

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

**FINANCIAL STATEMENTS AND REPORTS  
FOR THE 12 MONTH PERIOD  
1 JANUARY 2001 TO 31 DECEMBER 2001**

## 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 2001.

#### Directors

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

**MA Kinnaird** AO, DUniv, BE, Hon FIEAust, FTS  
Age 68  
Director since September 1996  
Appointed Chairman January 1997  
Chairman, United Water International Pty Ltd  
Chairman, Asia Pacific Transport Pty Ltd  
Director, National Electricity Market Management Company Ltd (NEMMCO)

**CL Harris** BEc, FCPA, FAICD  
Age 55  
Director since March 1995  
Chairman, Remuneration Committee  
Chairman, Superannuation Policy Committee  
Member, Finance and Audit Committee  
Chairman, Argo Investments Limited  
Deputy Chairman, Simeon Wines Limited  
Deputy Chairman, Adelaide Bank Limited  
Director, United Water International Pty Ltd  
Director, Motor Accident Commission (S.A.)

**CH Perkins** AO, FAICD, CitWA  
Age 62  
Director since July 1999  
Member, Remuneration Committee  
Chairman, Wesfarmers Limited  
Chairman, Western Australian Institute for Medical Research  
Chancellor, Curtin University of Technology

**D Barro** AO  
Age 80  
Director since November 1999  
Chairman and Managing Director, Barro Group of Companies  
Director, Steel Cement Ltd

**GE Clark**  
Age 46  
Director since June 2000  
Director, RMC Group p.l.c.

**JA Brooks**  
Age 53  
Director since March 2000  
Chairman, Finance and Audit Committee  
Director Asia Pacific, RMC Group Services Ltd

**MP Chellew** BSc, ME, Grad Diploma Mgt  
Age 45  
Appointed Managing Director on 14 September 2001

**PJ Wright** FAICD  
Age 48  
Appointed a Director on 22 November 1999  
Appointed Managing Director December 1999  
Resigned as a Director on 14 September 2001

#### 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 are as follows:

Director	Board Meetings		Finance and Audit Committee		Remuneration Committee	
	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of Meetings held
MA Kinnaird	5	5	-	-	-	-
CL Harris	5	5	4	4	2	2
CH Perkins	4	5	-	-	1	2
D Barro	5	5	-	-	-	-
JA Brooks	5	5	4	4	-	-
GE Clark	-	5	-	-	-	-
MP Chellew	2	2*	-	-	-	-
PJ Wright	3	3*	-	-	-	-

\* Number of meetings held while a Director or committee member

## Adelaide Brighton Ltd and controlled entities

### Directors' report (continued)

#### Principal activities

During the year, the principal activities of the consolidated entity consisted of the manufacture and distribution of cementitious materials and lime products. On 18 March 2002, Adelaide Brighton announced the acquisition of construction materials company, Premier Resources Limited. The business activities of Premier Resources Ltd are cement grinding and ready mixed concrete production.

#### Results

Net profit after tax for the financial year ended 31 December 2001 was \$30.6 million (tax – nil) compared with \$29.1 million (tax – nil) for the previous corresponding period. This was derived from operating revenues of \$376.2 million (\$374.0 million for 12 months ended 31 December 2000).

Financial summary	(A\$ million)	12 Months ended 31 December	
		2001	2000 <sup>1</sup>
<b>Sales revenue</b>		<b>393.2</b>	<b>411.0</b>
Depreciation		(26.3)	(31.3)
Goodwill amortisation		(8.6)	(8.2)
<b>Earnings before interest and tax ("EBIT")</b>		<b>46.9</b>	<b>48.6</b>
Net interest		(16.3)	(19.5)
<b>Profit before tax</b>		<b>30.6</b>	<b>29.1</b>
Tax expense		-	-
<b>Net profit after tax ("NPAT")</b>		<b>30.6</b>	<b>29.1</b>
Earnings per share (cents)		6.5	6.1
Dividend per share (cents)		4.0	3.0
Franking (%) - interim		13%	100%
Franking (%) - final		20%	100%
Net debt (A\$ million)		207.0	227.7
Net debt/equity (%)		45.6%	51.8%

<sup>1</sup> Proforma results for the twelve months ended 31 December 2000. Refer to note 1(y).

Interest charges decreased by \$3.2 million, and with strong free cash flow of \$37.3 million, net debt was reduced by \$20.7 million, bringing gearing down to 45.6%.

The solid result was achieved despite a very difficult first half due to weak market conditions, combined in the second half with the transitional cost issues concerned with the closure of the Geelong Cement plant and disruptions due to the major overhaul of the limestone supply ship to Birkenhead.

Second half NPAT increased to \$15.5 million from \$15.1 million in the first half, and compares with a proforma NPAT of \$11.8 million in the six months to December 2000.

Interest costs were lower due to lower interest rates, reduced debt and redemption of convertible notes near year-end. Depreciation charges were \$5 million lower due to the closure of the Geelong Cement plant in June 2001.

#### Review of operations

In 2001, cement and lime operations constituted approximately 90% of the consolidated entity's turnover. The cement and lime volumes are almost equally divided between Cockburn Cement Ltd, in Western Australia, and Adelaide Brighton Cement Ltd, being the eastern operations including South Australia, Northern Territory, Victoria and Queensland. During the 2001 financial year, the consolidated entity had limited exposure to New South Wales.

Sales volumes for the consolidated entity were only marginally lower than in the previous year, reflecting the consolidated entity's lower exposure to the Queensland and New South Wales markets and the better than expected demand generated in Victoria and South Australia.

## Adelaide Brighton Ltd and controlled entities

### Directors' report (continued)

#### Review of operations (continued)

Total Australian cement production was estimated to be 6.8 million tonnes in 2001, down 12% year on year. This decrease is attributed to reduced demand from housing in the first half and an easing in infrastructure projects in the major cement using states of New South Wales and Queensland, and to a lesser extent, Western Australia. Adelaide Brighton's total cement production for the second half of the year increased to 3.5 million tonnes from 3.3 million tonnes in the first half, supporting our view that we have seen the bottom of the cycle.

The long running cement dumping case, which was initiated in June 1999, has failed to deliver outcomes during the year. The Australian Customs Service has concluded that imports of cement from Indonesia, Malaysia and Thailand are being dumped and these imports have caused injury to the Australian cement industry. However, despite this conclusion the Federal Minister for Customs has been unable to reach any conclusions on cement from China being dumped in Australia. As a result the Minister has terminated the inquiry.

This outcome confirmed our initial claims that cement from overseas countries was being dumped in Australia. We will continue to focus on our cost structures to ensure we remain competitive.

Lime sales volumes were up significantly year on year. This reflects improvements in demand for lime in the markets serviced by the consolidated entity in Western Australia, South Australia and the Northern Territory. The major market for lime is in Western Australia and the result for that state there was also influenced by an improvement in market share as a consequence of the closure of the Westlime operation during the year. As previously announced, the consolidated entity secured supply agreements with Iluka Resources Ltd for 30,000 tonnes of quicklime per annum. Supply under these agreements began in the second half of 2001.

During 2001 modest cement price rises were achieved in all states. Lime price rises were also achieved in the non-alumina sector and CPI based increases were applied to sales under our long-term supply contracts.

#### *Costs and operational performance*

Following Geelong Cement's closure, supply of cement to Victoria has been sourced from Birkenhead. Some transitional issues associated with cement milling and ship loading were experienced and this was exacerbated by very high demand in Victoria in the second half. Increased costs resulted, but steps have been taken to resolve the issues, including further improvements to cement milling.

The foundations for improvement in operational efficiencies were laid in 2001, with consolidation of capacity being completed with the closure of Geelong Cement in mid 2001. A standard base for process control was established and this will provide the basis from which to focus on waste elimination, performance improvement and improved asset utilisation in 2002 and beyond.

In 2001, Birkenhead set new records in terms of continuous running and process stability. The number of kiln/calcliner stoppages per month was reduced significantly and the mean time between stoppages increased from eight to thirteen days. A record 1.2 million tonnes of clinker was produced in the year with plans for further increases in clinker and cement output for 2002.

#### **Dividends paid or declared by the Company**

In respect to the 2001 financial year, the following dividends were paid or have been provided:

- An interim dividend of 2 cents per share, franked to 13%, was paid on 15 October 2001. This dividend totalled \$9,474,180.
- On 6 March 2002 the Directors declared a 2.0 cent dividend, franked to 20%, to be paid on 19 April 2002 to members registered in the books of the Company at close of business on 26 March 2002.

## Adelaide Brighton Ltd and controlled entities

### Directors' report (continued)

#### State of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- Effective 14 September 2001, Mr Mark Chellew was appointed as Managing Director.
- On 17 December 2001, the Company redeemed the outstanding 11% convertible unsecured notes. This date was the first business day that followed the nominated redemption date of 15 December 2001. There were 22,800,532 notes redeemed and the total redemption payment was \$45,601,064.
- The Geelong Cement manufacturing operations closed in June 2001.

#### Environmental regulation

The consolidated entity is subject to various Commonwealth and state laws governing the protection of the environment. Environmental licences for operations include requirements specific to each site and each state. Environmental compliance is reported monthly to the Board.

There were no material breaches of environmental statutory requirements and no prosecutions during the year. However, there was minor non-conformance with licence conditions. All licence breaches are reported to the relevant statutory authority.

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

On 18 March 2002, Adelaide Brighton Ltd announced the acquisition of construction materials company, Premier Resources Ltd (Premier), for a cash consideration of \$7 million. Debt in the business amounts to \$40.4 million

Premier operates a 250,000 tonnes per annum cement grinding plant at Port Kembla, has a lease on significant quarry reserves, estimated at 200 million tonnes, that will supply Sydney in coming years and currently operates 14 ready mixed concrete plants in Sydney and Melbourne. The quarry and a further two ready mixed concrete plants are in the pre-construction phase.

Except for the new acquisition discussed above, no other matter or circumstance has arisen since 31 December 2001 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

#### Likely developments and expected results of operations

Likely developments in the operations of the consolidated entity, known at the date of this report, have been covered generally within the report.

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

## Adelaide Brighton Ltd and controlled entities

### Directors' report (continued)

#### Directors' and senior executives' emoluments

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration packages of non-executive Directors and senior executives of the consolidated entity. Performance, duties and responsibilities, market forecasts and independent advice are all considered as part of an annual review process.

Details of the nature and amount of each major element of the emoluments of each Director of the Company and each of the five named officers of companies within the consolidated entity receiving the highest emolument for the financial year ended 31 December 2001 are:

	Base emolument \$	Bonuses \$	Non-cash benefits \$	Super contributions \$	Termination benefits \$	Total \$
<b>Directors</b>						
MA Kinnaird	133,875	-	-	13,388	-	147,263
CL Harris	60,637	-	-	6,064	-	66,701
CH Perkins	52,500	-	-	5,250	-	57,750
D Barro	42,000	-	-	-	-	42,000
MP Chellew <sup>2</sup>	174,132	-	-	2,935	-	177,067
JA Brooks <sup>1</sup>	-	-	-	-	-	-
GE Clark <sup>1</sup>	-	-	-	-	-	-
PJ Wright <sup>2</sup>	344,455	346,500	19,975	28,290	252,114	991,334
<sup>1</sup> Executive, RMC Group p.l.c.						
<b>Officers</b>						
JJ Tucker <sup>2</sup>	119,385	-	8,800	15,877	378,501	522,563
AO Dobbs <sup>2</sup>	1,409	-	-	-	352,831	354,240
M Brydon	239,459	-	24,000	19,041	-	282,500
T Douglas	193,998	-	11,000	28,100	-	233,098
M Hoad <sup>2</sup>	194,210	-	16,000	10,672	-	220,882
<sup>2</sup> Part year						

#### Directors' interests

The relevant interest of each executive and non-executive Director in the share capital of the Company as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares
MA Kinnaird	65,000
CL Harris	96,250
CH Perkins	29,600
D Barro	245,590
MP Chellew	15,000
JA Brooks	1,000
GE Clark	1,000

## **Adelaide Brighton Ltd and controlled entities**

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

#### **Indemnification and insurance of officers**

Under Article 193 of the Company's Constitution, each of the Company's Directors, Company Secretary and all other current and former Directors and officers of the consolidated entity including executive officers, are indemnified to the extent permitted by law when acting in those capacities in respect of:

- liability to persons (other than entities within the consolidated entity) if the officer has acted in good faith; and
- the cost and expenses of successfully defending legal proceedings.

Insurance cover for Directors' and officers' liability is included under a global policy of the RMC Group p.l.c. The Company's share of the premium in respect of this global policy is \$15,547.

#### **Proceedings on behalf of the Company**

No person has applied for leave of the Court to bring proceedings on behalf of the Company or 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.

#### **Ultimate parent company**

RMC Group p.l.c., a company registered in the United Kingdom, is the ultimate parent company of Adelaide Brighton Ltd, controlling 55% of the issued shares.

#### **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 thousand dollars, unless otherwise indicated.

#### **Auditor**

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporation Act 2001.

Dated at Adelaide this 27<sup>th</sup> day of March 2002.

