Ltd<sup>3</sup></b>				
Adbri Masonry Pty Ltd <sup>2</sup>	Queensland	Ord	100	100
Adbri Mining Products Pty Ltd <sup>2</sup>	Queensland	Ord	100	100
C&M Masonry Products Pty Ltd <sup>2</sup>	South Australia	Ord	100	100
Betta Brick Pty Ltd <sup>1</sup>	Victoria	Ord	100	100
C&M Brick (Bendigo) Pty Ltd <sup>1</sup>	Victoria	Ord	100	100
C&M Design/Construct Pty Ltd <sup>1</sup>	Victoria	Ord	100	100

<sup>1</sup> Small proprietary Company as defined by the *Corporations Act* and is not required to be audited for statutory purposes.

<sup>2</sup> 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.

<sup>3</sup> C&M Brick Pty Ltd changed company name to Adbri Masonry Group Pty Ltd on 21 January 2009.

**Adelaide Brighton Ltd and controlled entities****Notes to the financial statements (continued)**

For the year ended 31 December 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.

	<b>2009</b>	2008
	<b>\$ million</b>	\$ million
<b>Current assets</b>		
Cash and cash equivalents	21.0	18.8
Trade and other receivables	245.3	235.2
Inventories	99.8	109.7
	<b>366.1</b>	363.7
Non-current assets classified as held for sale	12.7	-
Total current assets	<b>378.8</b>	363.7
<b>Non-current assets</b>		
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	<b>961.4</b>	982.1
<b>Total assets</b>	<b>1,340.2</b>	1,345.8
<b>Current liabilities</b>		
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	<b>219.9</b>	201.1
<b>Non-current liabilities</b>		
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	<b>284.5</b>	501.9
<b>Total liabilities</b>	<b>504.4</b>	703.0
<b>Net assets</b>	<b>835.8</b>	642.8
<b>Equity</b>		
Contributed equity	690.4	540.4
Reserves	2.9	3.4
Retained earnings	142.5	99.0
<b>Total equity</b>	<b>835.8</b>	642.8

**Adelaide Brighton Ltd and controlled entities**

**Notes to the financial statements (continued)**

For the year ended 31 December 2009

**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.

	<b>2009</b> \$ million	2008 \$ million
<b>Profit before income tax</b>	<b>165.6</b>	154.0
Income tax expense	<b>(44.6)</b>	(34.0)
<b>Profit for the year</b>	<b>121.0</b>	120.0
<b>Retained earnings 1 January</b>	<b>99.0</b>	78.8
Profit for the year	<b>121.0</b>	120.0
Transactions recognised directly in retained earnings	<b>4.0</b>	(11.5)
Dividends paid	<b>(81.5)</b>	(103.2)
Transfer from reserves	-	14.9
<b>Retained earnings 31 December</b>	<b>142.5</b>	99.0

**36 Notes to the statements of cash flows**

Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		The Company	
	<b>2009</b>	2008	<b>2009</b>	2008
	\$ million	\$ million	\$ million	\$ million
Profit after tax for the year	<b>123.1</b>	120.8	<b>43.6</b>	105.7
Doubtful debts	<b>(2.6)</b>	2.5	-	-
Depreciation and amortisation	<b>56.8</b>	56.8	-	-
Share based payments expense	<b>0.8</b>	1.9	-	-
Net finance charges	<b>2.6</b>	4.6	-	-
(Gain) loss on sale of non-current assets	<b>(1.0)</b>	(0.8)	-	-
Share of profits of joint ventures	<b>(4.8)</b>	-	-	-
Other	<b>(2.2)</b>	(1.9)	-	1.0
Net cash provided by operating activities before changes in assets and liabilities	<b>172.7</b>	183.9	<b>43.6</b>	106.7
Changes in operating assets and liabilities, net of effects from purchase of controlled entity:				
Decrease (increase) in inventories	<b>5.4</b>	(18.1)	-	-
Decrease (increase) in prepayments	<b>0.5</b>	0.5	-	-
(Increase) in receivables	<b>(9.0)</b>	(11.5)	<b>(46.3)</b>	(48.1)
Increase (decrease) in trade creditors	<b>7.2</b>	8.1	<b>(0.1)</b>	(0.2)
(Decrease) increase in provisions	<b>(2.0)</b>	(6.5)	-	-
Increase (decrease) in taxes payable	<b>11.0</b>	(3.5)	<b>11.0</b>	(3.5)
Increase (decrease) in deferred taxes payable	<b>2.3</b>	(2.8)	<b>0.3</b>	1.7
Net cash inflow from operating activities	<b>188.1</b>	150.1	<b>8.5</b>	56.6

