

## 1 Statement of accounting policies

The significant policies which have been adopted in the preparation of this financial report are:

### (a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law. It has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. These accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

### (b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the company, being the parent entity, and its controlled entities. All inter-entity balances and transactions have been eliminated.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Outside interests in the equity and results of the entities that are controlled by the company are shown as a separate item in the consolidated financial statements.

### (c) Foreign currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences arising on the hedging of specific foreign currency transactions to establish the price of particular goods or services to be purchased or sold are deferred for inclusion in the measurement of the transaction to which they relate.

The balance sheets of the overseas controlled entities (being self-sustaining foreign operations) are translated at the rates of exchange ruling at balance date. The profit and loss statements are translated at an average rate for the year. Any balance sheet transaction adjustments are taken directly to the foreign currency translation reserve.

### (d) 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).

### (e) Income tax

The consolidated entity adopts the liability method of tax-effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a deferred tax liability.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

### (f) Non-current assets

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

### (g) Cash

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.



**1 Statement of accounting policies** continued

**(h) Derivatives**

The company is exposed to changes in interest rates and foreign exchange rates from its activities. Company policy is to utilise derivative financial instruments to reduce these risks. Company policy is to not 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 profit and loss statement for the period.

**(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 profit and loss statement when they are declared.

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) Associates*

In the consolidated financial statements investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's share of the associates' net profit or loss after tax is recognised in the consolidated profit and loss statement 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 associate and any entities in the consolidated entity or another associate of the consolidated entity. Other movements in reserves are recognised directly in consolidated reserves.

This is a change in accounting policy from 1998. Refer Note 2 for further details.

*(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) Inventories**

All inventories are valued at the lower of cost and net realisable value. The cost of raw materials, work in progress and finished goods is based upon average production cost and includes an appropriate proportion of fixed and variable manufacturing overheads. Stores are valued at average cost less an allowance for obsolescence.

**(k) Depreciation and amortisation of fixed assets**

*(i) Limestone reserves and mineral tenements*

Where a value is placed on limestone reserves or mineral tenements this value is amortised if the remaining life is less than forty years.

A provision for rehabilitation of mineral reserves and tenements will be created when circumstances permit reasonable estimation of the liability. An independent valuer has concluded that there is uncertainty as to what future liability may arise in relation to rehabilitation. Further, partial rehabilitation of most sites is being undertaken as the quarrying process progresses through placing of overburden and tree planting and grassing. Costs in relation to this partial rehabilitation are expensed as incurred.

*(ii) 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	9%
Leasehold property	10%
Plant and equipment	7%

**(l) 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 profit and loss statement.

Operating lease costs are expensed as incurred.

## 1 Statement of accounting policies continued

### (m) Research and development costs

Research and development costs are expensed as incurred, except, as identified in Note 15 where the expenditure relates to specific major projects in which research and development costs are capitalised up to the commencement of commercial testing as part of the project development costs, after which they are amortised on a straight line basis over the period in which the related benefits are expected to be realised. All capitalised research and development costs have now been fully amortised.

### (n) Provisions

#### (i) Provision for employee entitlements

##### *Wages, 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.

##### *Long service leave*

The liability 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.

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

#### (ii) Provision for workers compensation

Provision is made for estimated amounts outstanding on existing claims and an assessment of unreported accidents for which the consolidated entity may become liable.

#### (iii) Provisions for product warranty

Provision is made for the consolidated entity's estimated liability on all products still under warranty, including claims already received. The estimate is based on experience.

### (o) Superannuation funds

The company and its controlled entities contribute to employee superannuation and pension funds in addition to contributions to the funds made by employees. Such Group contributions are charged against income.

### (p) Borrowing costs

Borrowing costs include interest and amortisation of other costs incurred in connection with the arrangement of borrowings and lease finance charges. Borrowing costs are expensed as they are incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. Borrowing costs from external sources for specific major projects are capitalised as part of the project development cost up to the commencement of commercial operations.

### (q) Acquisition of assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

### (r) Intangibles and expenditure carried forward

#### (i) Convertible note issue costs

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

#### (ii) 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. Costs are amortised on a straight line basis over a maximum of twenty years.

### (s) Research and development syndicate

During the 1996 financial year the consolidated entity entered into a Research and Development Syndication agreement. The accounting treatment and effect on the balance sheet and profit and loss statement are disclosed in Note 28 of the financial statements.

### (t) Goodwill

Goodwill, representing the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on the acquisition of a business, is amortised over the period of time during which benefits are expected to arise.

Goodwill is amortised on a straight line basis over a maximum of twenty years. The unamortised balance of goodwill is reviewed at least each reporting date. Where the balance exceeds the value of expected future benefits, the difference is charged to the profit and loss statement.



**1 Statement of accounting policies** continued**(u) Accounts payable**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the company or consolidated entity. Trade accounts payable are normally settled within 60 days.

**(v) Bank loans**

Bank 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'.

**(w) Convertible notes**

Convertible notes are recognised when issued at face value. Interest on the notes is recognised in the profit and loss statement as an expense.

**(x) Trade debtors**

Trade debtors to be settled within 30 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful amounts.

**2 Changes in accounting policies****Investments in associates**

The consolidated entity applied the equity method of accounting for investments in associates for the first time from 1 July 1998. The equity method requires the carrying amount of investments in associates to be adjusted by the consolidated entity's share of the associates' net profit or loss after tax and other movements in reserves. In previous years, investments in associates were brought to account at cost and dividend income was recognised in the profit and loss statement when receivable.

The changed policy has been adopted to comply with AASB 1016: Accounting for Investments in Associates, released by the Australian Accounting Standards Board in August 1998.

Consolidated retained earnings and consolidated asset revaluation reserve at the beginning of the financial year were reduced by \$8 516 000 and \$20 006 000 respectively to reflect the impact of adopting the equity method of accounting for investments in associates on the consolidated balance sheet for the first time. A corresponding decrease of \$28 522 000 was made to the consolidated carrying amount of investments in associates at the beginning of the financial year.

The change in accounting policy led to a decrease of \$605 000 in the consolidated operating profit after income tax for the year compared with the previous basis, a transfer of \$24 000 to the foreign currency translation reserve and a corresponding reduction of \$629 000 in the consolidated carrying amount of investments in associates at the end of the financial year.

**Major cyclical maintenance**

During the year the method of accounting for major cyclical maintenance was changed to comply with UIG 26: Accounting for Major Cyclical Maintenance, released by the Urgent Issues Group in June 1999.

The new policy required major items of plant that are repaired during annual shutdowns to be treated as complex assets and different depreciation rates applied to each part as appropriate. When these parts are replaced during a shutdown, the maintenance costs are to be capitalised and then depreciated over their expected useful life.

All provisions for maintenance were written back to the profit and loss and major items of assets created during shutdowns in prior years were capitalised in the books of the relevant company. As a result, consolidated opening retained earnings attributable to members of the company was increased by \$2 581 000.

The change in accounting policy led to a decrease of \$1 930 000 in the consolidated operating profit after income tax for the year ended 30 June 1999 compared with the previous basis. Property, plant and equipment have been increased by \$1 102 000, maintenance provisions reduced by \$3 791 000 and future income tax benefit reduced by \$1 761 000.