Signed in accordance with a resolution of the Directors:

**M Chellew**  
Managing Director

## **Adelaide Brighton Ltd and controlled entities**

### **Corporate governance statement**

The Board of Directors is responsible for the performance of the Company and the consolidated entity and accordingly takes accountability for setting strategic direction, establishing policy, overseeing the financial position and monitoring the business and affairs on behalf of shareholders. To assist in this, the Board appoints a Managing Director and delegates responsibility to him for the day-to-day activities.

#### **Composition of the Board**

The composition of the Board is determined using the following principles:

- The Board may comprise up to nine Directors. This may be increased when additional expertise is required.
- The Chairman of the Board should be an independent non-executive Director.
- The Board should comprise both independent non-executive Directors and executive Directors.
- The Board should comprise Directors with a broad range of experience reflecting the national and international character of the Group's business.

The Board currently comprises seven Directors: three non-executive independent Directors (including the Chairman), three non-executive representatives of substantial shareholders and the Managing Director.

The composition of the Board is consistently monitored to ensure the appropriate mix of expertise, experience and competence. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board selects a panel of candidates with the appropriate expertise and experience. Potential candidates are identified by the Board with advice from external consultants. The Board then appoints the most suitable candidate, who must stand for election at the next annual general meeting of shareholders.

The Company's Constitution requires one third of the Directors to retire from office at the annual general meeting each year. Retiring Directors are eligible for re-election.

All Directors are required to own at least 1,000 ordinary shares in Adelaide Brighton Ltd, and the details of Directors' shareholdings are disclosed in the Directors' report.

#### **Dealings in Adelaide Brighton Ltd shares by Directors**

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

#### **Independent professional advice**

Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense, provided the costs are reasonable and the advice is specific. Prior approval from the Chairman is required, which will not be unreasonably withheld.

## Adelaide Brighton Ltd and controlled entities

### Corporate governance statement (continued)

#### Committees of the Board

To assist the Board in fulfilling its responsibilities, the Board has established the Finance and Audit Committee and a Remuneration Committee with responsibility for these particular areas.

##### *Finance and Audit Committee*

The Finance and Audit Committee is made up of two non-executive Directors. The Managing Director and Chief Financial Officer attend Finance and Audit Committee meetings by invitation. The Committee:

- monitors compliance with statutory responsibilities relating to accounting policy and disclosure;
- liaises with, assesses the quality and reviews the scope of work and reports of the internal and external auditors;
- assesses the adequacy of accounting, financial and operating controls;
- monitors the Company's performance, reviews valuation and hedging policies and considers asset underwriting proposals;
- reviews broad financial issues and strategies and acts for the Board on financial matters as requested; and
- reviews specific funding proposals.

##### *Remuneration Committee*

The Remuneration Committee is made up of two non-executive Directors. By invitation, the Managing Director is present for most of the proceedings. The Committee:

- determines the fees paid to non-executive Directors, within the limits approved by shareholders, and executive remuneration; and
- establishes and reviews the compensation arrangements for the Managing Director and other senior executives taking into account performance evaluation and comparative remuneration.

#### Managing Risks

Management is responsible for identifying and managing risks to the consolidated entity's businesses. The Board, through the Finance and Audit Committee, monitors management of these risks.

## Adelaide Brighton Ltd and controlled entities

### Corporate governance statement (continued)

#### Internal controls and framework

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude 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: there is a comprehensive budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The consolidated entity reports to shareholders half-yearly. Procedures are also in place to ensure that price sensitive information is reported to the Australian Stock Exchange in accordance with continuous disclosure requirements.
- Operating unit controls: financial controls and procedures including information systems controls are in operation throughout the consolidated entity. Operating units complete detailed questionnaires confirming compliance with these procedures.
- Functional speciality reporting: the consolidated entity has identified a number of key areas which are subject to regular reporting to the Board, such as finance and administration, human resources, safety and environment.
- Investment appraisal: the consolidated entity has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.
- Internal audit: assists the Board in ensuring compliance with internal controls. The Finance and Audit Committee approves the internal audit program to be conducted each financial year, and the scope of the work to be performed at each location.
- Delegated authorities and restrictions: there is a comprehensive procedure which provides a framework that enables employees to operate and act within clearly defined and communicated parameters.

#### Ethical standards

In pursuing high standards of corporate governance and without adopting a formal code of ethics, all Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

#### Insurance

In order to protect shareholders' funds, the Company carries insurance which the Board considers is sufficient for the size and nature of the Company's business.

#### Compliance

The Company has adopted policies requiring compliance with occupational health and safety, environmental and trade practices law.

There are ongoing programs for audit of the Company's operations. Occupational health and safety, environmental, and other risks are covered by these audits.

## Adelaide Brighton Ltd and controlled entities

### Statements of financial performance

For the year ended 31 December 2001

	Notes	Consolidated		The Company	
		12 mths Dec 2001 \$'000	18 Mths Dec. 2000 \$'000	12 mths Dec 2001 \$'000	18 Mths Dec 2000 \$'000
<b>Revenues from sale of goods and services</b>	2	<b>387,801</b>	624,706	-	-
Cost of sales (incl. freight and distribution costs)	3	<b>(310,032)</b>	(511,149)	-	-
<b>Gross profit</b>		<b>77,769</b>	113,557	-	-
Other revenues from ordinary activities	2	<b>7,149</b>	23,059	<b>45,441</b>	48,107
Other expenses from ordinary activities					
Marketing		<b>(5,495)</b>	(7,586)	-	-
Administration		<b>(27,387)</b>	(54,420)	<b>(1,430)</b>	(4,594)
Borrowing costs	3	<b>(18,065)</b>	(34,995)	<b>(16,122)</b>	(9,798)
Other	3	<b>(8,617)</b>	(12,292)	<b>(6,775)</b>	-
Share of net profits of joint venture entities accounted for using the equity method	39(b) & (d)	<b>5,242</b>	10,660	-	-
<b>Profit from ordinary activities before income tax expense</b>		<b>30,596</b>	37,983	<b>21,114</b>	33,715
Income tax expense	4	-	(2,093)	<b>(5,385)</b>	(10,179)
<b>Net profit</b>		<b>30,596</b>	35,890	<b>15,729</b>	23,536
Net (profit)/loss attributable to outside equity interests		<b>(3)</b>	11	-	-
<b>Net profit attributable to members of Adelaide Brighton Ltd</b>		<b>30,593</b>	35,901	<b>15,729</b>	23,536
Net exchange difference on translation of financial reports of foreign controlled entities	25(a)	<b>45</b>	(144)	-	-
<b>Total revenues, expenses and valuation adjustments attributable to members of Adelaide Brighton Ltd recognised directly in equity</b>		<b>45</b>	(144)		
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	27	<b>30,638</b>	35,757	<b>15,729</b>	23,536
Basic earnings per share	41	<b>Cents 6.5</b>	Cents 7.6		

*The statements of financial performance should be read in conjunction with the notes to the financial statements set out on pages 14 to 57.*

## Adelaide Brighton Ltd and controlled entities

### Statements of financial position

As at 31 December 2001

	Notes	Consolidated		The Company	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>Current assets</b>					
Cash assets	5	21,562	32,180	-	153
Receivables	6	55,912	56,999	84,895	94,904
Inventories	7	39,448	44,013	-	-
Other	8	2,098	3,181	-	1
Total current assets		<b>119,020</b>	136,373	<b>84,895</b>	95,058
<b>Non-current assets</b>					
Receivables	9	11,732	10,939	363,360	148,360
Investments accounted for using the equity method	10 & 39(d) & (e)	27,588	26,932	-	-
Other financial assets	11	10	10	301,245	301,245
Property, plant and equipment	12	510,672	509,090	-	-
Deferred tax assets	13	37,013	29,612	483	483
Intangible assets	14	147,205	152,712	-	195
Total non-current assets		<b>734,220</b>	729,295	<b>665,088</b>	450,283
<b>Total assets</b>		<b>853,240</b>	865,668	<b>749,983</b>	545,341
<b>Current liabilities</b>					
Payables	16	49,914	44,388	54,263	13,499
Interest bearing liabilities	17	-	54,977	28,511	84,294
Current tax liabilities	18	9	346	5,385	-
Provisions	19	43,753	51,872	9,474	7,101
Total current liabilities		<b>93,676</b>	151,583	<b>97,633</b>	104,894
<b>Non-current liabilities</b>					
Interest bearing liabilities	20	228,432	204,800	215,000	-
Deferred tax liabilities	21	60,409	51,189	-	-
Provisions	22	16,577	15,765	-	-
Other	23	102	102	-	-
Total non-current liabilities		<b>305,520</b>	271,856	<b>215,000</b>	-
<b>Total liabilities</b>		<b>399,196</b>	423,439	<b>312,633</b>	104,894
<b>Net assets</b>		<b>454,044</b>	442,229	<b>437,350</b>	440,447
<b>Equity</b>					
Parent entity interest					
Contributed equity	24(a) & (b)	462,367	462,245	455,238	455,116
Reserves	25(a)	30,904	30,859	-	-
Accumulated losses	25(b)	(42,201)	(53,846)	(17,888)	(14,669)
Total parent entity interest		<b>451,070</b>	439,258	<b>437,350</b>	440,447
Outside equity interest in controlled entities	26	2,974	2,971	-	-
<b>Total equity</b>	27	<b>454,044</b>	442,229	<b>437,350</b>	440,447

The statements of financial position should be read in conjunction with the notes to the financial statements set out on pages 14 to 57.

## Adelaide Brighton Ltd and controlled entities

### Statements of cash flows

For the year ended 31 December 2001

	Notes	Consolidated		The Company	
		12 mths Dec 2001 \$'000	18 Mths Dec 2000 \$'000	12 mths Dec 2001 \$'000	18 Mths Dec 2000 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of goods and services tax)		431,426	646,716	-	-
Payments to suppliers and employees (inclusive of goods and services tax)		(340,335)	(518,236)	(1,015)	(6,842)
Dividends received		4,586	14,372	10,216	3,290
Interest received		1,754	4,692	27,040	10,105
Other revenue		644	7,073	-	-
Borrowing costs		(17,738)	(31,547)	(16,122)	(9,531)
Income taxes paid		(847)	(6,769)	-	-
Income tax refunds		3,661	1,043	-	-
<b>Net cash inflow from operating activities</b>	40	<b>83,151</b>	<b>117,344</b>	<b>20,119</b>	<b>(2,978)</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(22,498)	(32,177)	-	-
Payments for capitalised maintenance		(23,160)	(11,861)	-	-
Payments for restructuring of acquired controlled entity		-	(1,659)	-	(1,659)
Payments on sale of controlled entities		-	(1,883)	-	(1,883)
Loans to associated entities	36(e)(iii)	(793)	(5,116)	-	-
Proceeds from sale of property, plant and equipment		3,910	9,103	-	-
Proceeds from sale of investments	2 & 39(g)	-	4,956	-	-
Repayment of loans by related parties		-	400	-	-
Other payments		-	55	-	-
<b>Net cash (outflow) from investing activities</b>		<b>(42,541)</b>	<b>(38,182)</b>	<b>-</b>	<b>(3,542)</b>
<b>Cash flows from financing activities</b>					
Capital repayment to shareholders	27	-	(5,510)	-	(5,510)
Capital reduction payment to outside equity interests		(3,354)	-	-	-
Proceeds from borrowings	36(e)(iii)	73,432	105,000	252,886	18,100
Repayment of borrowings		(104,777)	(153,431)	(54,977)	(3,202)
Loans to controlled entities	36(e)(iii)	-	-	(215,000)	-
Dividends paid	28	(16,575)	(7,101)	(16,575)	(7,101)
Other proceeds		-	298	-	-
<b>Net cash inflow (outflow) from financing activities</b>		<b>(51,274)</b>	<b>(60,744)</b>	<b>(33,666)</b>	<b>2,287</b>
<b>Net increase (decrease) in cash held</b>		<b>(10,664)</b>	<b>18,418</b>	<b>(13,547)</b>	<b>(4,233)</b>
Cash at the beginning of the financial year (period)	5	32,180	13,621	(14,964)	(10,731)
Effects of exchange rate changes on cash		46	141	-	-
<b>Cash at the end of the financial year (period)</b>	5	<b>21,562</b>	<b>32,180</b>	<b>(28,511)</b>	<b>(14,964)</b>

The statements of cash flows should be read in conjunction with the notes to the financial statements set out on pages 14 to 57.

# Adelaide Brighton Ltd and consolidated entities

## Notes to the financial statements

For the year ended 31 December 2001

### 1 Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001. It is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous reporting period.

As a result of applying the revised Accounting Standard AASB 1018 *Statement of Financial Performance*, revised AASB 1034 *Financial Report Presentation and Disclosures* and AASB 1040 *Statement of Financial Position* for the first time, a number of comparative amounts were represented or reclassified to ensure comparability with the current reporting period.

The transitional provisions of AASB 1041 *Revaluation of Non Current Assets* have been applied to property, plant and equipment re-valued prior to 1 January 2001. These assets are now deemed to be carried at cost.

