

The directors present their report together with the financial report of Adelaide Brighton Ltd ('the company') and the consolidated financial report of the consolidated entity ('the Group') for the year ended 30 June 1999 and the auditor's report thereon.

**Directors**

The directors of the company at any time during or since the end of the financial year are:

**MA Kinnaird** AO, BE, FIE Aust (Hon), FTS

**CL Harris** BEc, FCPA, FAICD

**PC Crowley** BA, BEcon

**DA Harding** BA, FCMA

**CH Perkins** FAICD

**PJ Bowen** BE Hon, PhD

**RW Hammond** BSoc Sc

**RAF England** FCA, MAICD

**ND Hamilton** LLB

**Directors' interests**

The relevant interest of each director in the share capital of the companies within the consolidated entity, as notified by the directors to the Australian Stock Exchange in accordance with S235(1) of the Corporations Law, at the date of this report is as follows:

	ORDINARY SHARES	CONVERTIBLE NOTES
MA Kinnaird	65 000	—
CL Harris	49 000	—
PC Crowley	1 000	—
DA Harding	1 000	—
CH Perkins	1 000	—
RW Hammond	111 164	—

**Directors' meetings**

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the company are set out in the Statement of Corporate Governance Practices on pages 20-23 of this annual report.

**Dividends**

Dividends paid or declared by the company since the end of the previous financial year were:

As provided for in last year's report:

- (i) A final dividend of 2.5 cents per share, franked to 20%, amounting to \$3 936 006, for the 12 months ended 30 June 1998 on fully paid shares was paid on 9 October 1998.

No dividends have been paid or declared by the company in respect of the current financial year.

**Principal activities**

The principal activities of the Group are the manufacture and distribution of cement and lime and related products and technologies.

### Consolidated results

The consolidated profit/(loss) for the year ended 30 June 1999 attributable to the members of Adelaide Brighton Ltd was:

	1999 \$'000	1998 \$'000
Operating profit before abnormal items and income tax	20 462	24 306
Abnormal items	(106 096)	2 874
Operating profit/(loss) before income tax	(85 634)	27 180
Income tax attributable to operating profit/(loss)	(15 565)	3 668
Operating profit/(loss) after income tax	(70 069)	23 512
Outside equity interests	32 155	(11 242)
Operating profit/(loss) after income tax attributable to members of Adelaide Brighton Ltd	(37 914)	12 270

### Review of operations

A review of the operations of the Group during the financial year and the results of those operations, are set out in this annual report in particular in the section entitled Chairman's overview (pages 4-5) and Managing Director's overview (pages 6-13) and the accompanying financial statements.

### State of affairs

The significant changes that occurred in the state of affairs of the Group during the financial year were as follows:

#### *Restructuring of the Group*

On 30 June 1999, the Group completed the restructuring transactions approved by shareholders on 14 May 1999. As a result, Adelaide Brighton Ltd:

- acquired all the issued capital of Cockburn Cement Limited for a consideration of \$230 million. This was funded by the issue of 200 million shares to The Rugby Group PLC at \$1.15 per share;
- acquired the 49% interest in Adelaide Brighton Cement Ltd previously held by Australian Cement Holdings Pty Ltd for a consideration of \$82.9 million. This was funded almost entirely by a capital raising of \$81.2 million, of which \$39.2 million was provided by the successful completion of a 3 for 10 fully underwritten renounceable rights issue of ordinary shares in Adelaide Brighton Ltd to The Rugby Group PLC at 70 cents per share; and
- entered into new long term supply agreements with CSR Limited, Pioneer International Limited and Australian Cement Holdings Pty Ltd.

### Environmental regulation

Our cement and lime plants are generally located in environmentally sensitive areas in close proximity to residential areas.

Cornerstones of the Group's Environmental Policy include the minimisation of the impacts of our operations on our neighbours and continuous improvement of environmental performance. The Environment Management Systems in place at each of our major operating sites incorporate Environmental Improvement Programs endorsed by and developed in conjunction with the communities and local environmental authorities.

The South Australian operations at Angaston and Birkenhead achieved ISO 4001 certification in October 1998, the first cement plants in Australia to do so.

Regular monitoring of emissions is an integral part of major processes and quantitative measurement of the impact on the local community is essential to our environmental activities.

The Group is an active supporter, via its membership of the Cement Industry Federation, of the Greenhouse Challenge Program and is on track to achieve Greenhouse gas reductions of 17% by the year 2010 relative to the 1990 base year.

Operations in all areas are governed by relevant jurisdictional regulations and site specific licenses. There were a number of minor licence breaches at the Birkenhead site which were promptly rectified and reported to the relevant authorities.

All other operations have complied with the regulatory framework in which we operate.

