

## Adelaide Brighton Ltd Notice of Annual General Meeting

The 2007 Annual General Meeting of Adelaide Brighton Ltd will be held on Thursday 10 May 2007 at 11.00 am at The Ballroom, Hyatt Regency, North Terrace, Adelaide, South Australia 5000.



### Adelaide Brighton Ltd

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

Average Annual Growth in EPS	Percentage of Awards subject to EPS hurdle which will vest
Below 7%	Nil
7%	40%
between 7% and 9%	Prorata up to 70%
9%	70%
between 9% and 11%	Prorata up to 100%
11%	100%

Any shares allocated to the Managing Director on exercise of an Award will not be subject to any restrictions on dealing.

If the Managing Director ceases employment with the Company, the Awards in respect of any tranche that is not exercisable will be forfeited, except in limited circumstances. These circumstances include death, retirement, or Separation (as defined in the Plan Rules), redundancy, or such other circumstances as the Board in its discretion permits, provided the Exercise Condition is met or the Board exercises its discretion to waive the Exercise Condition. In these circumstances, where an Award is permitted to be exercised at an earlier date, in respect of any tranche, the number of shares available will be reduced in accordance with a formula to reflect the shorter performance period.

The Managing Director's entitlement to Company 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), the Managing Director will only be allowed to exercise his Awards to the extent determined by the Board as provided for in the Plan Rules.

In order to safeguard shareholders' interests, the Awards (to the extent that they have not been exercised) will lapse if the Board considers that the Managing Director has acted fraudulently, dishonestly or in breach of his obligations to the Company.

There is no loan to the Managing Director associated with the grant of Awards or the allocation of shares upon exercise of Awards.

Since the last shareholder approval on 19 May 2005, no other Awards have been made under the Plan to any Director.

Mr Mark Chellew is the only Director entitled to participate in the Plan.

Details of the number of Awards issued under the Plan, and the extent to which they have vested and been exercised, are disclosed by the Company in its Annual Report in accordance with the requirements of the Corporations Act and relevant accounting standards. Additional information is also set out in the Annual Report regarding the remuneration package of the Managing Director.

A copy of the Plan Rules is available (at no cost) to any shareholder on request to the Group Corporate Affairs Adviser, Luba Przedworski, on (08) 8223 8005.

The Board, excluding Mr Chellew, recommend that shareholders vote in favour of Resolution 4.

### Resolution 5 Adoption of Remuneration Report - Non-binding advisory vote

As required by the Corporations Act, the Board is presenting the Company's Remuneration Report to shareholders for consideration and adoption by a non-binding vote. The Remuneration Report is set out on pages 34 to 46 of the 2006 Annual Report.

The Remuneration Report:

- Describes the policies behind, and the structure of, the remuneration arrangements of the Company and the link between the remuneration of employees and the Company's performance.
- Sets out the remuneration arrangements in place for each Director during the year and for certain key members of the senior management team, including performance conditions applicable to 'at risk' remuneration for certain senior executives.
- Explains the differences in approach for remunerating Non-Executive Directors and executives of the Company, including the Managing Director.

A reasonable opportunity for discussion of the Remuneration Report will be provided at the Annual General Meeting. The vote on resolution 5 is advisory only and does not bind the Directors or the Company. Nevertheless, the Board will take into account the outcome of the vote when considering the future remuneration arrangements of the Company.

The Board recommends that shareholders vote in favour of resolution 5.

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## Ordinary business

### Financial Report

- To consider the financial reports, the Directors' Report and the Auditor's Report for the financial year ended 31 December 2006.

### Election of Directors

- Mr C L Harris retires by rotation in accordance with the Company's constitution and, being eligible, offers himself for re-election.
- Mr M A Kinnaird AO retires by rotation in accordance with the Company's constitution and, being eligible, offers himself for re-election.

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## Special business

### Issue of Awards to the Managing Director

- To consider, and if thought fit, pass the following resolution: "That approval be given to the grant of 1,305,000 Awards to Mr Mark Chellew, the Managing Director of the Company, under the Adelaide Brighton Executive Performance Share Plan (Plan) on the terms set out in the Explanatory Notes to this Notice of Annual General Meeting".

#### Voting restriction on resolution 4

The Company will disregard any votes cast on resolution 4 by the Managing Director or any of his associates unless the vote is cast by:

- A person as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form.
- The person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### 5 Remuneration Report

To adopt the Remuneration Report for the financial year ended 31 December 2006.

The Remuneration Report is set out on pages 34 to 46 of the 2006 Annual Report. Please note that the vote on this resolution is advisory only, and does not bind the Directors or the Company.

By Order of the Board  
Marcus Clayton  
Company Secretary  
30 March 2007

## Voting information

1 For the purposes of the meeting, shares will be taken to be held by the persons who are the registered holders at 10.00pm (Adelaide time) on 8 May 2007. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

2 A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the *Corporations Act 2001 (Cth)*; and
- provides satisfactory evidence of the appointment of its corporate representative.

If such evidence is not received at least 48 hours before the meeting, the body corporate (through its representative) will not be permitted to act as a proxy.

A form of appointment of proxy is enclosed. To be effective the document appointing the proxy (and the power of attorney, if any, under which it is signed) must be received by the Company at least 48 hours before the meeting. The documents should be lodged with the Company:

- by delivery, or by mail, to the Company's registered office at Level 1, 157 Grenfell Street, Adelaide, SA 5000; or
- by facsimile to the company on (08) 8215 0030 (international +(618) 8215 0030).

A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using the enclosed proxy form, an additional form of proxy is available on request from the Company.