#### (a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Adelaide Brighton Ltd ("the Company") as at 31 December 2001 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 consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statements of financial performance and statements of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in joint ventures are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post acquisition profits or losses of joint ventures is recognised in the consolidated statements of financial performance, and its share of post acquisition movements in reserves is recognised in consolidated reserves. The cumulative post acquisition movements are adjusted against the cost of the investment. Details relating to the joint ventures are set out in Note 39.

#### (b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

No provision is made for additional taxes which could become payable if certain reserves of the foreign controlled entity were to be distributed as it is not expected that any substantial amount will be distributed from those reserves in the foreseeable future.

#### (c) Foreign currency translation

##### (i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

(ii) *Specific commitments*

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale.

(iii) *General commitments*

Exchange gains or losses on other hedge transactions are brought to account in the statements of financial performance in the financial year in which the exchange rates change. Gains or costs arising on entry into hedges of general commitments are recognised as assets or liabilities at the time of entry into the hedges and are amortised over the lives of the hedges.

(iv) *Foreign controlled entity*

As foreign controlled entities are self-sustaining, assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while revenues and expenses are translated at the average of rates ruling during the year. Exchange differences arising on translation are taken to the foreign currency translation reserve.

Upon disposal or partial disposal of a self-sustaining foreign operation, the balance of the foreign currency translation reserve relating to the operation, or to the part disposed of, is transferred to retained profits.

(d) **Acquisitions of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(e) **Revenue recognition**

(i) *Sales revenue*

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of goods or services to entities outside the consolidated entity. Sales revenue is disclosed when the goods are provided, or when the fee in respect of services provided is receivable.

(ii) *Interest income*

Interest income is recognised as it accrues.

(iii) *Other revenue*

The revenue recognition policy for investments is described in accounting policy Note 1(i).

(f) **Receivables**

All trade debtors are recognised at the amount receivable as they are due for settlement no more than 30 to 45 days from date of delivery of goods.

The ability to collect trade debtors is reviewed on an ongoing basis. Any debt which is deemed unable to be collected is written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(g) **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 stock on the basis of weighted average costs.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### (h) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non current assets are not discounted.

#### (i) Investments

##### (i) *Controlled entities*

Investments in controlled entities are carried in the Company's financial statements at cost or Directors' valuation having regard to recoverable amounts. Dividends and distributions are brought to account in the statements of financial performance when they are receivable.

Provisions for write down of the investment in controlled entities are made in the financial statements of the Company where the net assets of controlled entities fall below zero.

##### (ii) *Joint ventures*

In the consolidated financial statements, investments in joint ventures are accounted for using equity accounting principles. Investments in joint ventures are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's share of a joint venture's net profit or loss after tax is recognised in the consolidated statements of financial performance after adjustments for: amortisation of goodwill arising from notional adjustments made as at the date of acquisition; dissimilar accounting policies; and the elimination of unrealised profits and losses on transactions between the joint venture and any entities in the consolidated entity or another joint venture of the consolidated entity. Other movements in reserves are recognised directly in consolidated reserves.

##### (iii) *Other companies*

Investments in other companies are carried at cost or Directors' valuation having regard to recoverable amounts. Dividends are brought to account as they are received.

#### (j) Depreciation and amortisation of fixed assets

##### (i) *Limestone reserves and mineral tenements*

Limestone reserves and mineral tenements are amortised based on annual extraction rates over the estimated life of the reserves, with the maximum period of amortisation capped at 50 years.

##### (ii) *Restoration and environmental rehabilitation*

A provision for reinstatement of operational quarries is made for the restoration of areas in which mineral reserves are extracted where there are known obligations under existing law. Where practical, restoration is performed progressively and charged to costs as a part of normal activity. The adequacy of the overall provision is reassessed each year based on current costs which are undiscounted.

##### (iii) *Major cyclical maintenance*

Plant is required to be overhauled on a regular basis. This is managed as part of an ongoing cyclical maintenance program. The costs of this maintenance are charged, as expenses, as incurred, except where they relate to the replacement of a component of an asset in which case they are capitalised and depreciated over the expected useful life.

##### (iv) *Other fixed assets*

Fixed assets, including buildings and leasehold property but excluding freehold land, are depreciated or amortised over their estimated useful lives. The straight line method is used.

The average depreciation rates used for each class of asset are as follows:

Buildings	2.5%
Plant and equipment	3.3%

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### (k) Leased assets

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised leased assets are amortised on a straight line basis over the term of the relevant lease or, where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest component of the lease payments is charged to the statements of financial performance.

Operating lease costs are expensed as incurred.

#### (l) Non-current assets constructed by the consolidated entity

The cost of non-current assets constructed by the consolidated entity includes the cost of all materials used in construction, direct labour on the project, borrowing costs incurred during construction and an appropriate proportion of variable and fixed overhead.

#### (m) Intangible assets and expenditure carried forward

##### (i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over twenty years, being the period during which the benefits are expected to arise.

##### (ii) Convertible note issue costs

Convertible note issue costs are amortised over a period corresponding to the issue period of the notes.

##### (iii) Patents, trademarks and brand names

Significant costs associated with patents, trademarks and brand names having a benefit or relationship to more than one accounting period are deferred and where applicable amortised over the period of their expected life.

#### (n) Trade and other creditors

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

#### (o) Interest bearing liabilities

Bank loans and other interest bearing loans are carried on the balance sheet at their principal amount. Interest expense is accrued at the contracted rate and included in 'Other creditors and accruals' (Note 16).

Convertible notes are recorded in the balance sheet at face value. Interest on the notes is recognised in the statements of financial performance as an expense.

#### (p) Derivative financial instruments

The consolidated entity is exposed to changes in interest rates and foreign exchange rates from its activities. The consolidated entity's policy is to utilise derivative financial instruments to reduce these risks and not to enter, hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments that are designated and effective as hedges of underlying exposures are accounted for on the same basis as the underlying exposure.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the hedge prior to its termination continue to be deferred and are accounted for on the same basis as the underlying exposure. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur, deferred gains and losses that arose on the hedge prior to its termination are included in the statements of financial performance for the period.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### (q) Maintenance and repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged, as expenses, as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1(j). Other routine operating maintenance, repair costs and minor renewals are also charged, as expenses, as incurred.

#### (r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

#### (s) Employee entitlements

##### (i) Wages and salaries, annual leave and sick leave

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represent the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated at nominal amounts based on current wage and salary rates and includes related on-costs.

##### (ii) Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

#### (t) Superannuation funds

The consolidated entity contributes to the Adelaide Brighton Group Superannuation Plan and to other pension funds in addition to contributions to the funds made by employees. All Group contributions are charged against income.

#### (u) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. No interest was capitalised in 2001 (2000: Nil).

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

Borrowing costs include:

- interest on bank overdrafts and on the principle balance drawn on the ultimate parent company funding arrangements
- interest arising from swap arrangements
- interest on unsecured convertible notes

#### (v) Debt defeasance

Net gains or losses on defeasances of debt are brought to account in the statements of financial performance at the date of entering into the defeasance arrangement. The net gain or loss is calculated as the difference between the carrying amount of assets given up and the carrying amount of the debt, and after taking into account costs associated with the defeasance.

#### (w) Cash

For purposes of the statements of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

#### (x) Earnings per share

##### Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### (y) Comparative information

In 2000, the Company and its controlled entities changed its reporting date from 30 June to 31 December to synchronise with that of its ultimate parent entity. As a result the comparative information disclosed in this financial report covers the 18 months from 1 July 1999 to 31 December 2000.

#### (z) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & 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 thousand dollars, or in certain cases, to the nearest dollar.

## 2 Revenue

	Consolidated		The Company	
	12 mths Dec 2001 \$'000	18 mths Dec 2000 \$'000	12 mths Dec 2001 \$'000	18 mths Dec 2000 \$'000
<b>Revenue from operating activities</b>				
Sale of goods	341,521	540,332	-	-
Product swap arrangements	11,588	40,921	-	-
Services	34,692	43,453	-	-
	<b>387,801</b>	<b>624,706</b>	-	-
<b>Revenue from outside the operating activities</b>				
Interest from controlled entities	-	-	27,040	44,741
Interest from related parties	595	837	-	-
Interest from other parties	1,127	3,928	-	50
Sub-lease rentals	170	311	-	-
Insurance claims	-	2,663	-	-
Sale of non-current assets	4,782	8,185	-	26
Proceeds from sale of investments in associates	-	4,956	-	-
Dividends – related parties	-	-	10,216	3,290
Other income	475	2,179	8,185	-
	<b>7,149</b>	<b>23,059</b>	<b>45,441</b>	<b>48,107</b>
Revenue from ordinary activities (excluding shares of equity accounted net profits of joint ventures)	<b>394,950</b>	<b>647,765</b>	<b>45,441</b>	<b>48,107</b>
Revenue from services includes construction contract revenue of:	<b>34,692</b>	<b>42,783</b>	-	-

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued) For the year ended 31 December 2001

#### 3 Operating profit

	Consolidated		The Company	
	12 mths Dec 2001 \$'000	18 mths Dec 2000 \$'000	12 mths Dec 2001 \$'000	18 mths Dec 2000 \$'000
<b>(a) Expenses</b>				
Cost of sales of goods (incl. depreciation)	<b>310,032</b>	511,149	-	-
Depreciation				
Buildings	<b>1,102</b>	3,739	-	-
Plant and equipment <sup>1</sup>	<b>24,076</b>	44,480	-	-
Limestone and mineral reserves <sup>1</sup>	<b>1,156</b>	1,289	-	-
	<b>26,334</b>	49,508	-	-
Major cyclical maintenance	<b>14,621</b>	11,944	-	-
Amortisation				
Goodwill	<b>8,617</b>	12,292	-	-
Convertible note costs	<b>195</b>	293	<b>195</b>	293
Other intangibles	<b>163</b>	510	-	-
Total amortisation	<b>8,975</b>	13,095	<b>195</b>	293
Other charges against assets				
Research and development costs written off	<b>1,155</b>	2,108	-	-
Mineral royalties	<b>736</b>	1,630	-	-
Bad and doubtful debts – trade debtors	<b>2,363</b>	1,677	<b>6,804<sup>2</sup></b>	-
Net foreign exchange loss	-	12	-	1
Borrowing costs				
Interest expense				
Interest and finance charges paid to parent	<b>487</b>	-	-	-
Interest and finance charges paid to ultimate parent	<b>10,844</b>	14,345	<b>10,844</b>	-
Interest and finance charges paid to other parties	<b>6,734</b>	20,650	<b>5,278</b>	9,609
Interest paid to controlled entities	-	-	-	189
Borrowing costs expensed	<b>18,065</b>	34,995	<b>16,122</b>	9,798
Net profit/(loss) on disposal				
Property	<b>940</b>	(1,185)	-	-
Other provisions				
Employee entitlements	<b>2,975</b>	2,193	-	-
Workers' compensation	<b>1,202</b>	1,055	-	-
Restoration	-	401	-	-
Product warranty	-	150	-	-
Total other provisions	<b>4,177</b>	3,799	-	-
Rental expense relating to operating leases	<b>393</b>	927	-	-

<sup>1</sup> To more appropriately reflect the underlying useful lives, the consolidated entity re-assessed the useful lives of certain items of non-current assets during the reporting period to 31 December 2000. The re-assessment of useful lives was applied from 1 January 2000. The financial effect of the re-assessment was to reduce the depreciation expense and increase operating profit before tax by \$5,071,000.

<sup>2</sup> The Company has made provision against a debt of \$6,775,000 due by a wholly owned entity. This debt was in respect of management fees charged by the Company.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

	Consolidated		The Company	
	12 mths Dec 2001 \$'000	18 mths Dec 2000 \$'000	12 mths Dec 2001 \$'000	18 mths Dec 2000 \$'000
<b>(b) Individually significant items</b>				
<b>Expenses</b>				
Rationalisation cost	-	(9,219)	-	-
Write down in value of associates	-	(3,472)	-	(2,544)
Profit on sale of land	-	2,190	-	-
Insurance claim – damage to electrostatic precipitator	-	1,813	-	-

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### 4 Income tax

	Consolidated		The Company	
	12 mths Dec 2001 \$'000	18 mths Dec 2000 \$'000	12 mths Dec 2001 \$'000	18 mths Dec 2000 \$'000
(a) The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	<b>30,596</b>	37,983	<b>21,114</b>	33,715
Income tax calculated @ 30% (2000 – 36% & 34% see below) (i)	<b>9,179</b>	13,091	<b>6,334</b>	12,384
Tax effect of permanent differences:				
Non-deductible depreciation, amortisation and depletion	<b>2,991</b>	5,102	<b>59</b>	-
Non allowable expenses	<b>53</b>	-	-	-
Write off of investment	-	1,207	-	-
Share of net profits of joint ventures	<b>424</b>	288	-	-
Rebateable dividends	<b>(1,416)</b>	(1,739)	<b>(3,065)</b>	(1,119)
Capital loss	-	236	-	576
Research and development allowance	<b>(11)</b>	-	-	-
Put option	-	734	-	-
Sundry items	<b>(135)</b>	(1,523)	<b>2,057</b>	348
Income tax adjusted for permanent differences	<b>11,085</b>	17,396	<b>5,385</b>	12,189
Benefit of tax losses of prior years recouped	<b>(11,734)</b>	(9,870)	-	(483)
Realised capital loss	-	-	-	(921)
Effect of lower rates of tax on overseas income	-	237	-	-
Net adjustment to deferred income tax liabilities and assets to reflect the decrease in company tax rate to 34%/30%	-	(3,788)	-	64
Under (over) provision in previous year	<b>649</b>	(1,882)	-	(670)
<b>Aggregate income tax expense</b>	<b>-</b>	<b>2,093</b>	<b>5,385</b>	<b>10,179</b>
Aggregate income tax expense comprises:				
Current taxation provision	-	-	<b>5,385</b>	-
Deferred income tax provision	-	2,093	-	-
Future income tax benefit	-	-	-	483
Losses transferred in from controlled entities	-	-	-	9,696
	<b>-</b>	<b>2,093</b>	<b>5,385</b>	<b>10,179</b>

- (i) Adjustment to deferred income tax balances  
Prima facie tax expense calculated at 34% for 12 month period ended 31 December 2000, and 36% for 6 month period ended 31 December 1999.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
(b) The Directors estimate that the potential future income tax benefit at 31 December 2001 in respect of tax losses not brought to account is:				
• Capital losses	47,889	47,889	10,997	10,997
• Tax losses carried forward	6,764	16,412	-	-

This benefit for tax losses will only be obtained if:

- the consolidated entity 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, or
- the losses are transferred to an eligible entity in the consolidated entity, and
- the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Future income tax benefits attributable to tax losses recognised are disclosed in Note 13.