**Adelaide Brighton Ltd and controlled entities****Notes to the financial statements (continued)**

For the year ended 31 December 2009

**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:

	Consolidated \$ million
Purchase consideration	
Cash paid	2.6
Direct costs	0.3
Total purchase consideration	<u>2.9</u>

**38 Earnings per share**

	Consolidated 2009 Cents	2008 Cents
Basic earnings per share	<u>20.4</u>	22.2
Diluted earnings per share	<u>20.3</u>	22.0

	Consolidated 2009 Number	2008 Number
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>603,750,770</b>	545,281,649
Adjustments for calculation of diluted earnings per share:		
Awards	<u>2,460,000</u>	3,590,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>606,210,770</u>	548,871,649

	Consolidated 2009 \$ million	2008 \$ million
<b>Reconciliations of earnings used in calculating earnings per share</b>		
<i>Basic and diluted earnings per share</i>		
Profit after tax	<b>123.2</b>	120.8
Profit attributable to minority interest	<b>(0.1)</b>	-
Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	<u>123.1</u>	120.8

## Adelaide Brighton Ltd and controlled entities

### Notes to the financial statements (continued)

For the year ended 31 December 2009

#### 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:

<b>2009</b>	<b>Cement, Lime and Concrete</b>	<b>Concrete Products</b>	<b>All other segments</b>	<b>Total</b>
	\$million	\$million	\$million	\$million
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
<b>2008</b>				
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
<b>Total segment assets</b>				
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

**Adelaide Brighton Ltd and controlled entities****Notes to the financial statements (continued)**

For the year ended 31 December 2009

**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:

	Consolidated	
	2009	2008
	\$million	\$million
Revenue from external customers	<b>1,194.2</b>	1,231.0
Inter-segment revenue elimination	<b>(31.2)</b>	(30.6)
Freight revenue	<b>86.5</b>	85.0
Interest revenue	<b>1.6</b>	3.1
Royalties	<b>0.6</b>	1.0
Consolidation adjustments	<b>(264.5)</b>	(267.1)
Revenue from continuing operations	<b>987.2</b>	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:

	Consolidated	
	2009	2008
	\$million	\$million
EBIT	<b>185.3</b>	189.1
Net interest	<b>(16.7)</b>	(33.8)
Profit before income tax from continuing operations	<b>168.6</b>	155.3

A reconciliation of the total assets to consolidated total assets is provided as follows:

	Consolidated	
	2009	2008
	\$million	\$million
Total segment assets	<b>1,876.8</b>	1,852.1
Consolidation adjustments	<b>(521.8)</b>	(494.0)
Total consolidated assets	<b>1,355.0</b>	1,358.1

**Directors' declaration**

In the Directors' opinion

- (a) the financial statements and notes set out on pages 36 to 86 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  
ABN 52 780 433 757

91 King William Street  
ADELAIDE SA 5000  
GPO Box 418  
ADELAIDE SA 5001  
DX 77 Adelaide  
Australia  
Telephone +61 8 8218 7000  
Facsimile +61 8 8218 7999  
[www.pwc.com/au](http://www.pwc.com/au)

## 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 Limited and the entities it controlled during the year.



AG Forman  
Partner  
PricewaterhouseCoopers

Adelaide  
5 March 2010

## Independent auditor's report to the members of Adelaide Brighton Ltd

### Report on the financial report

We have audited the accompanying financial report of Adelaide Brighton Ltd (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.

**Independent auditor's report to the members of  
Adelaide Brighton Ltd (continued)**

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 Ltd 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 12 to 26 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 Ltd for the year ended 31 December 2009, complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



AG Forman  
Partner

Adelaide  
5 March 2010