3 A representative of a company attending the meeting must present satisfactory evidence of his or her appointment to attend on its behalf, unless previously lodged with the Company.

4 Please refer to other notes appearing on the enclosed form of proxy.

## Explanatory notes to shareholders

### **Resolutions 2 and 3 Election of Directors**

Mr C L Harris and Mr M A Kinnaird AO retire by rotation and offer themselves for re-election.

The experience, qualifications, competencies and other information about the candidates appear below:

#### **Mr C L Harris**

Mr Harris, 60 years of age, joined the Board as an independent non-executive Director in March 1995. He is Chairman of the Remuneration and Nomination Committee, Superannuation Policy Committee and Member of the Audit, Risk and Compliance Committee, Corporate Governance Committee and Independent Directors' Committee.

Mr Harris is an economics graduate, qualified accountant and former CEO and Managing Director of FH Faulding & Co Ltd and Deputy Chairman of Adelaide Bank Ltd.

He is currently Chairman of Argo Investments and EvoGenix Ltd and a Director of McGuigan Simeon Wines Ltd, United Water International Pty Ltd and JM Financial Group Ltd.

The Board has reviewed the performance of Mr Harris and confirmed its support for his re-election as a Director of the Company.

#### **Mr M A Kinnaird AO**

Mr Kinnaird, 73 years of age, joined the Board as an independent non-executive Director in September 1996 and was Deputy Chairman until his appointment as Chairman in January 1997. He is Chairman of the Independent Directors' Committee and a Member of the Audit, Risk and Compliance Committee, Nomination and Remuneration Committee, Corporate Governance Committee and SH&E Committee.

Mr Kinnaird is a civil engineer, founder and past Executive Chairman of former engineering firm Kinhill Pty Ltd, now known as KBR. Mr Kinnaird is a Consultant with KBR and is involved in the wider professional and business community.

He is currently Chairman, Asia Pacific Transport Pty Ltd and Freight Link Pty Ltd and a Director of National Electricity Market Management Company Ltd (NEMMCO), United Water International Pty Ltd, Macmahon Holdings Ltd and a Member of the Defence Procurement Advisory Board.

Mr Kinnaird is an Officer in the General Division of the Order of Australia for services to engineering and the community.

The Board has reviewed the performance of Mr Kinnaird and confirmed its support for his re-election as a Director of the Company.

### **Resolution 4 Issue of Awards to the Managing Director**

Shareholder approval is sought for the grant of Awards to the Managing Director, Mr Mark Chellew, under the Company's long term incentive arrangements.

On 31 December 2006, the Company issued Awards to members of the senior executive team on similar terms to those set out below. As the Company was required to seek shareholder approval for an issue of Awards to the Managing Director, the Company was unable to grant Awards to the Managing Director at that time. The Board considers that it is important that the remuneration of the Managing Director and members of the senior executive team, including any long term incentive, be on the same terms to ensure a co-ordinated and consistent approach.

If approval is obtained, Mr Chellew will be issued with 1,305,000 Awards (at no cost to the Managing Director) under the Plan. If shareholder approval of the grant of Awards is not obtained, the Company has agreed to provide the Managing Director with a cash benefit that will place him, insofar as possible, in the same after tax financial position as he would have been had he been issued with the Awards.

The maximum number of shares in respect of which the Awards may be exercised is 1,305,000 shares, subject to the satisfaction of exercise conditions, which are outlined below.

The 1,305,000 Awards will be divided into 3 tranches of shares as follows:

- Tranche 1: 435,000 - earliest exercise date is 1 May 2009.
- Tranche 2: 435,000 - earliest exercise date is 1 May 2010.
- Tranche 3: 435,000 - earliest exercise date is 1 May 2011.

These Awards will be granted no later than 30 days after the date of the meeting and will expire on 30 September 2011.

The exercise conditions comprise two performance hurdles, one based on Total Shareholder Return (TSR), the other on Earnings Per Share (EPS). The Board considers these performance hurdles to be appropriate because they will ensure that a proportion of the Managing Director's remuneration is linked to company performance and the generation of shareholder value. The Board will apply and evaluate either or both of these performance hurdles (as it deems appropriate in light of all relevant factors relating to the Company, including the impact of any takeover bid) in order to determine whether the Managing Director is entitled to exercise a tranche or any part of a tranche on the relevant date.

If the performance hurdle for a particular tranche is met, then on exercise of the Award in respect of that tranche, the relevant number of shares will be issued to the Managing Director for no payment. The price of the shares resulting from the exercise of the Award will be accounted for by the Company in accordance with the relevant accounting standards. A trustee may acquire shares for the purposes of the Plan by subscription or on the market.

The two performance hurdles are outlined in greater detail below:

(a) 50% of each tranche under the 2007 Award will be subject to the following TSR hurdle.

This performance hurdle compares the TSR performance of the Company (broadly, growth in share price plus dividends notionally reinvested, rounded to not less than three decimal places) with the TSR performance of entities in a comparator group of entities. Specifically, the TSR of the Company must equal or exceed the growth in the returns of at least 2 of the 3 following indices plus the applicable percentage premium set out after the name of each index:

- 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.

(b) 50% of each tranche under the 2007 Award will be subject to the following EPS hurdle.

This performance hurdle requires that the average annual growth in the EPS of the Company (as disclosed in the audited annual accounts of the Company and before any write downs and capital management initiatives) over the period from 1 January 2007 until the end of the financial year immediately prior to the performance date must equal or exceed 7% per annum compound growth measured against the EPS for the financial year ended 31 December 2006.