## 2 Changes in accounting policies continued

### Proforma restatement of profit and loss statement and retained profits

The proforma profit and loss statement and the restatement of retained profits and reserves below show the information that would have been disclosed had the new accounting policies on equity accounting and maintenance provisions always been applied.

	CONSOLIDATED		THE COMPANY	
	1999 \$'000 (restated)	1998 \$'000 (restated)	1999 \$'000 (restated)	1998 \$'000 (restated)
<b>Proforma profit and loss statement</b>				
Operating profit/(loss) before share of associates' net profit, provision for maintenance and income tax expense	<b>(80 258)</b>	35 186	-	-
Contributions from associates prior to change in accounting policy – formerly dividends & distributions	<b>8 591</b>	8 715	-	-
Effect of change in accounting policy	<b>(605)</b>	(1 382)	-	-
	<b>7 986</b>	7 333	-	-
Provision for maintenance prior to change in accounting policy	<b>(10 346)</b>	(16 721)	-	-
Effect of change in accounting policy	<b>(3 016)</b>	7 909	-	-
	<b>(13 362)</b>	(8 812)	-	-
Operating profit/(loss) before income tax	<b>(85 634)</b>	33 707	-	-
Income tax attributable to operating profit/(loss) before changes in accounting policies	<b>14 479</b>	(3 668)	-	-
Effect of change in accounting policy for maintenance provisions *	<b>1 086</b>	(2 847)	-	-
	<b>15 565</b>	(6 515)	-	-
Operating profit/(loss) after income tax	<b>(70 069)</b>	27 192	-	-
Outside equity interests in operating profit/(loss) after income tax	<b>32 155</b>	(13 722)	-	-
<b>Operating profit/(loss) after income tax attributable to members of the company</b>	<b>(37 914)</b>	13 470	-	-
Reported retained losses at the end of the previous financial year	<b>(32 477)</b>	(41 523)	-	-
Increase in retained losses arising from adoption of equity accounting	<b>(8 516)</b>	(7 134)	-	-
Decrease in retained losses arising from adoption of UIG 26: Accounting for Major Cyclical Maintenance	<b>2 581</b>	-	-	-
Restated retained losses at the beginning of the financial year	<b>(38 412)</b>	(48 657)	-	-
Aggregate of amounts transferred from reserves	<b>306</b>	4 641	-	-
<b>Total available for appropriation</b>	<b>(76 020)</b>	(30 546)	-	-
Dividends provided for or paid	-	(7 865)	-	-
<b>Restated retained losses at the end of the financial year</b>	<b>(76 020)</b>	(38 411)	-	-

\* There is no tax effect on the change in accounting policy for associates as the standard requires the profit to be recognised net of tax.

	CONSOLIDATED		THE COMPANY	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>3 Revenue</b>				
<b>(a) Revenue from operating activities</b>				
Sales of goods	275 253	286 634	-	-
Rendering of services	38 312	31 591	-	-
Dividends:				
Controlled entities	-	-	24 882	21 758
Associated entities	-	2 368	-	-
Distributions from business undertakings	-	7 045	-	-
Share of associates' net profit	7 986	-	-	-
<b>(b) Revenue from outside operating activities</b>				
Interest:				
Controlled entities	-	-	15 450	15 116
Associated entities	369	304	-	-
Other parties	1 822	1 840	22	18
Proceeds from sale of non-current assets	1 241	34 100	-	-
Rental income	207	153	-	-
Royalty income	244	50	-	-
Research & development grant	244	845	-	-
Sundry income	766	650	-	-
	<b>326 444</b>	<b>365 580</b>	<b>40 354</b>	<b>36 892</b>

#### 4 Operating profit

Operating profit before abnormal items and income tax has been arrived at after charging/(crediting) the following items:

Borrowing costs:

Controlled entities	-	-	-	1 480
Other corporations	16 814	18 850	6 389	6 645
Less: capitalised borrowing costs	-	(1 963)	-	-

**16 814**    16 887    **6 389**    8 125

Finance charges on capitalised leases

	-	9	-	-
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Depreciation of:

Buildings	1 172	1 124	-	-
Plant and equipment	24 544	21 417	-	-

**25 716**    22 541    -    -

Net expense including movements in provision for:

Bad and doubtful trade debts	145	1 175	-	-
Employee entitlements	2 985	4 440	-	-
Major maintenance	-	16 721	-	-
Workers compensation	1 100	267	-	-
Product warranty	194	453	-	-
Put option liability	1 318	1 230	-	-
Restoration	(167)	167	-	-
Research & development costs written off	289	726	-	-

Amortisation of:

Leasehold improvements	28	22	-	-
Leased assets	462	462	-	-
Convertible note costs	195	195	195	195
Deferred expenditure	489	145	-	-
Research & development costs	94	32	-	-
Goodwill	434	385	-	-
Other intangibles	325	59	-	-

Net foreign exchange loss/(gain)    **88**    (29)    -    (39)

Operating leases rental expenses    **901**    854    -    -

Mineral royalty    **498**    258    -    -

Net loss/(gain) on sale of property, plant & equipment    **1 544**    (15 700)    -    -

## 5 Abnormal items

	CONSOLIDATED		THE COMPANY	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Provision for outstanding workers compensation claims	(1 020)	-	-	-
Income tax effect	-	-	-	-
	(1 020)	-	-	-
Rationalisation costs	(101 544)	(7 924)	(165)	-
Income tax effect	19 511	2 675	-	-
	(82 033)	(5 249)	(165)	-
Write down of investment in and loans to subsidiaries	-	-	(55 612)	(28 289)
Income tax effect	-	-	-	-
	-	-	(55 612)	(28 289)
Settlement of legal claim	(3 532)	-	(3 532)	-
Income tax effect	-	-	-	-
	(3 532)	-	(3 532)	-
Profit on sale of Burswood land	-	15 492	-	-
Income tax effect	-	-	-	-
	-	15 492	-	-
Provision for writedown of work in progress	-	(4 694)	-	-
Income tax effect	-	(42)	-	-
	-	(4 736)	-	-
<b>Aggregate abnormal items before income tax</b>	<b>(106 096)</b>	<b>2 874</b>	<b>(59 309)</b>	<b>(28 289)</b>

The above are abnormal items included in operating profit/(loss) before income tax. Abnormal items that only affect the calculation of income tax expense are set out in Note 7.

### Rationalisation costs

Included in rationalisation costs of \$101 554 000 are the following writedowns to recoverable amounts:

- Geelong plant and Kwinana lime kiln \$24 024 000;
- patents, trademarks and brandnames \$9 649 000;
- limestone and mineral reserves \$14 374 000;
- research and development costs \$2 815 000; and
- consumable stores \$2 278 000.

Rationalisation costs of \$101 544 000 (1998:\$7 924 000) include an amount of \$46 751 000 (1998:\$3 641 000) relating to minority interests.

