

# Chairman's Report

**Adelaide Brighton's long term strategy to grow shareholder returns delivered improved profitability, strong operating cash flows, a reduction in net debt and an increase in ordinary and special dividends.**



Christopher Harris

## Performance

I am pleased to report that the Company posted its tenth consecutive record profit in 2010 with earnings after tax of \$151.5 million, an increase of 23.1% over the previous year. Earnings per share were 23.9 cents – an increase of 17.2%. The generation of strong free cash flow reduced year end net debt to \$148.4 million, and gearing to 15.9%.

Over the past five years, Adelaide Brighton has delivered a compound total shareholder return of 14.7% per annum and average annual growth in dividends paid to shareholders over the same five years of 23%.

Total fully franked dividends paid for the year amounted to 21.5 cents per share, comprising 16.5 cents ordinary dividends (interim 7.5 cents per share and final 9.0 cents per share) and 5.0 cents special dividends (interim 2.5 cents per share and final 2.5 cents per share). The Board decided to declare the special dividends after taking into account the Company's strong cash flows, future capital expenditure plans, the availability of franking credits and low gearing levels.

## Strategy

Adelaide Brighton remains committed to its successful long term objective of growing shareholder returns. The Group continues to focus on key strategies - expanding the business by vertical integration, operational improvement programs and development of the lime business.

## Board

Malcolm Kinnaird AC retired from the Board in May 2010 after a very successful 13 years as Chairman. While he was at the helm, Adelaide Brighton delivered significant growth in earnings and shareholder returns. I thank Mr Kinnaird for his long and dedicated service and acknowledge his extensive contribution to the Company.

Ken Scott-Mackenzie joined the Board in July 2010 as a non-executive Director and member of the Company's Independent Directors' Committee. Mr Scott-Mackenzie has more than 35 years' experience in infrastructure, construction and mining services gained in Australia and South Africa, and a background in the financial, legal and commercial aspects of projects.

In early April 2011, the Board appointed Arlene Tansey as a non-executive Director. Ms Tansey has spent over 25 years as a senior executive in business and financial services with a background in investment banking and securities law gained in Australia and the United States.

During 2010, the Board held several of its meetings in regional centres around Australia. It intends to continue to visit Company sites especially where new businesses have been recently acquired to ensure it has first hand knowledge of the operations and meet and welcome new staff members.

## Governance

The Board is committed to conducting the Company's business ethically and in accordance with high standards of corporate governance. To that end, it has established a number of committees with responsibility for particular areas. These committees meet on a regular basis and each has a charter, which is reviewed periodically.

## Sustainability

Adelaide Brighton continues to develop and report to all stakeholders its principal measures of sustainability. These embrace health and safety, efficiency, emissions intensity, fuel utilisation, raw material substitution and resource management.

The Company has actively engaged in discussions with the Cement Industry Federation and National Lime Association of Australia about the development of a pricing scheme for greenhouse gases. The Federal Government's plans to revisit a carbon-pricing scheme are still in their infancy, however, Adelaide Brighton intends to contribute its experience and knowledge to help guide the process and ensure a successful outcome for sustainability principles.

## Environmental performance

Adelaide Brighton is committed to conducting its business responsibly.

The Company recognises that the production of cement and lime has a significant impact on our environment. Our production facilities operate within a regulated framework. This includes permits and licenses which allow the Company's subsidiaries to carry on their production activities according to conditions specified. This provides certainty for the Company, its customers, its suppliers and the community.

The Company continually strives to improve its impact on the environment. We value engagement with the community through liaison groups and consultation on the sites' Environmental Improvement Plans. The Board has approved significant capital expenditure for various production operations, which will enhance environmental performance.

## Risk management

We have a strong culture of risk management at Adelaide Brighton. The Company continues to assess and manage its key business risks and risk management processes, monitoring compliance with the Group's policies that recognise business, environmental and statutory responsibilities. The Audit Risk and Compliance Committee reports the results of its reviews of risk management and compliance to the Board.

## Our people

I acknowledge the significant contribution of all our people and thank our Managing Director, Mark Chellew, for his dedicated and strong leadership. I also acknowledge the important contributions of my fellow Board members. Finally, and importantly, I thank our customers and all our shareholders for their continuing loyalty and support.