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## **Adelaide Brighton Ltd**

ACN 007 596 018

### **FULL YEAR REPORT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 1999**

#### **REVIEW OF OPERATIONS**

##### **Overview**

Adelaide Brighton Ltd recorded a profit after tax and before abnormal items for the year ended 30 June 1999 of \$11.5 million or 4% down on the previous year.

The results for the year ended 30 June 1999 include the effects of two changes in accounting policies adopted during the year that resulted in a \$2.5 million decrease in the consolidated operating profit after income tax and before abnormal items compared to the previous year.

The accounts also incorporate the successful completion of the merger transaction with The Rugby Group PLC as follows:

- include the substantial one-off abnormal costs before tax and minority interest effect of \$106 million. These are mainly associated with the restructuring of operations as a consequence of the recent merger transaction with The Rugby Group PLC, the acquisition of the minority interest in Adelaide Brighton Cement Ltd, and the review of its other businesses as advised to shareholders in the Explanatory Memorandum;
- do not include in the profit and loss the results of Cockburn Cement Ltd or of the 49% of Adelaide Brighton Cement Ltd (now wholly owned) to the 30 June 1999;
- do not include any of the merger benefits identified from the rationalisation opportunities afforded by the recent transaction with The Rugby Group PLC and
- include in the balance sheet the net assets relating to the acquisition of Cockburn Cement Ltd.

Prior to the above abnormal items and the effect of the changes in accounting policies, the company showed profits for the second half of the year which indicated a modest improvement over the first half on a lower level of sales. Strong demand for cement in Victoria and South Australia were offset by weaker lime demand and some price reductions in increasingly competitive markets in Northern Australia.

As indicated in the Explanatory Memorandum, the directors do not propose to pay a dividend in respect of the year ended 30 June 1999. A distribution of 3.5 cents per share by way of

capital return was effected on 5 July 1999. The shares issued to The Rugby Group PLC and pursuant to the rights issue did not participate in this distribution.

From an operational point of view, a major plant shutdown at the Birkenhead plant occurred in March, and this was offset by significant progress in the Business Improvement Plan (BIP) advised to shareholders at the last Annual General Meeting. A review of the BIP shows that improvements running at a sustainable annual rate of nearly \$10 million a year had been achieved by June 1999, with the actual improvement for the financial year amounting to just over \$5 million.

### **Financial results**

The table below sets out the detailed financial results for the Adelaide Brighton Ltd Group:

	<b>FINANCIAL YEAR (1998-99)</b>		<b>FINANCIAL YEAR (1997-98)</b>	
	Second Half	First Half	Second Half	First Half
	\$m	\$m	\$m	\$m
<b>SALES*</b>	155.9	157.7	165.1	153.1
Depreciation	(12.6)	(13.1)	(12.2)	(10.8)
EBIT	16.3	18.8	16.4	22.7
Net interest	(6.9)	(7.7)	(7.6)	(7.2)
<b>Profit before tax and abnormal items</b>	<b>9.4</b>	<b>11.1</b>	<b>8.8</b>	<b>15.5</b>
Tax	(0.2)	(3.8)	(1.3)	(5.0)
Outside equity	(3.2)	(1.8)	(2.1)	(3.9)
Profit after tax and before abnormals	6.0	5.5	5.4	6.6
<b>Abnormals (after tax and outside equity interests)</b>	<b>(41.0)</b>	<b>(8.4)</b>	<b>1.4</b>	<b>(1.1)</b>
<b>Net profit (loss) after tax and abnormals</b>	<b>(35.0)</b>	<b>(2.9)</b>	<b>6.8</b>	<b>5.5</b>

\* sales only include transactions with parties external to the ABL Group.

### **Changes in accounting policies**

Two changes were adopted during the year:

- Accounting Standard AASB 1016 which relates to Accounting for Investments in Associates. This has resulted in an annual amortisation charge of \$1.4 million and a reduction in investments and net assets of \$28.5 million.

- Urgent Issues Group Abstract 26 relating to accounting treatment for major cyclical maintenance, adopted at 30 June 1999, resulted in a reduction in EBIT of \$3 million.

### Balance Sheet

The restructuring of the company has resulted in increased financial strength. The balance sheet incorporating the asset write downs, the provisioning for rationalisation costs resulting from the restructuring and the consolidation of the Cockburn debt reflects an improvement in gearing since the half year of 40.1% from 42.3% on a comparable basis.

### Abnormal items

Restructuring and rationalisation costs together with other abnormal items for the year amounted to \$106 million before tax and minority interest as follows:

	<b>\$ million</b>
Restructuring and rationalisation costs	
- Adelaide Brighton Cement Ltd	93
- other Adelaide Brighton Ltd Group companies	8
Workers compensation – ABC Inc	1
Impact of Victorian gas outage	1
Settlement of Humes Steelpipe Ltd claim	3
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	106
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### Restructuring and rationalisation costs

The major items in the Adelaide Brighton Cement Ltd Group relate to the provisions for the closure of the Geelong works (\$64 million), the Kwinana lime kiln and associated assets (\$20 million) and restructuring at Birkenhead and Angaston (\$9 million) as advised to shareholders in the Explanatory Memorandum.