## 6 Auditors remuneration

Amounts received or due and receivable for audit services:

	CONSOLIDATED		THE COMPANY	
	1999 \$	1998 \$	1999 \$	1998 \$
Auditors of the company	137 981	163 927	43 000	13 000
Other auditors	-	-	-	-
	137 981	163 927	43 000	13 000
Other services:				
Auditors of the company	324 922	415 885	25 542	-

CONSOLIDATED		THE COMPANY	
1999	1998	1999	1998
\$'000	\$'000	\$'000	\$'000

## 7 Taxation

### (a) Income tax expense

Prima facie income tax expense calculated at 36% on the operating profit/(loss)

	<b>(30 828)</b>	9 785	<b>(9 590)</b>	(175)
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Increase in income tax expense due to:

Depreciation and amortisation	<b>10 879</b>	359	-	-
Capital loss	<b>137</b>	-	-	-
Future income tax benefit not recognised	<b>1 789</b>	1 684	-	-
Write off of investment	-	54	-	-
Writedown investment in subsidiary	-	-	<b>20 020</b>	10 184
Provision for put option expense	<b>475</b>	443	-	-
Other items	<b>4 055</b>	612	<b>61</b>	151
	<b>(13 493)</b>	12 937	<b>10 491</b>	10 160

Decrease in income tax expense due to:

Rebate on dividend income	<b>926</b>	886	<b>3 467</b>	7 833
Exempt dividends	-	-	<b>5 539</b>	-
Share of associates' net profit	<b>281</b>	-	-	-
Research and development expenditure	<b>99</b>	734	-	-
Overseas tax rate difference	<b>(481)</b>	(300)	-	-
Future income tax benefit due to recoupment of tax losses and timing differences not previously brought to account	<b>739</b>	2 420	-	-
Other items	<b>199</b>	174	-	-
	<b>1 763</b>	3 914	<b>9 006</b>	7 833

Income tax expense/(benefit) on operating profit/(loss) before abnormal income tax items

	<b>(15 256)</b>	9 023	<b>1 485</b>	2 327
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Abnormal income tax items:

Realised capital tax loss	-	(5 506)	-	-
	<b>(15 256)</b>	3 517	<b>1 485</b>	2 327

Add: Income tax under/(over) provided in prior year

	<b>(309)</b>	151	<b>159</b>	-
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Total income tax expense/(benefit)

	<b>(15 565)</b>	3 668	<b>1 644</b>	2 327
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### (b) Future income tax benefit

Future income tax benefit reflects the future benefit at current income tax rates of the following items:

Timing differences	<b>19 295</b>	9 283	-	-
Tax losses carried forward	<b>11 964</b>	11 558	-	-
	<b>31 259</b>	20 841	-	-

## 7 Taxation continued

### (b) Future income tax benefit continued

Future income tax benefit not taken into account:

	CONSOLIDATED		THE COMPANY	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Capital tax losses	41 626	38 373	12 960	12 960
Tax losses carried forward	26 548	27 180	-	-
Timing differences	165	816	-	-
	<b>68 339</b>	<b>66 369</b>	<b>12 960</b>	<b>12 960</b>

The potential benefit arising from the above items is not recognised as an asset because recovery is not virtually certain.

The future income tax benefit which has not been recognised as an asset will only be obtained if:

- (i) the relevant controlled entity derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (ii) the relevant controlled entity and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the relevant controlled entity and/or the consolidated entity in realising the benefit.

## 8 Dividends

Dividends provided for or paid by the company are:

(i) in 1998, an interim ordinary dividend of 2.5 cents per share, franked to 75% with Class C (36%) franking credits paid on 9 April 1998.	-	3 929	-	3 929
(ii) in respect of the 1998 financial year, a final ordinary dividend of 2.5 cents per share, franked to 20% with Class C (36%) franking credits paid on 9 October 1998.	-	3 936	-	3 936

### Dividend franking account

Balance of franking account adjusted for franking credits/(debits) which will arise from the payment of income tax/(refund of income tax) provided for in the financial statements, and after deducting franking credits to be used in payment of the above dividends:

Class C (36%) franking credits/(deficit)	<b>(2 210)</b>	<b>(1 384)</b>	<b>1 489</b>	<b>(711)</b>
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The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

	CONSOLIDATED		THE COMPANY	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>9 Receivables</b>				
<b>Current</b>				
Trade debtors	68 224	45 406	-	-
Less: provision for doubtful debts	1 320	1 319	-	-
	66 904	44 087	-	-
Other debtors	2 399	2 252	-	-
Loans to controlled entities	-	-	65 509	44 608
Secured deposits under Research and Development Syndication agreement (refer Note 28)	2 723	4 096	-	-
Amounts owing by associated companies	12 074	9 124	-	-
	84 100	59 559	65 509	44 608
<b>Non-current</b>				
Loans to controlled entities	-	-	148 360	65 500
Secured deposits under Research and Development Syndication agreement (refer Note 28)	14 544	13 226	-	-
Amounts owing by associated companies	400	1 000	-	-
Other debtors	322	-	-	-
Other loans	-	219	-	-
	15 266	14 445	148 360	65 500
<i>Other debtors</i>				
These amounts generally arise from transactions outside usual operating activities of the consolidated entity. Interest is not charged on outstanding balances and collateral is not obtained.				
<b>10 Inventories</b>				
Raw materials and stores – at cost	26 160	18 759	-	-
Work in progress – at cost	15 556	20 216	-	-
Finished goods – at cost	7 912	4 430	-	-
	49 628	43 405	-	-
<b>11 Other current assets</b>				
Prepayments	3 816	2 955	1	2
Deferred expenditure	-	520	-	189
Land held for sale - at cost	865	-	-	-
Other	1 043	1 444	-	-
	5 724	4 919	1	191
<b>12 Investments</b>				
<b>Non-current</b>				
Controlled entities (Note 25)				
Unlisted shares at cost	-	-	231 012	-
Unlisted shares at directors' valuation 1999	-	-	63 970	110 806
Associates (Note 27)				
Equity accounted	33 338	-	-	-
Unlisted shares at directors' valuation 1992	-	33 691	-	-
Unlisted shares at cost	-	10 254	-	-
Interest in business undertakings	-	18 560	-	-
Other corporations				
Listed shares at cost	2	2	-	-
Unlisted shares at cost	8	18	-	-
	33 348	62 525	294 982	110 806

The directors' valuation in 1999 of unlisted shares in controlled entities was based on net fair value. The valuation was not made in accordance with a policy of regular revaluation.

The directors' valuation in 1992 of unlisted shares in associates was based on net fair value. The valuation was not made in accordance with a policy of regular revaluation.

### 13 Property, plant and equipment

	CONSOLIDATED		THE COMPANY	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Freehold land				
At cost	<b>38 282</b>	7 238	-	-
At independent valuation 1992 (reaffirmed in 1998 – see below)	<b>4 123</b>	4 158	-	-
At directors' valuation 1994	<b>805</b>	829	-	-
	<b>43 210</b>	12 225	-	-
Buildings				
At cost	<b>47 147</b>	10 143	-	-
At independent valuation 1992 (reaffirmed in 1998 – see below)	<b>6 800</b>	6 800	-	-
At directors' valuation 1994	<b>732</b>	718	-	-
	<b>54 679</b>	17 661	-	-
Less: accumulated depreciation	<b>23 294</b>	5 215	-	-
	<b>31 385</b>	12 446	-	-
Leasehold property				
At cost	<b>259</b>	285	-	-
At directors' valuation 1994	<b>56</b>	56	-	-
	<b>315</b>	341	-	-
Less accumulated amortisation	<b>216</b>	200	-	-
	<b>99</b>	141	-	-
Plant and equipment				
At cost	<b>611 570</b>	391 587	-	-
At independent valuation 1977	<b>57 963</b>	58 077	-	-
At directors' valuation 1994	<b>13 246</b>	14 065	-	-
	<b>682 779</b>	463 729	-	-
Less: accumulated depreciation	<b>301 565</b>	173 670	-	-
	<b>381 214</b>	290 059	-	-
Leased plant & equipment				
At capitalised cost	<b>4 612</b>	4 612	-	-
Less: accumulated amortisation	<b>2 998</b>	2 537	-	-
	<b>1 614</b>	2 075	-	-
Limestone reserves and mineral tenements				
At cost	<b>8 540</b>	6 248	-	-
At directors' valuation 1997	<b>1 850</b>	80 148	-	-
At directors' valuation 1999	<b>58 147</b>	-	-	-
Less: accumulated amortisation	-	117	-	-
	<b>68 537</b>	86 279	-	-
Capital works in progress				
At cost	<b>1 508</b>	2 194	-	-
Total property, plant and equipment – net book value	<b>527 567</b>	405 419	-	-

The 1992 valuation of land and buildings was based on existing and alternative use criteria.