**Events subsequent to balance date***Sale of asset*

Land classified as a current asset in the financial statements at 30 June 1999 was sold for \$2 600 000 on 5 July 1999 at a profit of \$1 300 000 after sales commissions and demolition costs.

*Capital return*

It was proposed in the Adelaide Brighton Ltd prospectus dated 18 May 1999 that a capital return of 3.5¢ per share be paid to shareholders on the register as at 5.00pm on 29 June 1999. The shares issued to The Rugby Group PLC and pursuant to the rights issue on 30 June 1999 did not participate in this distribution. A capital return was subsequently paid on 5 July 1999 based on 157 440 821 ordinary shares for a total cost of \$5 510 439. The full cost of this payment was debited to the share capital account.

*Fuel & Combustion Technology Group*

The Board, as a result of the restructuring initiatives with The Rugby Group PLC and consequent focus on core activities in cement and lime, commenced a comprehensive review of the Fuel & Combustion Technology Group (FCT). This review included an investigation as to its potential for sale and the Collins Hill Group were commissioned to seek expressions of interest from potential purchasers.

No potential purchasers eventuated through this exercise, prompting further review of FCT's operations. The Board considered it prudent to raise a provision of \$5 million in relation to the carrying value of intellectual property and capitalised research and development costs. The provision has been disclosed as an abnormal item in the financial statements for the year ended 30 June 1999.

The review of FCT is ongoing and active steps have been taken to eliminate costs and further losses.

The trading loss for the year to date and costs of closure, were a decision be made to close the operations of FCT, are estimated at approximately \$4 million and would impact the profit and loss in the period ending 31 December 1999.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

**Likely developments**

Likely developments in the operations of the Group known at the date of this report have been covered generally within the report. See particularly the Chairman's Overview (pages 4-5) and the Managing Director's Overview (pages 6-13).

**Non-renounceable rights issue of 11% subordinated convertible unsecured notes**

29 137 300 11% subordinated convertible unsecured notes of \$2.00 face value were issued on 11 December 1991. The notes are convertible, at the holder's option, into the same number of ordinary shares at any time between 15 June 1992 and 15 June 2001. As at the date of this report 42 639 notes have been converted.

**Directors' benefits**

Directors' benefits (including details of emoluments) are set out in Notes 29 and 32 of the financial statements.

### 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 Group. Performance, duties and responsibilities, market forecasts and independent advice are all considered as part of an annual review process.

Executive directors and senior executives may receive bonuses based on the achievement of specific goals related to performance of the Group and/or specific operating units (at an EBIT level) and after completion of individual key work objectives. Non-executive directors do not receive any performance related remuneration.

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 the company and the Group receiving the highest emolument are:

Director	BASE EMOLUMENT	BONUSES	NON-CASH BENEFITS	SUPER CONTRIBUTIONS	SHARES ISSUED	TERMINATION BENEFITS	TOTAL
	\$	\$	\$	\$	\$	\$	\$
MA Kinnaird	103 750	-	-	9 338	-	-	113 088
RAF England	48 950	-	-	4 406	-	38 700	92 056
CL Harris	48 950	-	-	4 406	-	-	53 356
RW Hammond	305 425	10 000	28 200	72 279	-	610 500	1 026 404
ND Hamilton	38 850	-	-	3 497	-	19 350	61 697

### Officer (Consolidated)

SW Jones	157 809	-	11 700	22 884	-	391 000	583 393
RJB Moody	152 395	39 089	31 143	24 778	-	312 500	559 905
CJ Naylor	171 006	127 435	20 000	42 811	-	-	361 252
E Turnbull	208 431	-	16 300	30 339	-	-	255 070
T Douglas	158 081	36 275	21 700	24 270	-	-	240 326

### Indemnification and insurance of officers

Under Article 193 of the company's Constitution, each of the company's directors, the company secretary Mr CJ Foll, and all other current and former directors and officers, including executive officers of the company, are indemnified to the extent permitted by law when acting in those capacities in respect of:

- liability to persons (other than related Adelaide Brighton companies) if the officer has acted in good faith and not contrary to the company's express instructions; and
- the cost and expenses of successfully defending legal proceedings.

During the financial year and again since the end of the financial year, the company has, as permitted by the Corporations Law, paid premiums for directors' and officers' liability insurance in respect of each of the directors and officers to whom the indemnity in Article 193 applies. The terms and conditions of the insurance policies prohibit the company from disclosing details of the premiums and the nature of the liabilities covered by the policies.

### Rounding off

The company is of a kind referred to in ASIC Class Order 98/100 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.

*Dated at Adelaide this 29th day of September 1999.*

*Signed in accordance with a resolution of the directors:*

*Malcolm Kinnaird*

Malcolm Kinnaird, AO

*Richard Hammond*

Richard Hammond