## 5 Current assets – Cash assets

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Cash at bank and on hand	21,562	32,180	-	153

The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:

Balances as above	21,562	32,180	-	153
Less: Bank overdrafts (note 17)	-	-	(28,511)	(15,117)
Balances per statements of cash flows	21,562	32,180	(28,511)	(14,964)

## 6 Current assets – Receivables

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Trade debtors	57,968	57,898	-	-
Less: Provision for doubtful debts	(3,494)	(1,448)	-	-
	54,474	56,450	-	-
Amounts due by joint venture entity	298	279	-	-
Loans to controlled entities	-	-	84,895	94,874
Other debtors	1,140	270	-	30
	55,912	56,999	84,895	94,904

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### 7 Current assets – Inventories

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Raw materials and stores – at cost	21,110	21,521	-	-
Work in progress – at cost	11,240	16,475	-	-
Finished goods – at cost	7,098	6,017	-	-
	<b>39,448</b>	<b>44,013</b>	<b>-</b>	<b>-</b>

#### 8 Current assets – Other

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Prepayments	790	1,303	-	1
Other	1,308	1,878	-	-
	<b>2,098</b>	<b>3,181</b>	<b>-</b>	<b>1</b>

#### 9 Non-current assets – Receivables

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Loans to controlled entities	-	-	363,360	148,360
Loans to joint venture entity	11,410	10,617	-	-
Other debtors	322	322	-	-
	<b>11,732</b>	<b>10,939</b>	<b>363,360</b>	<b>148,360</b>

#### 10 Non-current assets – Investments accounted for using the equity method

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Interest in joint venture entities (note 39(a))	27,588	26,932	-	-

##### *Interest in joint ventures*

Interest in joint ventures are accounted for in the consolidated entity's financial statements using the equity method of accounting and are carried at cost by the parent entity (see Note 39).

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### 11 Non-current assets – Other financial assets

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>Other (non-traded) investments</b>				
Shares in controlled entities – at cost	-	-	<b>232,672</b>	232,672
Shares in controlled entities – at Directors' valuation (1999)	-	-	<b>68,573</b>	68,573
Listed at cost	<b>2</b>	2	-	-
Unlisted shares at cost	<b>8</b>	8	-	-
	<b>10</b>	10	<b>301,245</b>	301,245

Controlled entities are listed at note 37(a).

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### 12 Non-current assets – Property, plant and equipment

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>Land and buildings</b>				
Freehold land				
At cost	44,999	45,733	-	-
	<b>44,999</b>	<b>45,733</b>	-	-
<b>Buildings</b>				
At cost	47,785	54,360	-	-
Less: Accumulated depreciation	(21,112)	(26,573)	-	-
	<b>26,673</b>	<b>27,787</b>	-	-
<b>Limestone reserves and mineral tenements</b>				
At cost	65,487	65,487	-	-
Less: Accumulated depreciation	(2,540)	(1,384)	-	-
	<b>62,947</b>	<b>64,103</b>	-	-
<b>Leasehold property</b>				
At cost	63	112	-	-
Less: Accumulated amortisation	(62)	(111)	-	-
	<b>1</b>	<b>1</b>	-	-
<b>Total land and buildings</b>	<b>134,620</b>	<b>137,624</b>	-	-
<b>Plant and equipment</b>				
At cost	666,702	675,884	-	-
Less: Accumulated depreciation	(318,363)	(329,755)	-	-
	<b>348,339</b>	<b>346,129</b>	-	-
<b>Leased plant and equipment</b>				
At cost	-	4,612	-	-
Less: Accumulated depreciation	-	(4,612)	-	-
	-	-	-	-
<b>Major cyclical maintenance capitalised</b>				
At cost	39,238	20,194	-	-
Less: Accumulated amortisation	(23,625)	(13,120)	-	-
	<b>15,613</b>	<b>7,074</b>	-	-
<b>Plant and equipment in the course of construction</b>				
At cost	12,100	18,263	-	-
	<b>12,100</b>	<b>18,263</b>	-	-
<b>Total plant and equipment</b>	<b>376,052</b>	<b>371,466</b>	-	-
<b>Total property, plant and equipment</b>	<b>510,672</b>	<b>509,090</b>	-	-

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Freehold land	Build- ings	Leasehold Property	Plant & equip- ment	Cyclical Maint- enance	Lime- stone Res.	In course of cons- truction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>								
Carrying amount at 1 January 2001	45,733	27,787	1	346,129	7,074	64,103	18,263	509,090
Additions	2	157	-	29,047	23,160	-	(5,987)	46,379
Disposals	(736)	-	-	(3,106)	-	-	-	(3,842)
Reclassification	-	(169)	-	345	-	-	(176)	-
Depreciation/ amortisation expense (note 3(a))	-	(1,102)	-	(24,076)	(14,621)	(1,156)	-	(40,955)
Carrying amount at 31 December 2001	<b>44,999</b>	<b>26,673</b>	<b>1</b>	<b>348,339</b>	<b>15,613</b>	<b>62,947</b>	<b>12,100</b>	<b>510,672</b>

#### 13 Non-current assets – Deferred tax assets

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Future income tax benefit	<b>37,013</b>	29,612	<b>483</b>	483

#### 14 Non-current assets – Intangible assets

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Goodwill	<b>168,856</b>	164,721	-	-
Less: Accumulated amortisation	<b>(22,511)</b>	(13,113)	-	-
	<b>146,345</b>	151,608	-	-
Patents, trademarks and brand names				
At cost	<b>983</b>	1,435	-	-
Less: Accumulated amortisation	<b>(123)</b>	(526)	-	-
	<b>860</b>	909	-	-
Convertible note issue costs	<b>1,951</b>	1,951	<b>1,951</b>	1,951
Less: Accumulated amortisation	<b>(1,951)</b>	(1,756)	<b>(1,951)</b>	(1,756)
	-	195	-	195
Royalty agreement at cost	-	498	-	-
Less: Accumulated depreciation	-	(498)	-	-
	-	-	-	-
	<b>147,205</b>	152,712	-	195

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### 15 Non-current assets – Other

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Research and development	990	2,976	-	-
Less: Accumulated amortisation	(990)	(2,976)	-	-
	-	-	-	-

#### 16 Current liabilities – Payables

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Trade creditors	33,655	30,094	285	-
Other creditors and accruals	16,259	14,294	53,978	13,499
	49,914	44,388	54,263	13,499

#### 17 Current liabilities – Interest bearing liabilities

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>Unsecured</b>				
Unsecured convertible notes of \$2.00	-	54,977	-	54,977
Bank overdrafts	-	-	28,511	15,117
Other loans – controlled entity	-	-	-	14,200
	-	54,977	28,511	84,294

#### Convertible notes

On 11 December 1991, the Company issued subordinated convertible unsecured notes of \$2.00 face value. Interest was payable every six months at 11% per annum. The notes were convertible at the holder's option, into the same number of ordinary shares at any time between 15 June 1992 and 15 June 2001, and redeemable at face value at the Company's option for cash at any time after 15 June 2001. Since 15 August 2000, the Company had been in the market to purchase its convertible unsecured notes and had acquired 6,288,797 notes up until close of business on 23 November 2001, (the record date for the convertible note redemption).

On 17 December 2001, the Company redeemed the remaining 22,800,532 convertible notes for a payment of \$45,601,064. This date was the first business day that followed the nominated redemption date of 15 December 2001.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued) For the year ended 31 December 2001

#### 18 Current liabilities – Current tax liabilities

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Income tax	9	346	5,385	-

#### 19 Current liabilities – Provisions

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Dividends	9,474	7,101	9,474	7,101
Employee entitlements	12,486	13,928	-	-
Workers' compensation	1,880	2,403	-	-
Restructuring costs	19,913	27,987	-	-
Other	-	453	-	-
	<b>43,753</b>	<b>51,872</b>	<b>9,474</b>	<b>7,101</b>

#### 20 Non-current liabilities – Interest bearing liabilities

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>(a) Unsecured</b>				
Ultimate parent entity	215,000	204,800	215,000	-
Direct parent entity	13,432	-	-	-
<b>Total non-current interest bearing liabilities</b>	<b>228,432</b>	<b>204,800</b>	<b>215,000</b>	<b>-</b>

#### **(b) Financing arrangements**

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

##### **(i) Credit standby arrangements**

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>Total facilities</b>				
Bank overdrafts	4,000	6,000	4,000	4,000
Unsecured bill acceptance facility	25,000	25,000	25,000	25,000
Advance facility – ultimate parent entity	350,000	350,000	350,000	-
Other loans	102	102	-	-
	<b>379,102</b>	<b>381,102</b>	<b>379,000</b>	<b>29,000</b>
<b>Used at balance date</b>				
Advance facility – ultimate parent entity	215,000	204,800	215,000	-
– direct parent entity	13,432	-	-	-
Other loans	102	102	-	-
	<b>228,534</b>	<b>204,902</b>	<b>215,000</b>	<b>-</b>
<b>Unused at balance date</b>				
Bank overdrafts	4,000	6,000	4,000	4,000
Bill acceptance facility	25,000	25,000	25,000	25,000
Advance facility - ultimate parent entity	121,568	145,200	135,000	-
	<b>150,568</b>	<b>176,200</b>	<b>164,000</b>	<b>29,000</b>

##### **(ii) Financing arrangements**

In June 2000, the Company entered into a five year arrangement with its ultimate parent company RMC Group p.l.c. for the provision of credit facilities to \$350 million. The Company is required to pay interest at the end of each quarter on the average balance of any draw downs on that facility. For the year ended 31 December 2001, the weighted average interest rate applicable was 5.9% (Note 29(d)).

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### (iii) Bank loans – multi-option facilities

Following the arrangement between the Company and its ultimate parent, RMC Group p.l.c., the Company arranged new facilities with its two primary banking institutions.

The consolidated entity now has access to net bank overdraft facilities of \$4 million.

Interest on bank overdrafts is charged at variable rates. The weighted average effective interest rate chargeable on the overdrafts for the year ended 31 December 2001 is 7.95% (2000: 9.89%).

The consolidated entity has available market rate advance facilities of \$25 million. At 31 December 2001, the total of the market rate advance facility drawn down was \$Nil (2000: Nil). There is also a range of multi option facilities available to the consolidated entity through the new banking arrangements.

The market rate advance facilities available to the consolidated entity are chargeable at BBSY bid rate plus a margin. The consolidated entity made minimal use of the market rate advance facility in 2001.

All facilities between the consolidated entity and its bankers are reviewed annually.

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

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Provision for deferred income tax	<b>60,409</b>	51,189	-	-

### 22 Non-current liabilities – Provisions

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Employee entitlements	<b>2,502</b>	2,460	-	-
Limited recourse loan – direct parent entity	<b>12,305</b>	12,305	-	-
Reinstatement of operational quarries	<b>1,770</b>	1,000	-	-
	<b>16,577</b>	15,765	-	-

### 23 Non-current liabilities – other

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Other loans	<b>102</b>	102	-	-

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### 24 Contributed equity

	Consolidated		The Company	
	Dec 2001 '000	Dec 2000 '000	Dec 2001 '000	Dec 2000 '000
<b>(a) Share capital</b>				
Issued and paid up capital				
473,708,992 (2000: 473,408,992) ordinary shares, fully paid	<b>462,367</b>	462,245	<b>455,238</b>	455,116
<b>(b) Movements in ordinary share capital</b>				
Balance at the beginning of the reporting period	<b>462,245</b>	467,745	<b>455,116</b>	460,616
Shares issued				
300,000 shares issued under Executive Performance Share Plan	(i) <b>122</b>	-	<b>122</b>	-
Capital repayment of 3.5c per share	-	(5,510)	-	(5,510)
Convertible notes converted to 5,332 shares	-	10	-	10
	<b>462,367</b>	462,245	<b>455,238</b>	455,116
<b>(c) Other equity securities</b>				
Former share premium account included in equity	(ii) <b>82,522</b>	82,522	<b>75,393</b>	75,393

- (i) Ordinary shares issued under the Adelaide Brighton Ltd Executive Performance Share Plan. Refer to Note 36(b).
- (ii) The share premium reserve on consolidation has been higher than the Company's in prior periods as a result of shares issued to a minority at a premium.