The 1977 and 1994 directors' valuation of plant and equipment was based on existing use criteria.

Land and buildings of the consolidated entity were independently valued as at 31 May 1998 by Mr S Hickin BAppSc(Va) AAPI ASIA at \$29 958 000. The valuations were based on the open market value of the properties concerned in their existing use. No revaluation has been recognised in the financial statements.

Land and limestone reserves of Cockburn Cement Ltd were independently valued as at 31 December 1998 by Mr JK McNamara FAPI CPV. This valuation was conducted on an existing use and open market value basis. Adelaide Brighton Ltd has used this valuation as a basis for its assessment of the fair value of assets acquired on 30 June 1999.

A directors' valuation of limestone reserves and mineral tenements was carried out based on independent advice as at 30 June 1997 and is on the basis of the reserves' quality, quantity, location and annual rates of extraction. The directors are of the opinion that this basis provides a reasonable estimate of recoverable amount, refer Note 1 (k)(i). As at 30 June 1999, limestone reserves and mineral tenements were written down by \$25 999 000 as part of the Group's rationalisation.

In revaluing limestone reserves the directors have not taken into account the potential impact of capital gains tax on the grounds that such assets are an integral part of the consolidated entity's operation and there is no intention to sell the assets.

	CONSOLIDATED		THE COMPANY	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>14 Intangibles</b>				
Convertible note issue costs	1 951	1 951	1 951	1 951
Less: accumulated amortisation	1 463	1 268	1 463	1 268
	<b>488</b>	683	<b>488</b>	683
Patents, trademarks and brand names – at cost	452	11 461	–	–
Patents, trademarks and brand names – at directors' valuation 1999	983	–	–	–
Less: accumulated amortisation	245	579	–	–
	<b>1 190</b>	10 882	–	–
Goodwill	163 061	875	–	–
Less: accumulated amortisation	821	387	–	–
	<b>162 240</b>	488	–	–
Royalty agreement – at cost	500	500	–	–
Less: accumulated amortisation	489	40	–	–
	<b>11</b>	460	–	–
	<b>163 929</b>	12 513	<b>488</b>	683
As at 30 June 1999 patents, trademarks and brand names were written down to their recoverable amount as part of the Group's rationalisation.				
<b>15 Non-current assets - other</b>				
Future income tax benefit (Note 7(b))	31 259	20 841	–	–
Incorporation/acquisition costs	19	14	–	–
	<b>31 278</b>	20 855	–	–
Deferred expenditure	1 310	1 389	–	–
Less: accumulated amortisation	1 103	643	–	–
	<b>207</b>	746	–	–
Research and development costs:				
Expenditure brought forward	1 905	770	–	–
Deferred in current period	1 071	1 135	–	–
	<b>2 976</b>	1 905	–	–
Less: accumulated amortisation	2 976	65	–	–
	–	1 840	–	–
	<b>31 485</b>	23 441	–	–
<b>16 Accounts payable</b>				
Trade creditors	32 661	15 791	–	–
Other creditors and accruals	16 881	26 594	3 515	263
	<b>49 542</b>	42 385	<b>3 515</b>	263

## 17 Borrowings

### Current

Secured by Negative Pledge

Bank overdraft	<b>911</b>	344	<b>10 885</b>	514
Bank loans	-	1 200	-	-

Unsecured

Bank loans	<b>9 000</b>	-	-	-
	<b>9 911</b>	1 544	<b>10 885</b>	514

### Non-current

Secured by Negative Pledge

Bank loans	<b>143 284</b>	150 118	-	-
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Secured by Trust Deed

29 094 661 (1998: 29 095 660) convertible notes of \$2.00 each fully paid	<b>58 189</b>	58 191	<b>58 189</b>	58 191
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Unsecured

Parent entity	<b>107 890</b>	-	-	-
Other loans	<b>102</b>	102	-	-
	<b>309 465</b>	208 411	<b>58 189</b>	58 191

### Convertible notes

On 11 December 1991, the company issued subordinated convertible unsecured notes of \$2.00 face value. Interest is payable every six months at 11% per annum. 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, and redeemable at par value at the company's option at any time after 15 June 2001 for cash.

### Bank overdrafts

The bank overdrafts of controlled entities (excluding Cockburn Cement Ltd) are secured by guarantees from the company and by cross guarantees from the controlled entities (excluding Cockburn Cement Ltd) in the consolidated entity. The Cockburn Cement Ltd bank overdraft facility is unsecured.

Interest on bank overdrafts is charged at fixed and variable rates. The weighted average effective interest rate for all overdrafts as at 30 June 1999 is 8.6% (1998: 8.6%).

The consolidated entity has access to net bank overdraft facilities after set-off against cash at bank in nominated accounts, to a maximum of AUD 6 million, leaving an unused facility of AUD 5.1 million. The bank overdrafts are payable on demand and are subject to annual review. The bank overdraft of the company and its other indebtedness to its bankers are supported by certain covenants given by the company to its bankers.

### Financing arrangements

The consolidated entity has access to the following financing arrangements. All facilities are reviewed annually. These facilities will be individually renegotiated.

### Bank loans – multi option facilities

Bank loans are denominated in AUD and GBP. The bank loans amount in current liabilities comprises the portion of the consolidated entity's bank loan to be repaid within one year. The bank loans non-current balance represents the portion of the consolidated entity's bank loans not due within one year.

The weighted average effective annual interest rate is 6.5% (1998: 6.7%) at 30 June 1999. Interest is paid either monthly, or at the commencement of a bill term.

The consolidated entity has available multi option facilities of AUD 221.3 million. These facilities mature on 31 December 1999 and were drawn down at 30 June 1999 by AUD 152.3 million. At 30 June 1999, the consolidated entity had unused facilities of AUD 69 million.

New banking facilities are currently being negotiated for the consolidated entity. It is expected that these facilities will be finalised and accepted prior to 31 December 1999.

