

Financial results

Adelaide Brighton reported a net profit after tax (NPAT) of \$50.7 million for the year ended 31 December 2002, an increase of 66% from \$30.6 million recorded in the previous year. The increased profit was largely achieved through sustained volume growth, price rises across all products in all states and a sound operational performance.

Sales revenue

The result was derived from a 25% increase in sales revenue to \$489.4 million (\$393.2 million in 2001). Increased revenues resulted from volume growth in cement and lime, the implementation of price increases across all products in all states and the inclusion of Premier Resources during the period. Supported by strong housing activity, demand for cement and concrete was robust, particularly in Queensland, Victoria and New South Wales. Demand for lime from the mining and resources sector continued to be strong.

Profitability

Pre-tax profit more than doubled to \$66.9 million for the year (\$30.6 million in 2001) as a result of revenue growth, the effects of cost reductions and operational efficiencies together with a reduced net interest charge. We are particularly pleased with the margin recovery following the contraction of margins in 2000.

The NPAT result was achieved despite a tax charge of \$16.2 million, compared with no tax expense in the previous year: an effective tax rate of 24%. A full tax expense is expected from 2003 onwards at an effective rate of approximately 31%.

Earnings per share increased by 52% from 6.5 cents to 9.9 cents.

Dividend

An interim dividend of 2.5 cents, franked to 20%, was paid to shareholders in October 2002. A final dividend of 2.75 cents, franked to 35%, will be paid on 16 April 2003 to shareholders registered on 25 March 2003.

The total dividend for the year of 5.25 cents represents a 31% increase over the previous year's total dividend and equates to a payout ratio of 56% of net profit after tax.

Franking is expected to increase as the Company returns to a tax-paying situation in 2003.

Cash flow

Free cash flow (i.e. cash surplus after capital expenditure that is available for dividends and debt repayment) increased to \$59.8 million for the year ended 31 December 2002 compared with \$37.3 million for the previous financial year. Active capital management helped to minimise the effect of the increase in working capital which resulted from the strong growth in revenue.

Interest hedging profile	Dec 2002 \$ millions	Dec 2001 \$ millions
Net external debt	181.8	207.0
Debt hedged (\$)	105.0	155.0
Debt hedged (%)	58%	75%

Capital expenditure

The combined cost of the Premier Resources and Neil Mansell acquisitions amounted to \$61.4 million.

Capital expenditure totalled \$39.8 million (\$45.7 in 2001). Management continued to control spending tightly. Capital expenditure for 2002 included a component for development of the Premier business. The largest single item here was the construction of Premier's Mascot concrete plant in Sydney. Once the North Melbourne concrete plant is built, scheduled for the first half of 2003, the development to which Adelaide Brighton committed when it acquired Premier will be completed.

A further payment to the vendors of Premier, contingent on performance, is expected to become payable in 2003.

Rights issue

On 18 June 2002, Adelaide Brighton completed a 1 for 7 Rights Issue at 75 cents per share, raising approximately \$50 million, net of issue costs. The proceeds were used to strengthen the Group's financial position and reduce gearing.

Debt and gearing

Net debt as at 31 December 2002 decreased by \$25.2 million compared with the previous year-end. Gearing (net debt as a percentage of total equity) was reduced to 35% at 31 December 2002, from 46% at the end of the previous year.

Gross debt at year-end was \$201.3 million, of which \$200.0 million was drawn down under the loan facility provided by RMC Group p.l.c., and is payable by June 2005. The Company's unutilised and available corporate funding facilities at year-end were \$164.0 million.

Interest Costs

Net interest charges fell by \$3.2 million compared with 2001 as a result of the reduced level of debt and the redemption of convertible notes in 2001. More expensive debt in Premier Resources Ltd was retired post acquisition and replaced with inter-company borrowings, leveraging Adelaide Brighton's superior credit profile.

As a result of reduced interest costs coupled with improved operational performance, net interest cover on an earnings before depreciation, amortisation of goodwill, interest and tax (EBITDA) basis has improved significantly from 5.0 times to 9.0 times.

The Company maintains a hedged interest rate position based on the forecast core debt expected to be in place in three years time. Policy benchmark and discretionary limits have been set and are regularly monitored by the Board.

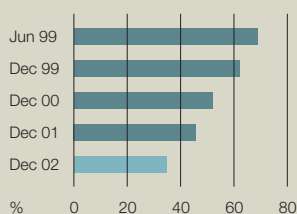
The average interest rate for debt at the year-end was 5.72%, with 58% of net borrowings hedged with an average maturity of 1.7 years.

Taxation

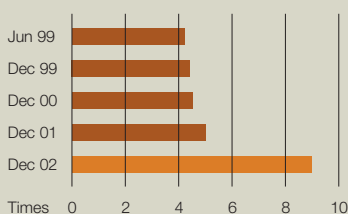
Carried forward losses remain available to offset against present and future taxable income. Given the increased level of profitability experienced in 2002, the payment of income tax is anticipated to commence during 2003, at significantly less than full rate.

The recognition of income tax losses not previously brought to account has resulted in no tax expense in 2001 and a partial tax expense in 2002 (an effective rate of 24%). The Company expects to incur a full income tax expense on 2003 profits.

Gearing: net debt to equity



Interest cover (EBITDA basis)



Earnings per share