#### (d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of 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 upon a poll each share is entitled to one vote.

#### 25 Reserves and accumulated losses

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>(a) Reserves</b>				
Asset revaluation reserve	<b>33,074</b>	33,074	-	-
Capital profits	<b>78</b>	78	-	-
Foreign currency translation reserve	<b>(2,248)</b>	(2,293)	-	-
	<b>30,904</b>	30,859	-	-
<b>Movements:</b>				
Asset revaluation reserve				
Balance 1 January 2001	<b>33,074</b>	33,549	-	-
Transfer to accumulated losses on sale of revalued land	-	(475)	-	-
Balance as at 31 December 2001	<b>33,074</b>	33,074	-	-
Foreign currency translation reserve				
Balance 1 January 2001	<b>(2,293)</b>	(2,149)	-	-
Net exchange differences on translation of financial statements of foreign controlled entities	<b>45</b>	(144)	-	-
Balance as at 31 December 2001	<b>(2,248)</b>	(2,293)	-	-

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### Reserves and accumulated losses (continued)

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>(b) Accumulated losses</b>				
Accumulated losses at the beginning of the financial year (period)	<b>(53,846)</b>	(76,020)	<b>(14,669)</b>	(24,003)
Net profit attributable to members of Adelaide Brighton Ltd	<b>30,593</b>	35,901	<b>15,729</b>	23,536
Transfer from asset revaluation reserve on sale of a re-valued asset	-	475	-	-
Dividends provided for or paid	<b>(18,948)</b>	(14,202)	<b>(18,948)</b>	(14,202)
Accumulated losses at the end of the financial year (period)	<b>(42,201)</b>	(53,846)	<b>(17,888)</b>	(14,669)

#### (c) Nature and purpose of reserves

##### (i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets which occurred before 1 January 2001. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

##### (ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities viz Adelaide Brighton Cement Inc., Adelaide Brighton Cement (Netherlands) BV, Fuel and Combustion Technology Inc., and Fuel and Combustion Technology International Ltd are taken to the foreign currency translation reserve, as described in accounting policy note 1(c)(iv).

## 26 Outside equity interests in controlled entities

	Consolidated	
	2001 \$'000	2000 \$'000
Interest in:		
Share capital (refer Note 37 (b))	<b>4,880</b>	4,880
Accumulated losses	<b>(1,906)</b>	(1,909)
Balance as at 31 December 2001	<b>2,974</b>	2,971

## 27 Equity

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Total equity at the beginning of the financial period	<b>442,229</b>	426,185	<b>440,447</b>	436,613
Total changes in equity recognised in the statements of financial performance	<b>30,638</b>	35,757	<b>15,729</b>	23,536
Transactions with owners as owners:				
Capital repayment of 3.5c per share	-	(5,510)	-	(5,510)
Convertible note converted to ordinary shares	-	10	-	10
Share issue under Executive Performance Share Plan	<b>122</b>	-	<b>122</b>	-
Dividends provided for or paid	<b>(18,948)</b>	(14,202)	<b>(18,948)</b>	(14,202)
Total changes in outside equity interest	<b>3</b>	(11)	-	-
Total equity at the end of the financial year (period)	<b>454,044</b>	442,229	<b>437,350</b>	440,447

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### 28 Dividends

	The Company	
	12 mths Dec 2001 \$'000	18 mths Dec 2000 \$'000
<b>Franked dividends</b>		
Interim dividend of 2 cents (2000 – 1.5 cents) per fully paid share paid 15 October 2001 (2000 – 16 October 2000)		
Franked @ 30% – 0.26 cents per share	1,232	-
Unfranked (1.74 cents per share)	8,242	-
Franked @ 34% – 1.5 cents per share	-	7,101
	<b>9,474</b>	<b>7,101</b>
Final dividend of 2.0 cents (2000 – 1.5 cents) per fully paid share recognised as a liability and expected to be paid 19 April 2002 (2000 – 24 April 2001)		
Franked @ 30% - 0.4 cents per share	1,895	-
Unfranked (1.6 cents per share)	7,579	-
Franked @ 34% - 1.5 cents per share	-	7,101
	<b>9,474</b>	<b>7,101</b>
Total dividends provided for or paid	<b>18,948</b>	<b>14,202</b>
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the year ended 31 December 2001 and period ended 31 December 2000 were as follows:		
Paid in cash	<b>16,575</b>	<b>7,101</b>

The franked portions of the dividends proposed as at 31 December 2001 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 2002.

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2000 – 34%)	(557)	(776)	-	(2,365)

The above amounts represent the balance of the franking account as at the end of the financial year (period), adjusted for:

- franking credits that may arise from the payment of any current tax liability
- franking debits that may arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that may arise from the receipt of dividends recognised as receivables at the reporting date, and
- franking credits that may be prevented from being distributed in subsequent financial years.

The Government introduced legislation into Parliament on 28 June 2001 which required companies to convert their existing Class C franking account balances from an underlying tax rate of 34% to an underlying tax rate of 30% on 1 July 2001. This had the effect of increasing the consolidated entity's and the Company's available franking account by \$935,433 and \$570,662 respectively.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

## 29 Financial instruments

### Off-balance sheet derivative instruments

Adelaide Brighton Ltd and certain of its controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates and to trade.

#### (a) Interest rate risk management

The consolidated entity may enter into interest rate swaps, forward rate agreements and futures interest rate options to manage funding costs. During the current period interest rate swaps were used as the primary tool.

##### *Interest rate swaps and forward rate agreements*

Interest rate swaps allow the consolidated entity to raise long term borrowings at floating rates and swap them into fixed rates. Maturity of swap contracts is principally between 2 and 5 years.

Each contract involves quarterly payment or receipt of the net amount of interest. At 31 December 2001, the fixed rates varied from 5.45% to 6.52% (2000: 5.62% to 7.02%) and the floating rates were at bank bill rates. The weighted average effective interest rate for the year ended 31 December 2001, including hedging costs, but excluding unsecured convertible note interest was 6.43% (2000: 6.82%).

No forward rate agreements were outstanding at year end (2000: Nil).

##### *Interest rate options*

From time to time, the consolidated entity enters into interest rate options to reduce the impact of changes in interest rates on floating rate long-term debt. The option contracts have repricing terms up to five years.

No interest rate options were contracted at 31 December 2001 (2000: Nil).

#### (b) Foreign exchange risk

The consolidated entity enters into forward exchange contracts and futures options to hedge certain firm purchase and sale commitments denominated in foreign currencies (principally US dollars). The term of these derivatives and commitments is rarely more than 1 year.

The Group's policy is to enter into forward foreign exchange contracts to hedge foreign currency purchases and sales in excess of \$50,000.

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity.

At balance date, the details of outstanding contracts are:

	<b>Consolidated</b>			
	<b>Buy Australian dollars</b>		<b>Average exchange rate</b>	
	<b>2001 \$'000</b>	<b>2000 \$'000</b>	<b>2001</b>	<b>2000</b>
<b>Sell US dollars</b>				
Maturity				
0 – 12 months	-	1,141	-	0.64
	<b>Consolidated</b>			
	<b>Sell Australian dollars</b>		<b>Average exchange rate</b>	
	<b>2001 \$'000</b>	<b>2000 \$'000</b>	<b>2001</b>	<b>2000</b>
<b>Buy US dollars</b>				
Maturity				
0 – 12 months	<b>214</b>	-	<b>0.51</b>	-

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### (b) Foreign Exchange Risk (continued)

	Consolidated			
	Sell Australian dollars		Average exchange rate	
	2001 \$'000	2000 \$'000	2001	2000
<b>Buy German deutschmarks</b>				
Maturity				
0 – 12 months	-	723	-	1.20

	Consolidated			
	Sell Australian dollars		Average exchange rate	
	2001 \$'000	2000 \$'000	2001	2000
<b>Buy euros</b>				
Maturity				
0 – 12 months	454	-	0.56	-

As these contracts are hedging anticipated future purchases, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction provided the underlying transaction is still expected to occur as originally designated. Included in the amounts deferred are any gains and losses on hedging contracts terminated prior to maturity where the related hedged transaction is still expected to occur as designated.

The following gains, losses and costs have been deferred at 31 December 2001:

	Consolidated	
	2001 \$'000	2000 \$'000
Unrealised gains	-	25
Total gains	-	25
Unrealised losses	(9)	(166)
Total losses and costs	(9)	(166)
Net losses and costs	(9)	(141)

#### (c) Credit risk exposures

Credit risk represents the accounting loss that would be recognised if counterparties failed to perform as contracted.

##### *On-balance sheet financial instruments*

The credit risk on financial assets recognised on the balance sheet of the consolidated entity, excluding investments, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers.

The consolidated entity is not materially exposed to any individual overseas country or individual customer. Concentrations of credit risk on trade debtors due from customers are: Manufacturing, Building & Construction – 75% (2000: 80%), Retail – 6% (2000: 6%) and Mining – 19% (2000: 13%).

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### (c) Credit risk exposures (continued)

##### *Off-balance sheet financial instruments*

Credit risk on off-balance sheet derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Swap and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the consolidated entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the consolidated entity. The full amount of the exposure is disclosed at Note 29(b) above.

The credit risk on swap contracts is limited to the next amount to be received from counterparties on contracts that are favourable to the consolidated entity. No amounts are due to the consolidated entity at 31 December 2001 (2000: Nil) as the consolidated entity is in a net payable position. The accrued liability to counterparties has been included in accounts payable at balance date.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### (d) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to financial statements. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

2001	Weighted Average interest rate	Fixed interest maturing in:					Total \$'000
		Floating interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	
<b>Financial assets</b>							
Cash and deposits – Note 5	5.01%	18,616	2,907	-	-	39	21,562
Receivables – Note 6 & 9	5.60%	11,410	-	-	-	56,234	67,644
Shares in joint venture entities	-	-	-	-	-	27,588	27,588
Other debtors	-	-	-	-	-	2,098	2,098
Other financial investments – Note 11	-	-	-	-	-	10	10
		<u>30,026</u>	<u>2,907</u>	<u>-</u>	<u>-</u>	<u>85,969</u>	<u>118,902</u>
<b>Financial liabilities</b>							
Borrowings – Note 20	5.88%	228,432	-	-	-	102	228,534
Trade and other creditors – Note 16	-	-	-	-	-	49,914	49,914
Employee entitlements – Note 19 & 22	-	-	-	-	-	14,988	14,988
Limited recourse loan – Note 22	-	-	-	-	-	12,305	12,305
Final Dividend – Note 28	-	-	-	-	-	9,474	9,474
Interest rate swaps*	5.80%	(155,000)	-	155,000	-	-	-
		<u>73,432</u>	<u>-</u>	<u>155,000</u>	<u>-</u>	<u>86,783</u>	<u>315,215</u>
Net financial assets (liabilities)		<u>(43,406)</u>	<u>2,907</u>	<u>(155,000)</u>	<u>-</u>	<u>(814)</u>	<u>(196,313)</u>

\* Notional principal amounts.

2000	Weighted Average interest rate	Fixed interest maturing in:					Total \$'000
		Floating interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	
<b>Financial assets</b>							
Cash and deposits	5.83%	29,205	2,768	-	-	207	32,180
Receivables	6.50%	10,617	-	-	-	57,321	67,938
Shares in joint venture entities	-	-	-	-	-	26,932	26,932
Other debtors	-	-	-	-	-	3,181	3,181
Other financial investments – Note 11	-	-	-	-	-	10	10
		<u>39,822</u>	<u>2,768</u>	<u>-</u>	<u>-</u>	<u>87,651</u>	<u>130,241</u>
<b>Financial liabilities</b>							
Borrowings – Note 20	7.43%	204,800	-	-	-	102	204,902
Trade and other creditors – Note 16	-	-	-	-	-	44,388	44,388
Convertible Notes – Note 17	11.00%	-	54,977	-	-	-	54,977
Employee entitlements – Notes 19 & 22	-	-	-	-	-	16,388	16,388
Limited recourse loan – Note 22	-	-	-	-	-	12,305	12,305
Final Dividend – Note 28	-	-	-	-	-	7,101	7,101
Interest rate swaps*	6.09%	(135,000)	55,000	80,000	-	-	-
		<u>69,800</u>	<u>109,977</u>	<u>80,000</u>	<u>-</u>	<u>80,284</u>	<u>340,061</u>
Net financial assets (liabilities)		<u>(29,978)</u>	<u>(107,209)</u>	<u>(80,000)</u>	<u>-</u>	<u>7,367</u>	<u>(209,820)</u>

\* Notional principal amounts.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### (e) Net fair values of financial assets and liabilities

##### *Valuation Approach*

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

##### *(i) On-balance sheet financial instruments*

Convertible notes are traded in an organised financial market. The net fair value of convertible notes is determined by valuing them at the current quoted market offer price, adjusted for transaction costs necessary to settle the liability.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using the standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank term deposits, accounts receivable, accounts payable, employee entitlements, bank loans and dividends payable approximate net fair value.