CONSOLIDATED		THE COMPANY	
1999	1998	1999	1998
\$'000	\$'000	\$'000	\$'000

## 18 Provisions

### Current

Dividends	-	3 936	-	3 936
Income tax	<b>2 521</b>	435	<b>116</b>	116
Employee entitlements including on costs	<b>20 756</b>	9 442	-	-
Major maintenance & repairs	-	8 250	-	-
Workers compensation	<b>2 168</b>	467	-	-
Restoration	<b>868</b>	-	-	-
Other	<b>329</b>	3 084	-	-
	<b>26 642</b>	25 614	<b>116</b>	4 052

### Non-current

Employee entitlements including on costs	<b>3 387</b>	3 201	-	-
Research and development put option	<b>14 544</b>	13 226	-	-
Deferred income tax	<b>53 338</b>	42 646	<b>176</b>	375
Restructuring costs	<b>32 565</b>	167	-	-
	<b>103 834</b>	59 240	<b>176</b>	375

A provision of \$32 565 000 was established following the announcement in May 1999 of the closure of the Adelaide Brighton Cement Geelong division. The closure is expected to occur on 31 December 2000. The restructuring provision provides for rationalisation of employee numbers, plant demolition, site clean up and quarry remediation.

## 19 Share capital

Issued and paid up capital

473 403 660 (1998: 157 438 876) ordinary shares, fully paid **467 745** 78 719 **460 616** 78 719

### Movements in ordinary share capital

Balance at the beginning of the financial year		<b>78 719</b>	78 586	<b>78 719</b>	78 586
Balance of the share premium reserve	(i)	<b>82 522</b>	-	<b>75 393</b>	-
Shares issued					
115 962 839 shares issued for cash	(ii)	<b>76 501</b>	-	<b>76 501</b>	-
200 000 000 shares issued as consideration for acquiring a controlled entity	(iii)	<b>230 000</b>	-	<b>230 000</b>	-
Employee share plan	(iv)	<b>1</b>	132	<b>1</b>	132
Convertible note conversions		<b>2</b>	1	<b>2</b>	1
		<b>467 745</b>	78 719	<b>460 616</b>	78 719

(i) The Company Law Review Act 1998 ("the Act") came into effect on 1 July 1998. The Act abolished par value shares, and any amount standing to the credit of the share premium reserve became part of the company's share capital on 1 July 1998.

The share premium reserve on consolidation has been higher than that for the company in prior years as a result of shares issued to a minority at a premium.

From 1 July 1998 share capital does not have a nominal (par) value.

(ii) On 30 June 1999 ordinary shares were issued pursuant to a prospectus:

- 55 962 839 shares were issued at \$0.70

On 30 June 1999 The Rugby Group PLC subscribed for a placement of ordinary shares:

- 60 000 000 shares were issued at \$0.70

Transaction costs of \$4 673 000 were recognised as a reduction of the issue proceeds.

(iii) On 30 June 1999 ordinary shares were issued to The Rugby Group PLC as consideration for the issued capital of Cockburn Cement Ltd:

- 200 000 000 shares were issued at \$1.15

(iv) Ordinary shares issued under the Adelaide Brighton Ltd Employee Share Acquisition Plan. Refer to Note 22 for further information about the Plan.

	CONSOLIDATED		THE COMPANY	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>20 Reserves</b>				
Share premium	-	82 522	-	75 393
Asset revaluation	<b>33 549</b>	59 789	-	-
Capital profits	<b>78</b>	78	-	-
Foreign currency translation	<b>(2 149)</b>	(2 331)	-	-
	<b>31 478</b>	140 058	-	75 393
<b>Movements during the year</b>				
<i>Share premium</i>				
Balance at beginning of year	<b>82 522</b>	82 369	<b>75 393</b>	75 240
Premium on ordinary shares issued during the year	-	153	-	153
Included with share capital (refer Note 19(i))	<b>(82 522)</b>	-	<b>(75 393)</b>	-
Balance at end of year	-	82 522	-	75 393
<i>Asset revaluation reserve</i>				
Balance at beginning of year	<b>59 789</b>	64 963	-	162
Adjustment to asset revaluation reserve at the beginning of the financial year on initial adoption of revised AASB 1016: Accounting for Investments in Associates:				
Reversal of previous revaluations of investments in associates	<b>(20 006)</b>	-	-	-
Transfer to retained profits	<b>(306)</b>	(4 199)	-	-
Revaluation of investments	-	(975)	-	(162)
Revaluation of limestone reserves and mineral tenements	<b>(5 928)</b>	-	-	-
	<b>33 549</b>	59 789	-	-
<i>Foreign currency translation</i>				
Balance at beginning of year	<b>(2 331)</b>	(2 766)	-	1 240
Adjustment on translation of overseas financial statements	<b>182</b>	1 675	-	-
Adjustment on translation of foreign currency loans held as a natural hedge against overseas investments	-	(798)	-	(798)
Transfer to retained profits	-	(442)	-	(442)
Balance at end of year	<b>(2 149)</b>	(2 331)	-	-

In accordance with the provisions of AASB 1024: "Consolidated Accounts", only that portion of reserves attributable to members of the company is disclosed above.

## 21 Outside equity interest

The outside equity interest in controlled entities comprise:

Share capital	<b>4 880</b>	66 370	-	-
Reserves	-	37 948	-	-
Retained earnings	<b>(1 898)</b>	7 704	-	-
	<b>2 982</b>	112 022	-	-

CONSOLIDATED		THE COMPANY	
1999	1998	1999	1998
\$'000	\$'000	\$'000	\$'000

## 22 Employee entitlements

Aggregate employee entitlements, including on costs

Current	<b>20 756</b>	9 442	-	-
Non-current	<b>3 387</b>	3 201	-	-
	<b>24 143</b>	12 643	-	-

The present values of employee entitlements not expected to be settled within the next twelve months of balance date have been calculated using the following weighted averages:

Assumed rate of increase in wage & salary rates	<b>3%</b>	3%
Discount rate	<b>6.30%</b>	5.60%
Settlement term (years)	<b>10</b>	10

### Employee Share Plan

The establishment of the Adelaide Brighton Ltd Employee Share Acquisition Plan was approved by special resolution at the annual general meeting of the company held on 19 November 1997. Permanent full and part time employees of Adelaide Brighton Ltd and its controlled entities with at least twelve months service who live and work in Australia are eligible to participate in the plan. Employees who are eligible to participate in performance share plans, casual employees and contractors are not eligible to participate in this plan.

During the prior financial year eligible employees who applied to participate in the plan received a free grant of Adelaide Brighton Ltd shares to the value of \$500 each. No additional shares were granted during the current financial year, however an allotment of 946 shares, relating to the original offer, was made on 20 July 1998. 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.

A total of 946 (1998: 263 934) ordinary shares were issued to 2 (1998:558) eligible employees on 20 July 1998 (1998: 12 June 1998) for no consideration. The total market value of the shares at their issue date was \$998 (1998: \$278 479).

During the prior financial year, the par value of shares issued was recognised as issued capital at the date of the issue and the difference between par value (50 cents) and the issue price (\$1.05) was credited to the share premium account. Due to the commencement of the Company Law Review Act 1998 on 1 July 1998, the total issue price of shares issued in the current financial year was recognised as issued capital (no credit to the share premium account was made). The total market value of shares issued was expensed to the profit and loss statement at the date of issue. Amounts recognised were as follows:

	THE COMPANY	
	1999	1998
	\$'000	\$'000
Share capital	<b>1</b>	132
Share premium reserve	-	146
	<b>1</b>	278
Amount expensed in the profit and loss statement	<b>1</b>	278

## 22 Employee entitlements continued

### Superannuation fund

Certain controlled entities contribute to The Adelaide Brighton Group Superannuation Fund (the Fund), a superannuation fund providing lump sum benefits. Benefits provided are both of a defined benefit nature based on years of membership and final average salary and an accumulation of contributions with interest. Certain controlled entities are required to contribute to the Fund in accordance with the recommendations by the actuary and government legislation.