Restructuring activities in other Adelaide Brighton Ltd Group companies mainly concern the write down of the carrying value of the assets of Fuel & Combustion Technology Ltd (\$5 million). This is as a result of the comprehensive review of the business currently being undertaken which was also advised to shareholders in the Explanatory Memorandum.

### Workers compensation - ABC Inc

The Group sold the assets of Stresscon in the USA several years ago and has identified and settled most of the outstanding liabilities. The company has recently received an account for a settlement premium charged by the workers compensation insurers of Stresscon. Whilst the end amount is still being negotiated it is being emphasised that the payment will end the company liability for any future claims.

## **MAJOR EVENTS POST YEAR END**

As formerly advised, completion of the merger transaction was achieved on 30 June 1999 and the new Board and management structure took effect from that day.

### Restructuring and merger savings

The restructure of the operations in the Western Division (formerly Cockburn and Swan) was accomplished by 30 June 1999, and the Division has been operating on an amalgamated basis since that time. Some redundancies have occurred already and merger savings will commence from the first quarter of 2000, when the exercise is complete.

The Eastern Division now encompasses Northern Cement, the Darwin grinding plant. The major focus of the Eastern Division is the reliability of the Birkenhead Operations and the upgrade of its grinding and storage capacity, which will allow the closure of Geelong. This involves investments in the Port of Melbourne and Adelaide, and a range of activities designed to ensure that production at Geelong is continued effectively through the closure period (estimated end 2000), and that employees at Geelong are provided with maximum opportunities to secure alternative employment. At the same time, the impetus of the Business Improvement Programme is being intensified.

The rationalisation of the head offices of Cockburn, ABCL and the Company is progressing well. The planning for systems integration is well under way, and new budgets and accounting systems are being developed. A detailed plan is being prepared with implementation target by March 2000.

### Board & management

The new Board is in place. Messrs England and Hamilton have retired and three new members appointed effective 1 July 1999. Mr Peter Crowley (Executive Director Cement & Lime) and Mr David Harding (Group Finance Director) are of The Rugby Group PLC. Mr Harry Perkins, Chairman of Wesfarmers Limited is a newly appointed non-executive director. The Chairman, Mr Malcolm Kinnaird AO and non-executive director, Mr Chris Harris remain on the Board. Dr Peter Bowen has been appointed an alternate director.

The Board is conducting a search for a new managing director to succeed Mr Hammond, who advised his intention to continue to act in a transitional capacity after completion of the transaction. The directors expect to make an announcement in this regard by October.

As previously announced, Mr Chris Foll joined the company in June as Group General Manager, Corporate Services. Mr Foll has most recently held the position of Managing Director, QNI Resources and prior to that spent three years as General Manager Finance & Corporate Services at Queensland Cement Limited (a Holderbank subsidiary).

### Interim year

The company will change its financial year-end to 31 December to coincide with that of The Rugby Group PLC, the new majority shareholder. Accordingly, the company will run for an eighteen month financial period to 31 December 2000, and thereafter the calendar year will be the financial year of the company.

### Market conditions

Conditions in the cement market, as foreshadowed in the merger documents, have become much more competitive, and imports of cement, many of which we believe are at dumped prices, have taken place in the Northern Territory, Queensland, Victoria and South Australia. At this stage, the quantities imported are fairly modest, but have the potential, at dumped prices, to cause material damage to the industry if unchecked. The company is co-operating with the Cement Industry Federation who is investigating an application to Government to impose dumping duties.

There is also some evidence of weakening cement demand in New South Wales and Queensland, and most analysts expect that as Olympic and infrastructure construction is completed, there will be a further weakening of demand in several states. With its major exposure in states outside New South Wales, the company expects to be less affected by any such downturns.

There have been further closures in the gold mining industry and the demand for quicklime from this sector has weakened. Major expansions of Alumina refineries are in progress and will start to consume lime during the next six months. Once these projects are taking their full requirements of quicklime, this will offset the gold reduction.

### **OUTLOOK**

Earnings prospects for the six-month interim period to December 1999 as advised in the Explanatory Memorandum to shareholders, are not expected to improve as restructuring costs will be incurred in advance of the benefits being realised.

The board and management continue to drive the strong focus on restructuring to achieve the identified merger savings. At the same time, the board looks forward to developing new growth initiatives in partnership with our new majority shareholder.

**C J Foll**  
**Group General Manager, Corporate Services**

23 August 1999

For further information:

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