The net fair value of investments in unlisted shares in other corporations is determined by reference to underlying net assets of the respective corporations.

##### *(ii) Off-balance sheet financial instruments*

The valuation of off-balance sheet financial instruments detailed in this note reflects the estimated amounts which the consolidated entity expects to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates as at the reporting date. This is based on independent market quotations and determined using standard valuation techniques.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

The carrying amounts and net fair values of financial assets and liabilities of the consolidated entity at balance date are:

	Note	Consolidated			
		2001		2000	
		Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Cash	5	21,562	21,562	32,180	32,180
Trade debtors	6 & 9	56,234	56,234	57,321	57,321
Other debtors	8	2,098	2,098	3,181	3,181
Loans to joint venture entity	9	11,410	11,410	10,617	10,617
Shares in joint venture entities (equity accounted)	10	27,588	27,588	26,932	26,932
Shares in other corporations	11	10	10	10	10
<b>Non-traded financial assets</b>		<b>118,902</b>	<b>118,902</b>	130,241	130,241
<b>Financial liabilities</b>					
Trade creditors	16	49,914	49,914	44,388	44,388
Employee entitlements	19 & 22	14,988	14,988	16,388	16,388
Loan from ultimate parent entity	20	215,000	215,000	204,800	204,800
Loan from direct parent entity	20	13,432	13,432	-	-
Other loan	23	102	102	102	102
Limited Recourse Loan – direct parent entity	22	12,305	12,305	12,305	12,305
Dividend payable	28	9,474	9,474	7,101	7,101
<b>Non-traded financial liabilities</b>		<b>315,215</b>	<b>315,215</b>	285,084	285,084
Unsecured convertible notes	17	-	-	54,977	56,378
		<b>315,215</b>	<b>315,215</b>	340,061	341,462
<b>Off-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Forward exchange contracts		-	(9)	-	(643)
Interest rate swaps		-	(2,045)	-	(141)
		-	(2,054)	-	(784)
<b>Financial liabilities</b>					
Capital expenditure commitments					
Not later than one year		1,994	1,994	2,265	2,265
Operating lease rental commitments					
Not later than one year		435	435	678	678
Later than one year but not later than five years		1,343	1,343	1,817	1,817
Later than five years		763	763	588	588
Bank guarantees		3,754	3,754	5,135	5,135
		<b>8,289</b>	<b>8,289</b>	10,483	10,483

Net 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 consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

### 30 Remuneration of Directors

#### Directors' income

The number of Directors of the Company, including executive Directors, whose income from the Company or any related party, falls within the following bands:

\$	The Company	
	12 mths Dec 2001	18 mths Dec 2000
0 - 9,999	2	6
30,000 - 39,999	-	1
40,000 - 49,999	1	1
50,000 - 59,999	1	-
60,000 - 69,999	1	-
80,000 - 89,999	-	1
90,000 - 99,999	-	1
140,000 - 149,999	1	1
170,000 - 179,999	1	-
210,000 - 219,999	-	1
550,000 - 559,999	-	1
900,000 - 999,999	1*	-

\* Remuneration includes lump sum termination payments

The remuneration bands for executive Directors are not consistent with the emoluments disclosed in the Directors' report as the basis of calculation differs due to the differing requirements of the Corporations Act 2001 and the Accounting Standards.

	Consolidated		The Company	
	12 mths Dec 2001 \$	18 mths Dec 2000 \$	12 mths Dec 2001 \$	18 mths Dec 2000 \$
Total income paid or payable, or otherwise made available, to all Directors of the Company from the Company or any related party.	<b>1,482,115</b>	1,170,697	<b>1,482,115</b>	1,170,697
Directors' fees included above	<b>313,714</b>	429,542	<b>313,714</b>	429,542
Voted limit on Directors' fees	<b>325,000</b>	487,500	<b>325,000</b>	487,500

Directors' income does not include amounts paid by the Company during the reporting period to indemnify Directors, nor does it include an allocation of insurance premiums paid by the Company or related parties in respect of Directors' and officers' liabilities and legal expenses insurance contracts.

In order to protect shareholders' funds, the Company carries insurance which the Board considers is sufficient for the size and nature of the Company's business.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### 31 Remuneration of executives

Executive officers are those officers involved in the strategic direction, general management or control of business at a Company or operating division level.

The number of executive officers of the Company and of controlled entities, whose remuneration from the Company or related parties, and from entities in the consolidated entity, falls within the following bands:

	\$	Executive officers of the Consolidated Entity		Executive officers of the Company	
		12 mths Dec 2001	18 mths Dec 2000	12 mths Dec 2001	18 mths Dec 2000
100,000 – 109,999		2	-	-	-
110,000 – 119,999		3	1	-	-
120,000 – 129,999		1	-	-	-
130,000 – 139,999		2*	2*	1*	-
140,000 – 149,999		5	2	-	1*
150,000 – 159,999		2	-	-	-
160,000 – 169,999		2	2	-	-
170,000 – 179,999		2	-	1	-
180,000 – 189,999		2*	1	-	-
190,000 – 199,999		1	1	-	-
200,000 – 209,999		1	3	-	-
210,000 – 219,999		-	1	-	-
220,000 – 229,999		1	2	1	-
230,000 – 239,999		1	-	-	-
240,000 – 249,999		-	1	-	-
250,000 – 259,999		-	1	-	-
260,000 – 269,999		-	1	-	-
270,000 – 279,999		-	2	-	-
280,000 – 289,999		1	-	-	-
300,000 – 309,999		-	1*	-	-
310,000 – 319,999		-	1*	-	-
350,000 – 359,999		1*	-	-	-
360,000 – 369,999		-	3*	-	-
370,000 – 379,999		-	1	-	1
400,000 – 409,999		-	1	-	-
520,000 – 529,999		1*	-	-	-
550,000 – 559,999		-	1	-	1
690,000 – 699,999		-	1*	-	-
990,000 – 999,000		1*	-	1*	-

\* Remuneration includes lump sum redundancy payments

Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by Australian based executives (including executive Directors) whose remuneration was at least \$100,000:

	Executive officers of the Consolidated Entity		Executive officers of the Company	
	12 mths Dec 2001	18 mths Dec 2000	12 mths Dec 2001	18 mths Dec 2000
	\$	\$	\$	\$
Executive officers of the Company	1,521,940	1,262,108	1,521,940	1,262,108
Executive officers of other entities in the consolidated entity	4,513,921	6,671,086	-	-
	<b>6,035,861</b>	<b>7,933,194</b>	<b>1,521,940</b>	<b>1,262,108</b>

Executives' remuneration does not include amounts paid by the consolidated entity during the reporting period to indemnify executive officers, nor does it include an allocation of insurance premiums paid by the consolidated entity or related parties in respect of executive officers' liabilities and legal expenses.

## Adelaide Brighton Ltd and consolidated entities

Insurance cover for executive officers liability is extended to the consolidated entity under a global policy effected by RMC Group p.l.c. under its insurance portfolio.

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### 32 Remuneration of auditors

	Consolidated		The Company	
	2001	2000	2001	2000
	\$	\$	\$	\$
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:				
Auditor of the parent entity – PricewaterhouseCoopers Australian firm	<b>304,500</b>	381,884	<b>66,000</b>	113,625
Other auditors of controlled entities				
Related practices of the auditor of the parent entity – overseas PricewaterhouseCoopers firms	<b>5,310</b>	-	-	-
	<b>309,810</b>	381,884	<b>66,000</b>	113,625
Remuneration for other services:				
Auditor of the parent entity – PricewaterhouseCoopers Australian firm	<b>14,600</b>	-	-	-

#### 33 Contingent liabilities and environmental issues

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

	Consolidated		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
(a) <b>Guarantees</b>				
Bank guarantees	<b>3,754</b>	5,135	-	-

#### (b) Litigation

Lime Industry Nominees Pty Ltd has made an application to the Supreme Court of Western Australia to re-register Swan Portland Cement Ltd. Swan Portland Cement Ltd, prior to its liquidation, was a subsidiary of Adelaide Brighton Cement Ltd and Adelaide Brighton Ltd only acquired full control on 30 June 1999. Lime Industry Nominees Pty Ltd are seeking to re-register the Company in order to pursue an action against the Company for alleged breaches of undertakings made in respect of limestone quarries in Western Australia. In order to avoid the administrative burden and cost of re-registration, Adelaide Brighton Cement Ltd has entered into a Deed formally acknowledging that it steps into the shoes of Swan Portland Cement Ltd. Notwithstanding this, Lime Industry Nominees Pty Ltd's claim in relation to the limestone deposits is strenuously rejected and any litigation will be vigorously defended.

#### (c) Environmental Issues

Shellsand dredged from the sea at Owen Anchorage near Munster, south of Perth, is the major raw material in the production of lime by Cockburn Cement Ltd. Although the State Agreement Act allows Cockburn Cement Ltd to dredge shellsand from this area until 2021, current approvals only authorise dredging until 2002. Concerns have been raised about the environmental effect of dredging and the associated removal of sea grass. The Company expects the long term dredging proposal to be approved and is working closely with the Department of Environment Protection and the Environmental Protection Authority to allow dredging beyond 2002.

No material losses are anticipated in respect of any of the above contingent liabilities and environmental issues.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### 34 Commitments for expenditure

	Consolidated		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000

##### Capital commitments

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:

Within one year

<b>1,994</b>	2,265	-	-
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##### Operating leases

Commitments in relation to operating leases contracted for at the reporting date, but not recognised as liabilities, payables:

Within one year

<b>435</b>	678	-	-
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Later than one year but not later than 5 years

<b>1,343</b>	1,817	-	-
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Later than 5 years

<b>763</b>	588	-	-
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<b>2,541</b>	3,083	-	-
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Commitments for operating lease payments relate mainly to rental leases on property.

#### 35 Employee entitlements

	Consolidated		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000

##### Employee entitlement liabilities

Provision for employee entitlements

Current (Note 19)

<b>12,486</b>	13,928	-	-
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Non-current (Note 22)

<b>2,502</b>	2,460	-	-
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Aggregate employee entitlement liability

<b>14,988</b>	16,388	-	-
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##### Employee numbers

Average number of employees during the financial year (period)

Number		Number	
<b>723</b>	837	-	-

As explained in note 1(s)(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	
	2001	2000	2001	2000
Long service leave				
Weighted average rates of increase in annual employee entitlements to settlement of the liabilities	<b>1.0%</b>	3.0%	-	-
Weighted average discount rates	<b>5.9%</b>	6.1%	-	-
Weighted average terms to settlement of the liabilities (years)	<b>10</b>	10	-	-

##### 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 (including executive Directors) 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.

The number of shares issued during this year was NIL (2000 : 246,717).

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.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### Employee entitlements (continued)

##### Superannuation

In order to maximise the consolidated entity's superannuation position and provide improved benefits and services for all employees it was decided to consolidate the existing funds in the consolidated entity, being the Adelaide Brighton Group Superannuation Fund, the Cockburn Cement Ltd Executive Superannuation Fund and the Cockburn Cement Ltd Monthly Staff Superannuation Fund. The Fund Manager chosen to enable this consolidation was selected after an extensive tendering process undertaken in September 2000 by the Trustees of the Adelaide Brighton Group Superannuation Fund and the Cockburn Cement Ltd Monthly Staff Superannuation Fund with the assistance of consultants, Arthur Andersen.

The Mercer Retirement Trust (MRT) was unanimously selected as the preferred fund for the management of the consolidated entity's combined superannuation funds.

Significant savings in the form of administration and investment costs will be achieved as a result of the completion of merging all the funds into a single fund under the MRT.

Once the MRT had been selected, the process then commenced with the closing of the then existing funds and incorporating them into the new Adelaide Brighton Group Superannuation Plan. On 30 June 2001, the Cockburn Cement Ltd Executive Superannuation Fund was closed and the surplus funds transferred into the Adelaide Brighton Group Superannuation Plan.

On 31 July 2001, the Cockburn Cement Ltd Monthly Staff Superannuation Fund and the Adelaide Brighton Group Superannuation Fund were closed and the surpluses and accrued benefits of those funds were transferred into the Adelaide Brighton Group Superannuation Plan.

At the time of the closure/transfer of the Cockburn Cement Ltd Executive Superannuation Fund and the Cockburn Cement Ltd Monthly Staff Superannuation Fund, the latest financial statements available were as at 30 June 2000 for the Cockburn Cement Ltd Executive Superannuation Fund only.

At the time of the transfer of the Adelaide Brighton Group Superannuation Fund, the latest financial statements for the Adelaide Brighton Group Superannuation Fund were as at 30 June 2001, with accrued benefits actuarially assessed as at June 2000.