An actuarial review of the Fund was undertaken effective 1 July 1997 by Mr CA Papanicolas BSc (Ma) (Hons), ASIA. The actuary concluded that the value of assets of the Fund was sufficient to meet the liabilities of the Fund in respect of vested and accrued benefits as at 1 July 1997. The actuary recommended current employer contribution rates be maintained.

The latest financial statements available for the Fund are as at 30 June 1998. At 30 June 1998 sufficient assets were available to satisfy all benefits that would have been vested under the Fund in the event of:

- (i) termination of the Fund
- (ii) voluntary termination of employment of each employee of the controlled entities that is a member of the Fund
- (iii) compulsory termination of employment of each employee of the controlled entities that is a member of the Fund.

The accrued benefits, fund assets at net market value and vested benefits of the Fund are as follows:

	1998 \$'000
Fund assets at net market value	46 348
Accrued benefits	37 590
Excess of fund assets over accrued benefits	8 758
Vested benefits	39 413
Employer contributions to the fund	3 596
Employer contributions payable to the fund	338

Accrued benefits have been determined based on the amount calculated by the actuary at the date of the most recent actuarial review, being 30 June 1997. Accrued benefits represent the present value of future Fund payments which are expected to arise from membership of the Fund up to 30 June 1997.

The excess of Fund assets over accrued benefits has been calculated in accordance with accounting standards. However, the accrued benefits were measured one year earlier than the date the assets of the Fund were measured. If the net market value of Fund assets as at 30 June 1997 (\$43 647 000) is compared with the accrued benefits at 30 June 1997, the excess of Fund assets over accrued benefits would be \$6 057 000.

Vested benefits are benefits which are not conditional upon the continued membership of the Fund or any factor, other than resignation from the Fund.

Certain controlled entities also contribute to industry based superannuation funds. Total employer contributions for the year were \$76 000 (1998: \$87 000).

### *Cockburn Cement Ltd*

Adelaide Brighton acquired 100% of the shares in Cockburn Cement Ltd on 30 June 1999. Details of the superannuation funds in operation for Cockburn Cement employees only are set out below:

Cockburn Cement employees contribute to either the Cockburn Cement Ltd Executive Staff Superannuation Fund (a defined benefit scheme) or one of four accumulation schemes. Company contributions are in accordance with actuary recommendations and government legislation.

An actuarial review of the defined benefit scheme ('the Scheme') was undertaken effective 1 July 1998 by Mr D Balson FIAA. The actuary concluded that the value of assets of the Scheme was sufficient to meet the liabilities of the Scheme in respect of vested and accrued benefits as at 1 July 1998, in the event of the Scheme's termination or the voluntary or compulsory termination of employment of each member of the Scheme. Current employer contribution rates are in accordance with actuary recommendations.

The accrued benefits (based on the last actuarial assessment), Scheme assets at net market value and vested benefits of the Scheme are as follows:

	1998 \$'000
Fund assets at net market value	798
Accrued benefits	516
Excess of fund assets over accrued benefits	282
Vested benefits	427

Details of employer contributions to the Scheme have not been shown as the financial effect is not reflected in the consolidated financial statements.

## 23 Additional financial instruments disclosure

### (a) Interest rate risk

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 30 June 1999 the fixed rates varied from 5.6% to 7.1% (1998: 6.5% to 7.5%) and the floating rates were at bank bill rates. The weighted average effective floating interest rate at 30 June 1999 was 5.7% (1998: 5.4%).

No forward rate agreements were outstanding at year end (1998: 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 30 June 1999. In the prior year, interest rate options due to commence from 15 January 1999 were contracted at 30 June 1998 with fixed rates varying from 5.6% to 6.5%.

#### *Interest rate risk exposures*

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
<b>1999</b>							
<i>Financial assets</i>							
Cash	4.14%	13 597	687	-	-	248	14 532
Receivables							
- Note 9	7.94%	5 609	298	-	17 267	76 192	99 366
Investments							
- Note 12	-	-	-	-	-	10	10
		19 206	985	-	17 267	76 450	113 908
<i>Financial liabilities</i>							
Borrowings							
- Note 17	6.21%	251 696	9 389	-	-	102	261 187
Accounts payable							
- Note 16	-	-	-	-	-	49 542	49 542
Convertible notes							
- Note 17	11.00%	-	-	58 189	-	-	58 189
Employee entitlements							
- Note 18	6.30%	-	-	3 387	-	20 756	24 143
		251 696	9 389	61 576	-	70 400	393 061
Existing at 30 June 1999:							
Interest rate swaps*	6.14%	(130 000)	40 000	90 000	-	-	-

\* notional principal amounts

## 23 Additional financial instruments disclosure continued

### (a) Interest rate risk continued

1998	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
<i>Financial assets</i>							
Cash	4.73%	8 155	786	-	-	349	9 290
Receivables							
- Note 9	7.93%	3 062	64	219	17 322	53 337	74 004
Investments							
- Note 12	-	-	-	-	-	20	20
		11 217	850	219	17 322	53 706	83 314
<i>Financial liabilities</i>							
Borrowings							
- Note 17	6.72%	150 135	1 527	-	-	102	151 764
Accounts payable							
- Note 16	-	-	-	-	-	42 385	42 385
Convertible notes							
- Note 17	11.00%	-	-	58 191	-	-	58 191
Employee entitlements							
- Note 18	5.60%	-	-	3 201	-	9 442	12 643
Dividends payable							
- Note 18	-	-	-	-	-	3 936	3 936
		150 135	1 527	61 392	-	55 865	268 919
Existing at 30 June 1998:							
Interest rate swaps*	6.13%	(140 000)	60 000	80 000	-	-	-
Contracted at 30 June 1998:							
Interest rate swaps*		-	(20 000)	10 000	10 000	-	-
Interest rate options*		-	(60 000)	60 000	-	-	-
	5.90%	-	(80 000)	70 000	10 000	-	-

\* notional principal amounts

### (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 are rarely more than 1 year.

The consolidated entity'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 settlements periods of outstanding contracts for the consolidated entity.

	CONSOLIDATED			
	1999 Weighted average rate	1998	1999 \$'000	1998 \$'000
<i>Sell US dollars</i>				
Not later than one year	0.65	0.66	3 187	567
<i>Buy Swiss Francs</i>				
Not later than one year	0.75	0.78	113	108
<i>Buy German Deutschmarks</i>				
Not later than one year	1.20	-	54	-

As these contracts are hedging anticipated sales and purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs.



**23 Additional financial instruments disclosure** continued

**(b) Foreign exchange risk** continued

The gross unrecognised gains and losses on hedges of anticipated foreign currency purchases and sales are:

	1999		1998	
	Gains \$'000	Losses \$'000	Gains \$'000	Losses \$'000
Not later than one year	53	(32)	44	(18)

Where the underlying transaction has occurred, the effect of the hedge has been recognised in the financial statements.

*Foreign currency hedging options*

From time to time, the consolidated entity enters into foreign currency hedging options to reduce the impact of changes in foreign currency exchange rates.

Foreign currency hedging options are due to commence from 14 September 1999 should the sell rate for US dollars reach a predetermined level. No foreign currency hedging options were contracted at 30 June 1998.

**(c) Credit risk**

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 - 72% (1998: 80%), Retail - 6% (1998: 8%) and Mining - 15% (1998: 7%).

*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 23(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 30 June 1999 (1998: 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.

**(d) Commodity price risk**

The consolidated entity enters into forward sales, futures and option contracts to hedge commodity sales prices on firm sales commitments. The terms of these contracts are rarely more than 6 months.

Deferred gains or losses on these contracts are included as part of the sales transaction when recognised. No forward sales, futures or option contracts were outstanding at year end (1998: Nil).

## 23 Additional financial instruments disclosure continued

### (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 bases:

#### On-balance sheet financial instruments

Convertible notes are traded in an organised financial market. The net fair value of convertible notes are 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.

#### 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 reporting date. This is based on independent market quotations and determined using standard valuation techniques.

#### On-balance sheet financial instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	CONSOLIDATED		CONSOLIDATED	
	1999 Carrying amount \$'000	1999 Net fair value \$'000	1998 Carrying amount \$'000	1998 Net fair value \$'000
<i>Financial assets</i>				
Cash	14 532	14 532	9 290	9 290
Receivables	99 366	99 366	74 004	74 004
Investments - shares in other companies	10	10	20	20
<i>Financial liabilities</i>				
Borrowings	261 187	261 187	151 764	151 764
Accounts payable	49 542	49 542	42 385	42 385
Employee entitlements	24 143	24 143	12 643	12 643
Convertible notes	58 189	59 062	58 191	60 810
Dividend payable	-	-	3 936	3 936

Convertible notes are readily traded on organised markets in a standardised form. All other financial assets and liabilities are not readily traded on organised markets in a standardised form.

#### Off-balance sheet financial instruments

The net fair value of off-balance sheet financial instruments as at the reporting date are:

	CONSOLIDATED	
	1999 \$'000	1998 \$'000
Interest rate swaps	(855)	(3 173)
Interest rate options	-	(148)
Forward foreign exchange contracts	54	26
	<b>(801)</b>	<b>(3 295)</b>

In securing certainty over future cash flows by hedging certain transactions, the consolidated entity has incurred a net notional expense of \$801 000 (1998: \$3 295 000). This notional expense will be offset by an equivalent favourable movement on the underlying transactions.

## 24 Commitments and contingent liabilities

The estimated maximum amounts of commitments and contingent liabilities not provided for in the financial statements of the consolidated entity as at 30 June 1999 are set out below:

	CONSOLIDATED		THE COMPANY	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Capital expenditure commitments</b>				
Contracted but not provided for and payable:				
Not later than one year	<b>1 808</b>	898	-	-
	<b>1 808</b>	898	-	-
<b>Operating lease rental commitments</b>				
Future operating lease rentals not provided for and payable:				
Not later than one year	<b>1 069</b>	980	-	-
Later than one year but not later than two years	<b>981</b>	829	-	-
Later than two years but not later than five years	<b>2 023</b>	1 954	-	-
Later than five years	<b>1 247</b>	1 918	-	-
	<b>5 320</b>	5 681	-	-
<b>Contingent liabilities</b>				
<b>Bank guarantees</b>	<b>3 271</b>	2 958	<b>1 536</b>	1 056

### Litigation

Adelaide Brighton Ltd has issued proceedings against the State of South Australia and the SA Ports Corporation, through its subsidiary Adelaide Brighton Cement Ltd. Adelaide Brighton Cement Ltd is claiming refund of wharfage and tonnage charges previously paid. The matter is currently before the Supreme Court of South Australia.

The company's legal advice supports this course of action and the merits of the case. However, should the claim be unsuccessful, the company will be liable for legal costs incurred by SA Ports Corporation in defending the claim. These costs cannot be precisely quantified at this time.

Melcann Pty Ltd has instituted a Supreme Court action against Adelaide Brighton Cement Ltd, a subsidiary of Adelaide Brighton Ltd, alleging breach of the terms of a supply contract. Melcann Pty Ltd is claiming various refunds for freight charges and alleged loss of market share damages, to the total of approximately \$1 million. The claim is being vigorously defended as Adelaide Brighton Cement Ltd does not consider that any breach has occurred and that it has at all times performed the duties under the contract.

## 25 Controlled entities

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

NAME	PLACE OF INCORPORATION	CLASS OF SHARE	CONSOLIDATED INTEREST	
			1999 %	1998 %
<b>Adelaide Brighton Ltd</b>				
Adelaide Brighton Cement Ltd	South Aust <sup>1</sup>	Ord	100	51
Adelaide Brighton Cement Inc	Washington State USA <sup>3</sup>	Ord	80	80
Adelaide Brighton Cement Investments Pty Ltd	South Aust <sup>2</sup>	Ord	100	100
Adelaide Brighton Cement Research (No 1) Pty Ltd	South Aust <sup>2</sup>	Ord	100	100
Adelaide Brighton Management Ltd	South Aust	Ord	100	100
Abcem Pty Ltd	South Aust <sup>2</sup>	Ord	100	100
Fuel & Combustion Technology Ltd	South Aust	Ord	100	100
Adelaide Brighton Cement International Pty Ltd	South Aust <sup>2</sup>	Ord	100	100
FCT Intellectual Property Pty Ltd	South Aust <sup>2</sup>	Ord	100	100
Northern Cement Limited	Northern Territory	Ord	100	100
Cockburn Cement Ltd	Western Australia	Ord	100	–
<b>Adelaide Brighton Cement Ltd</b>				
Acco Transport Pty Ltd	South Aust <sup>2</sup>	Ord	100	100
SRC Investment Pty Ltd	West Aust <sup>2</sup>	Ord	100	100
Ready Lime Putty Pty Ltd	West Aust <sup>2</sup>	Ord	100	100
Exmouth Limestone Pty Ltd	West Aust <sup>2</sup>	Ord	51	51
<b>Adelaide Brighton Cement Inc</b>				
Adelaide Brighton Cement (Florida) Inc	Florida USA <sup>3</sup>	Ord	100	100
Adelaide Brighton Cement (Hawaii) Inc	Hawaii USA <sup>3</sup>	Ord	100	100
Hileah (Florida) Management Inc	Florida USA <sup>3</sup>	Ord	100	100
<b>Adelaide Brighton Management Ltd</b>				
Pavement Technology Ltd	South Aust	Ord	100	100
Advanced Cement Technologies Pty Ltd	South Aust <sup>2</sup>	Ord	100	100
Adelaide Brighton Cement (Netherlands) BV	Netherlands <sup>3</sup>	Ord	100	100
<b>Pavement Technology Ltd</b>				
Accendo Pty Ltd	South Aust <sup>2</sup>	Ord	50	50
<b>Advanced Cement Technologies Pty Ltd</b>				
Accendo Pty Ltd	South Aust <sup>2</sup>	Ord	50	50
<b>Adelaide Brighton Cement Investments Pty Ltd</b>				
Adjuto Pty Ltd	South Aust <sup>2</sup>	Ord	100	100
<b>Adjuto Pty Ltd</b>				
PQ Ltd	South Aust	Ord	100	50
<b>Fuel &amp; Combustion Technology Ltd</b>				
Fuel & Combustion Technology International Ltd	United Kingdom <sup>4</sup>	Ord	100	100
<b>Fuel &amp; Combustion Technology International Ltd</b>				
Fuel & Combustion Technology International Inc	USA <sup>3</sup>	Ord	100	100
<b>Adelaide Brighton Cement International Pty Ltd</b>				
Adelaide Brighton Cement Inc	Washington State USA <sup>3</sup>	Ord	20	20