	<b>Adelaide Brighton Group Superannuation Fund</b>	<b>Cockburn Cement Ltd Executive Superannuation Fund</b>
	<b>30 June 2001 \$'000</b>	<b>30 June 2000 \$'000</b>
Fund assets at net market value	44,949	599
Accrued benefits (30/6/2000)	37,761	516
Excess of fund assets over accrued benefits	7,188	83
Vested benefits	39,071	302
Employer contributions to the fund	3,660	29
Employer contributions payable to the fund	307	-

The MRT administers around 200 corporate funds in Australia in their master trust environment. The MRT was selected because it provided employees with equivalent rights to those contained in the then existing funds and fully replicated the then defined benefit categories of existing funds. The provision of equivalent rights in the MRT enabled all members to be transferred under the successor fund provisions contained within the superannuation legislation.

In addition to maintaining the existing fund structures and providing equivalent rights, the MRT also provided a new category of membership, known as the Accumulation Section, into which existing members could elect to transfer based on their individual circumstances, and which all new employees as of 1 August 2001 would become members.

An actuarial assessment of the Adelaide Brighton Group Superannuation Plan will be undertaken in 2002.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### 36 Related parties

##### (a) Directors

The names of each person holding the position of Director of the Company during the year are Messrs MA Kinnaird AO, CL Harris, CH Perkins AO, D Barro AO, JA Brooks, GE Clark, MP Chellew and PJ Wright.

Mr MP Chellew was appointed Director on 14 September 2001. Mr PJ Wright resigned as a Director on 14 September 2001.

Mr D Barro AO, a Director of Adelaide Brighton Ltd, is a Director of Barro Group Pty Ltd, a Company in which he has significant influence. 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. Mr Barro is also a Director of Steel Cement Ltd and Building Products Supplies Pty Ltd. Both companies are 100% owned subsidiaries of Independent Cement and Lime Pty Ltd.

During the year, the Barro Group of Companies purchased goods and materials from and sold goods and materials 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 consolidated entity has a 50% share.

Mr MP Chellew, a Director of Adelaide Brighton Ltd, is also a Director of Independent Cement and Lime Pty Ltd and Sunstate Cement Ltd. During the year, the consolidated entity traded significantly with both Independent Cement and Lime Pty Ltd and Sunstate Cement Ltd.

All transactions involving the Barro Group Pty Ltd and Adelaide Brighton Ltd and its subsidiaries and 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 Director-related entities, may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees. These transactions are conducted on standard commercial terms.

The net value of the above transactions with the Directors and their Director-related entities was \$16,617,404 (2000: \$9,522,000). The transactions represented sale of finished product.

##### (b) Directors' shareholdings

The shareholdings in the Company of Directors and their Director-related entities at the end of the financial year (period) were:

	<b>2001 Number</b>	2000 Number
Ordinary shares held	<b>453,440</b>	529,440

All share transactions with Directors and their Director-related entities are on normal commercial terms and conditions.

On 26 February 2001, Mr Philip Wright, former Managing Director, was awarded 300,000 ordinary shares at the price of 40.5c per share being the closing price of shares on that date. The award is pursuant to Adelaide Brighton Ltd Executive Performance Share Plan approved by shareholders at the November 1999 Annual General Meeting. (Refer Note 24(b)).

##### (c) Directors' noteholdings

The convertible note holdings in the Company of Directors and their Director-related entities were:

	<b>2001 Number</b>	2000 Number
Unsecured convertible notes held	-	40,000

All unsecured convertible notes were redeemed on 17 December 2001 (refer Note 17), which was the first business day following the nominated redemption date of 15 December 2001.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### (d) Wholly-owned group

Details of interests in wholly owned controlled entities are set out in Note 37(a). Details of the Company's dealings with these wholly owned entities are set out below.

##### (i) Loans

A subordinated loan to Adelaide Brighton Cement Ltd of \$65,500,000, is repayable based on the conversion of convertible notes to ordinary share capital of the Company. Interest is payable half yearly at the 90 day Bank Bill Swap Reference (BBSW) rate at the beginning of each half year plus a 5.5% premium on the outstanding balance. Following the redemption of all unsecured convertible notes on 17 December 2001, the terms of this subordinated loan have been extended to 31 December 2002.

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. Interest is charged quarterly at the 90 day BBSW market rate at the beginning of each quarter plus 5.5% premium on the outstanding balance.

A loan to Adelaide Brighton Management Ltd of \$215,000,000 represents the level of directly drawn down funds from the Advance Facility with RMC Group p.l.c. Interest on this loan is the same as that payable by the Company to the ultimate parent entity.

A loan from Adelaide Brighton Cement (Netherlands) BV to Adelaide Brighton Management Ltd of US\$414,770 was made on 13 July 2001. Interest on this loan is at US\$ Libor and is credited to the principle loan balance at the end of each month.

All other loans to and from group entities are repayable at call.

##### (ii) Interest revenue and expense brought to account by the Company in relation to these loans during the period was:

	The Company	
	12 mths Dec 2001 \$'000	18 months Dec 2000 \$'000
Interest revenue	27,040	44,741
Interest expense	10,844	189

Interest expense for 2001 represents interest paid to the ultimate parent entity in relation to the advance facility drawn down, which in 2000 was paid by the consolidated entity.

##### (iii) Dividends

Dividends received or due and receivable by the Company from wholly owned controlled entities

	10,216	3,290
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## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

(iv) *Other transactions*

Tax losses are transferred between companies within the consolidated entity at cost, in accordance with Division 170 of the Income Tax Assessment Act 1997. The Company will acquire tax losses to the value of \$5,384,669 (2000: \$12,309,590) from Mataranka Lime Pty Ltd in 2002 to extinguish its income tax provision in the statements of financial position.

(v) *Balances with entities within the wholly owned group*

The aggregate amounts receivable from, and payable to, wholly owned controlled entities by the Company at balance date were:

	<b>The Company</b>	
	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Receivables		
Other loans - current	<b>84,895</b>	94,875
Other loans - non-current	<b>363,360</b>	148,360
Payables		
Other loans - current	<b>(53,978)</b>	(10,442)
Other loans - non-current	-	(14,200)

(e) **Other related parties**

(i) The aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with each related party.

	<b>Consolidated</b>		<b>The Company</b>	
	<b>12 mths</b>	18 mths	<b>12 mths</b>	18 mths
	<b>Dec</b>	Dec	<b>Dec</b>	Dec
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Share of profits				
- Joint venture entities	<b>5,242</b>	10,660	-	-
Interest income				
- Joint venture entity	<b>595</b>	837	-	-
Interest expense				
- Ultimate parent entity	<b>10,844</b>	14,345	<b>10,844</b>	-
- Direct parent entity	<b>487</b>	-	-	-

(ii) Aggregate amounts brought to account in relation to other transactions with other related parties were:

- Adelaide Brighton Cement Ltd supplied finished products and raw materials to Sunstate Cement Ltd and Independent Cement and Lime Pty Ltd; and
- Pavement Technology purchased raw materials from Independent Cement and Lime Pty 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.

The value of transactions for the year (period) was:

	<b>Consolidated</b>		<b>The Company</b>	
	<b>12 mths</b>	18 mths	<b>12 mths</b>	18 mths
	<b>Dec</b>	Dec	<b>Dec</b>	Dec
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Sales	<b>37,048</b>	58,672	-	-
Purchases	<b>2,668</b>	4,795	-	-

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

- (iii) Other amounts brought to account in relation to other transactions by the Company and the consolidated entity and the Company with other related parties were:

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Loans advanced to:				
- Joint venture	793	5,116	-	-
- Wholly owned subsidiary	-	-	215,000	-
Loans advanced from:				
- Ultimate parent entity	60,000	105,000	215,000	-
- Direct parent entity	13,432	-	-	-
- Wholly owned subsidiary	-	-	37,886	18,100
Loan repayments to:				
- Ultimate parent entity	49,800	-	-	-

Loans from and repayments to the ultimate parent entity are in line with terms of the advance facility referred to in Note 20(b)(ii).

- (iv) Balances with other related parties

The aggregate amounts receivable from and payable to associated companies and joint ventures by the Company and the consolidated entity are:

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>Current receivables</b>				
- Joint venture entity (interest)	298	279	-	-
- Joint venture entity (trade)	8,171	4,241	-	-
<b>Non-current receivables</b>				
- Joint venture entity (loan)	11,410	10,617	-	-
<b>Current payables</b>				
- Joint venture entity (trade)	727	413	-	-
<b>Current other creditors</b>				
- Direct parent entity	-	3,900	-	-
<b>Non-current interest bearing liabilities</b>				
- Ultimate parent entity	215,000	204,800	215,000	-
- Direct parent entity	13,432	-	-	-
<b>Non-current provisions</b>				
- Direct parent entity	12,305	12,305	-	-

These amounts include trade debtors, trade creditors, loans and other distributions.

- (f) **Loans**

Loans to joint venture entity: 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 consolidated entity during the reporting year on this loan was \$595,000 (2000: \$837,000).

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### (g) Controlling entity

Rugby Holdings Limited acquired a 55% interest in Adelaide Brighton Ltd on 30 June 1999 and became the direct parent company of Adelaide Brighton Ltd.

##### *Balances with controlling entity*

- (i) A limited recourse loan of \$12,305,000 was owing to Rugby Holdings Limited at 31 December 2001 (2000: \$12,305,000) by Cockburn Cement Ltd, a subsidiary of Adelaide Brighton Ltd. This is in respect of real property belonging to Rugby Holdings Limited on loan to Cockburn Cement Ltd. The loan is non-interest bearing.
- (ii) Advances totalling \$13,431,900 were made by Rugby Holdings Limited to Adelaide Brighton Management Ltd. These advances are interest bearing at the same rate as the primary funding to Adelaide Brighton Ltd from the ultimate parent entity, RMC Group p.l.c. Interest on the advances is added to the principal advance outstanding at the end of each quarter.

#### (h) Ultimate parent entity

The ultimate parent entity, RMC Group p.l.c. is the primary source of funding to Adelaide Brighton Ltd via a \$350 million advance facility set up in June 2000 for a period of five years. On 15 December 2001, the Company drew down \$40 million from the advance facility in order to redeem the 22,800,532 unsecured convertible notes outstanding at that date.

At 31 December 2001, the consolidated entity had drawn down \$228,431,900 (which included an advance from the direct parent entity, Rugby Holdings Limited, refer Note 36 g (ii)) of the total advance facility.

## Adelaide Brighton Ltd and consolidated entities

### 37 Investments in controlled entities

#### (a) Particulars in relation to controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2001 %	2000 %
<b>Adelaide Brighton Ltd</b>				
Adelaide Brighton Cement Ltd	South Aust <sup>5</sup>	Ord	100	100
Adelaide Brighton Cement Inc	Washington State USA <sup>2</sup>	Ord	80	80
Adelaide Brighton Cement Investments Pty Ltd	South Aust <sup>1, 5</sup>	Ord	100	100
Adelaide Brighton Cement Research (No 1) Pty Ltd	South Aust <sup>1,4</sup>	Ord	100	100
Adelaide Brighton Management Ltd	South Aust <sup>5</sup>	Ord	100	100
Abcem Pty Ltd	South Aust <sup>1,4</sup>	Ord	100	100
Adelaide Brighton Cement International Pty Ltd	South Aust <sup>1</sup>	Ord	100	100
Adelaide Brighton Intellectual Property Pty Ltd (formerly FCT Intellectual Property Pty Ltd)	South Aust <sup>1</sup>	Ord	100	100
Northern Cement Ltd	Northern Territory <sup>5</sup>	Ord	100	100
Cockburn Cement Ltd	Western Aust <sup>5</sup>	Ord	100	100
<b>Adelaide Brighton Cement Ltd</b>				
Acco Transport Pty Ltd	South Aust <sup>1,4</sup>	Ord	100	100
SRC Investment Pty Ltd	Western Aust <sup>1,4</sup>	Ord	100	100
Ready Lime Putty Pty Ltd	Western Aust <sup>1,4</sup>	Ord	100	100
Exmouth Limestone Pty Ltd	Western Aust <sup>1</sup>	Ord	51	51
<b>Adelaide Brighton Cement Inc</b>				
Adelaide Brighton Cement (Florida) Inc	Florida USA <sup>2</sup>	Ord	100	100
Adelaide Brighton Cement (Hawaii) Inc	Hawaii USA <sup>2</sup>	Ord	100	100
Hileah (Florida) Management Inc	Florida USA <sup>2</sup>	Ord	100	100
<b>Adelaide Brighton Management Ltd</b>				
Pavement Technology Ltd	South Aust <sup>5</sup>	Ord	100	100
Advanced Cement Technologies Pty Ltd	South Aust <sup>1,4</sup>	Ord	100	100
Adelaide Brighton Cement (Netherlands) BV	Netherlands <sup>2</sup>	Ord	100	100
<b>Pavement Technology Ltd</b>				
Accendo Pty Ltd	South Aust <sup>1</sup>	Ord	50	50
<b>Advanced Cement Technologies Pty Ltd</b>				
Accendo Pty Ltd	South Aust <sup>1</sup>	Ord	50	50
<b>Adelaide Brighton Cement Investments Pty Ltd</b>				
Adjuto Pty Ltd	South Aust <sup>1,4, 5</sup>	Ord	100	100
<b>Adjuto Pty Ltd</b>				
PQ Ltd	South Aust <sup>1,4, 5</sup>	Ord	100	100
<b>Fuel &amp; Combustion Technology Ltd</b>				
Fuel & Combustion Technology International Ltd	United Kingdom <sup>3,4</sup>	Ord	-	-
<b>Fuel &amp; Combustion Technology International Ltd</b>				
Fuel & Combustion Technology International Inc	USA <sup>2,4</sup>	Ord	100	100
<b>Adelaide Brighton Cement International Pty Ltd</b>				
Adelaide Brighton Cement Inc	Wash. State USA <sup>2</sup>	Ord	20	20
Fuel & Combustion Technology International Ltd	United Kingdom <sup>3</sup>	Ord	100	100
<b>Northern Cement Ltd</b>				
Northern Cement Nominees Pty Ltd	Northern Territory <sup>1,4</sup>	Ord	100	100
Mataranka Lime Pty Ltd	South Aust <sup>1</sup>	Ord	100	100
<b>Cockburn Cement Ltd</b>				
Cockburn Waters Pty Ltd	Western Aust <sup>1,4</sup>	Ord	100	100
Hydrated Lime Pty Ltd	Western Aust <sup>1,4</sup>	Ord	100	100
Chemical UnitTrust	Western Aust <sup>1,4</sup>	Units	100	100
Kalgoorlie Lime & Chemical Company Pty Ltd	Western Aust <sup>1,4</sup>	Ord	100	100

<sup>1</sup> Small proprietary company as defined by the Corporation Law and is not required to be audited for statutory purposes

<sup>2</sup> Controlled entities of which PricewaterhouseCoopers has not acted as auditor

<sup>3</sup> Audited by other member firms of PricewaterhouseCoopers

<sup>4</sup> Liquidation process underway

<sup>5</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 38.

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### (b) Outside equity interest in controlled entities

The following controlled entities have issued ordinary shares to outside equity interests:

Name	Total issued and paid-up capital		Number of shares held by outside interests		Equity holdings of outside interests	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 %	2000 %
Exmouth Limestone Pty Ltd	<b>9,960</b>	9,960	<b>4,880</b>	4,880	<b>49</b>	49

#### (c) Acquisition/disposal of controlled entity

There were no acquisitions or disposals during the year.

### 38 Deed of cross guarantee

Adelaide Brighton Ltd, Adelaide Brighton Cement Ltd, Cockburn Cement Ltd, PQ Ltd, Adelaide Brighton Cement Investments Pty Ltd, Adelaide Brighton Management Ltd, Adjuto Pty Ltd, Northern Cement Ltd and Pavement Technology Ltd are parties to a Deed of Cross Guarantee 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 by Class Orders 98/2017 and 00/0321) 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 of Cross Guarantee that are controlled by the Company, they also represent the "Extended Closed Group".

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### Deed of cross guarantee (continued)

Set out below is a consolidated statements of financial performance for the year ended 31 December 2001 (and the 18 month period to December 2000) of the Closed Group consisting of Adelaide Brighton Ltd, Adelaide Brighton Cement Ltd, Cockburn Cement Ltd, PQ Ltd, Adelaide Brighton Cement Investments Pty Ltd, Adelaide Brighton Management Ltd, Adjuto Pty Ltd, Northern Cement Ltd and Pavement Technology Ltd.

	<b>12 mths Dec 2001 \$'000</b>	18 mths Dec 2000 \$'000
<b>Revenues from sale of goods and services</b>	<b>387,801</b>	624,706
Cost of sales (incl. freight and distribution costs)	<b>(310,032)</b>	(511,149)
<b>Gross profit</b>	<b>77,769</b>	113,557
Other revenues from ordinary activities	<b>13,924</b>	31,294
Other expenses from ordinary activities		
Marketing	<b>(5,495)</b>	(7,586)
Administration	<b>(23,834)</b>	(54,421)
Borrowing costs	<b>(18,065)</b>	(34,995)
Other	<b>(8,617)</b>	(12,292)
Shares of net profits of joint venture entities accounted for using the equity method	<b>5,242</b>	10,660
<b>Profit from ordinary activities before income tax expense</b>	<b>40,924</b>	46,217
Income tax expense	<b>(13,615)</b>	(23,574)
<b>Profit from ordinary activities after income tax expense</b>	<b>27,309</b>	22,643
Aggregate of amounts transferred from reserves	-	475
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	<b><u>27,309</u></b>	<b><u>23,118</u></b>

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

Set out below is a consolidated statements of financial position as at 31 December 2001 (and the 18 month period to December 2000) of the Closed Group consisting of Adelaide Brighton Ltd, Adelaide Brighton Cement Ltd, Cockburn Cement Ltd, PQ Ltd, Adelaide Brighton Cement Investments Pty Ltd, Adelaide Brighton Management Ltd, Adjuto Pty Ltd, Northern Cement Ltd and Pavement Technology Ltd.

	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
<b>Current assets</b>		
Cash assets	16,780	27,258
Receivables	173,670	160,265
Inventories	39,443	44,008
Other	2,038	2,473
Total current assets	<u>231,931</u>	<u>234,004</u>
<b>Non-current assets</b>		
Receivables	11,732	10,939
Investments accounted for using the equity method	27,588	26,932
Property, plant and equipment	501,830	499,773
Deferred tax assets	22,151	13,635
Intangible assets	147,009	152,466
Other	10	11
Total non-current assets	<u>710,320</u>	<u>703,756</u>
<b>Total assets</b>	<u>942,251</u>	<u>937,760</u>
<b>Current liabilities</b>		
Payables	94,098	61,042
Interest bearing liabilities	-	54,977
Current tax liabilities	13,615	21,279
Provisions	43,253	51,716
Total current liabilities	<u>150,966</u>	<u>189,014</u>
<b>Non-current liabilities</b>		
Interest bearing liabilities	228,432	204,800
Deferred tax liabilities	60,057	51,166
Provisions	16,577	15,450
Other	102	102
Total non-current liabilities	<u>305,168</u>	<u>271,518</u>
<b>Total liabilities</b>	<u>456,134</u>	<u>460,532</u>
<b>Net assets</b>	<u>486,117</u>	<u>477,228</u>
<b>Equity</b>		
Contributed equity	462,367	462,245
Reserves	31,729	31,323
Retained profits	(7,979)	(16,340)
<b>Total equity</b>	<u>486,117</u>	<u>477,228</u>

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### 39 Investments in joint ventures and associates

- (a) Investments in joint ventures and associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (see Note 10).

Name of joint venture company	Principal activity	Ownership interest		Consolidated carrying amount		The Company carrying amount	
		2001 %	2000 %	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Sunstate Cement Ltd	Cement manufacture	50	50	11,280	10,598	-	-
Independent Cement and Lime Pty Ltd	Cement distribution	50	50	16,308	16,334	-	-
				<b>27,588</b>	<b>26,932</b>	<b>-</b>	<b>-</b>

The annual balance date of the above joint venture entities is 30 June.

	Consolidated	
	12 mths Dec 2001 \$'000	18 mths Dec 2000 \$'000
<b>(b) Results of joint ventures</b>		
Share of joint ventures operating profit before tax	7,739	15,759
Share of joint ventures income tax expense attributable to operating profit	(1,515)	(3,199)
Share of joint ventures net profit – as disclosed by joint ventures	6,224	12,560
Adjustments:		
Amortisation of goodwill arising from investment in joint ventures	(998)	(1,690)
Unrealised profit in inventory	16	(210)
Share of joint ventures net profit – equity accounted	5,242	10,660
<b>(c) Share of post-acquisition retained profits and reserves attributable to joint ventures</b>		
Share of joint ventures retained profits at the beginning of the financial period	(7,049)	(9,121)
Share of net profit of joint ventures	5,242	10,660
Dividends and distribution from joint ventures	(4,586)	(8,588)
Share of joint ventures retained profits at the end of the reporting period	(6,393)	(7,049)



## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### (g) Disposals of associates

Name	Note	Proceeds		Consolidated interest	
		12 mths Dec 2001 \$'000	18 mths Dec 2000 \$'000	As at Dec 2001 %	As at Dec 2000 %
Stabilised Pavements of Australia Pty Ltd	(i)	-	4,000	-	-
Pavement Technology (M) Sdn Bhd	(ii)	-	956	-	-
		-	4,956		

#### Note

(i) Stabilised Pavements of Australia Pty Ltd was disposed of on 1 February 2000.

(ii) Pavement Technology (M) Sdn Bhd was disposed of on 6 October 2000.

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

### Reconciliation of operating profit after income tax to net cash provided by operating activities

	Consolidated		The Company	
	12 months Dec 2001 \$'000	18 months Dec 2000 \$'000	12 months Dec 2001 \$'000	18 months Dec 2000 \$'000
Operating profit after income tax	30,596	35,890	15,729	23,536
Add non-cash items:				
Transfer to provisions:				
Doubtful debts	2,363	128	6,804	-
Depreciation and amortisation	49,930	72,748	195	293
Add(less) items classified as investing / financing activities:				
Research and development funding	-	(4)	-	-
(Profit) on sale of non-current assets	(940)	(3,774)	-	-
Payments on sale of group entities	-	1,883	-	1,883
Write down and loss on sale of investments	-	4,428	-	(4,604)
Share of associates' net profit	(5,242)	(1,994)	-	-
Other	3,558	3,369	(29)	-
Net cash provided by operating activities before change in assets and liabilities	80,265	112,674	22,699	21,108
Changes in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the reporting period:				
Decrease in deferred expenses	-	1,328	-	-
Decrease in inventories	4,565	5,614	-	-
Decrease in prepayments	1,067	2,512	-	-
(Increase)/decrease in trade/term debtors	2,088	15,989	-	(30)
(Increase) in inter-company debtors	-	-	(7,965)	(23,397)
Increase/(decrease) in trade creditors	5,616	(9,199)	-	-
(Decrease) in provisions	(10,272)	(7,941)	-	-
Increase/(decrease) in taxes payable	(178)	(3,633)	5,385	(659)
Net cash provided by operating activities	83,151	117,344	20,119	(2,978)

## Adelaide Brighton Ltd and consolidated entities

### Notes to the financial statements (continued)

For the year ended 31 December 2001

#### 41 Earnings per share

	Consolidated	
	12 mths Dec 2001 Cents	18 mths Dec 2000 Cents
Basic earnings per share	<u>6.5</u>	<u>7.6</u>

The difference between basic earnings per share and diluted earnings per share is immaterial.

	The Company	
	12 mths Dec 2001 Number	18 mths Dec 2000 Number
Weighted average number of shares used as the denominator Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>473,556,937</u>	<u>473,406,940</u>

	Consolidated	
	12 mths Dec 2001 \$'000	18 mths Dec 2000 \$'000
<b>Reconciliations of earnings used in calculating earnings per share</b>		
Basic earnings per share		
Net profit	30,596	35,890
Net profit attributable to outside equity interest	(3)	11
Earnings used in calculating basic earnings per share	<u>30,593</u>	<u>35,901</u>

#### 42 Statement of operations of segments

##### Industry and geographical segments

During the last year, the consolidated entity operated predominantly in the cement and lime industry in Australia. More than 90% of revenue, operating profit and segment assets related to operations in the cement and lime industry in Australia.

## Adelaide Brighton Ltd and consolidated entities

### Directors' declaration

The Directors declare that the financial statements and notes set out on pages 11 to 57:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2001 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; 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 38 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 38.

This declaration is made in accordance with a resolution of the Directors.

\_\_\_\_\_  
Director

M Chellew

Dated at Adelaide on the 27<sup>th</sup> day of March 2002.

**Independent audit report to the members of  
Adelaide Brighton Ltd**

PricewaterhouseCoopers  
ABN 52 780 433 757

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

***Matters relating to the electronic presentation of the audited financial report***

This audit report relates to the financial report of Adelaide Brighton Limited (“the Company”) for the financial year ended 31 December 2001 included on Adelaide Brighton Limited’s web site. The Company’s directors are responsible for the integrity of the Adelaide Brighton Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information, which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

***Scope***

We have audited the financial report of Adelaide Brighton Ltd (the Company) for the financial year ended 31 December 2001 as set out on pages 11 to 58. The Company’s directors are responsible for the financial report which includes the financial statements of the Company and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the financial year. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001 in Australia so as to present a view which is consistent with our understanding of the Company’s and consolidated entity’s financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

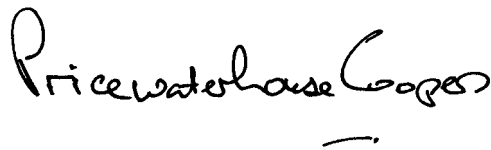
**Independent audit report to the members of**

**Adelaide Brighton Limited (continued)**

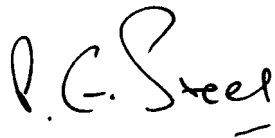
***Audit opinion***

In our opinion, the financial report of the Company is in accordance with:

- (a) 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 2001 and of their performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



PricewaterhouseCoopers  
Chartered Accountants



PG Steel  
Partner

Adelaide  
27 March 2002