**25 Controlled entities** continued

**(a) Particulars in relation to controlled entities** continued

NAME	PLACE OF INCORPORATION	CLASS OF SHARE	CONSOLIDATED INTEREST	
			1999 %	1998 %
<b>Northern Cement Limited</b>				
Northern Cement Nominees Pty Ltd	Northern Territory <sup>2</sup>	Ord	100	100
Mataranka Lime Pty Ltd	South Aust <sup>2</sup>	Ord	100	100
<b>Cockburn Cement Ltd</b>				
Cockburn Waters Pty Ltd	Western Australia <sup>2</sup>	Ord	100	-
Hydrated Lime Pty Ltd	Western Australia <sup>2</sup>	Ord	100	-
Chemical Unit Trust	Western Australia	Units	100	-
Kalgoorlie Lime & Chemical Company Pty Ltd	Western Australia <sup>2</sup>	Ord	100	-

<sup>1</sup> The remaining 49% interest in Adelaide Brighton Cement Ltd was acquired on 30 June 1999 for a consideration of \$82 860 245.

<sup>2</sup> Small proprietary company as defined by the Corporations Law and is not required to be audited for statutory purposes

<sup>3</sup> Controlled entities of which KPMG has not acted as auditor

<sup>4</sup> Audited by other member firms of KPMG International

**(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 INTEREST		EQUITY HOLDINGS OF OUTSIDE INTERESTS	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 %	1998 %
	Adelaide Brighton Cement Ltd	-	122 773	-	61 490	-
Exmouth Limestone Pty Ltd	9 960	9 960	4 880	4 880	49	49

**26 Acquisition/disposal of controlled entities**

The following controlled entities were acquired or disposed of during the financial year:

**Acquisitions**

NAME	NOTE	CONSIDERATION		CONSOLIDATED INTEREST	
		1999 \$'000	1998 \$'000	1999 %	1998 %
Exmouth Limestone Pty Ltd	(i)	-	1 968	N/A	51
Cockburn Cement Ltd	(ii)	230 000	-	100	-

(i) The entity was acquired for cash on 17 February 1998 and the operating results of the entity from that date have been included in consolidated operating profit.

(ii) The entity was acquired on 30 June 1999. Consideration was in the form of 200 000 000 ordinary shares issued to The Rugby Group PLC at a price of \$1.15 per share.

The operating results of the entity have not been included in 1999 consolidated operating profit.

**Disposals**

No disposals during the current or prior financial periods.

## 27 Investments in associates

Details of investments in associates are as follows:

NAME	PRINCIPAL ACTIVITIES	BALANCE DATE	OWNERSHIP INTEREST CONSOLIDATED		INVESTMENT CARRYING AMOUNT CONSOLIDATED	
			1999 %	1998 %	1999 \$'000	1998* \$'000
Sunstate Cement Ltd	Cement manufacture	30 June	50	50	9 995	33 691
Independent Cement and Lime	Cement distribution	30 June	50	50	14 749	18 560
Northern Stabilisers Ltd	Road construction	30 June	-	50	-	-
Stabilised Pavements of Australia Pty Ltd	Road construction	30 June	50	50	7 654	9 154
Pavement Technology (M) Sdn Bhd	Road construction	31 December	40	40	940	1 100
					<b>33 338</b>	<b>62 505</b>

\* As equity accounting for investments in associates was applied for the first time in 1999, the investment carrying amount for 1998 is not calculated in accordance with the equity method, but is based on cost or valuation.

Dividends and distributions received and receivable from associates for the year ended 30 June 1999 by the consolidated entity amounted to \$8 591 000 (1998: \$9 413 000).

### CONSOLIDATED

<b>1999</b>	1998
<b>\$'000</b>	\$'000

#### Results of associates

Share of associates' operating profit before tax	<b>11 209</b>	-
Share of associates' income tax expense attributable to operating profit	<b>(1 700)</b>	-
Share of associates' net profit - as disclosed by associates	<b>9 509</b>	-
Adjustments:		
Amortisation of goodwill arising from investment	<b>(1 385)</b>	-
Unrealised profit in inventory	<b>(138)</b>	-
Share of associates' net profit - equity accounted	<b>7 986</b>	-

#### Share of post-acquisition retained profits and reserves attributable to associates

Share of associates' retained profits at the beginning of the financial year due to initial application of AASB 1016 Accounting for Investments in Associates	<b>(8 516)</b>	-
Share of net profit of associates	<b>7 986</b>	-
Dividends from associates	<b>(8 591)</b>	-
Share of associates' retained profits at the end of the financial year	<b>(9 121)</b>	-

**27 Investments in associates** continued

	CONSOLIDATED	
	1999 S'000	1998 S'000
<b>Movements in carrying amount of investments</b>		
Carrying amount of investments in associates at the beginning of the financial year	<b>62 505</b>	62 505
Adjustment on initial adoption of equity accounting	<b>(28 522)</b>	–
	<b>33 983</b>	62 505
Share of associates' net profit	<b>7 986</b>	–
Dividends received from associates	<b>(8 591)</b>	–
Transfer to foreign currency translation reserve	<b>(24)</b>	–
Capital distribution from associate	<b>(16)</b>	–
Carrying amount of investments in associates at the end of the financial year	<b>33 338</b>	62 505

**Summary performance and financial position of associates**

The consolidated entity's share of aggregate assets, liabilities and profits of associates is as follows:

Net profit – as reported by associates	<b>9 509</b>	–
Adjustments arising from equity accounting	<b>(1 523)</b>	–
Net profit – equity accounted	<b>7 986</b>	–
Total assets	<b>113 000</b>	–
Total liabilities	<b>81 943</b>	–
Net assets – as reported by associates	<b>31 057</b>	–
Consolidated entity's share of associates' net assets	<b>15 325</b>	–
Adjustments arising from equity accounting:		
Goodwill (net of amortisation)	<b>18 151</b>	–
Other adjustments	<b>(138)</b>	–
Net assets – equity adjusted	<b>33 338</b>	–

CONSOLIDATED		THE COMPANY	
1999	1998	1999	1998
\$'000	\$'000	\$'000	\$'000

## 28 Research and development syndicate

### Current assets

Secured deposits under Research and Development Syndication agreement	(ii)	<b>2 723</b>	4 096	-	-
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### Non-current assets

Secured deposits under Research and Development Syndication agreement	(ii)	<b>14 544</b>	13 226	-	-
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<b>Total assets</b>		<b>17 267</b>	17 322	-	-
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### Current liabilities

Advanced research and development expenditure		<b>2 723</b>	4 096	-	-
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### Non-current liabilities

Put option	(iii)	<b>14 544</b>	13 226	-	-
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<b>Total liabilities</b>		<b>17 267</b>	17 322	-	-
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Net research and development assets		-	-	-	-
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### Comments

- (i) Adelaide Brighton Management Ltd (ABML) has licensed certain technology to the investor of a syndicate in return for which the investor pays a licence fee to ABML and contracts ABML to conduct additional research and development on its behalf. The licence is exclusive for a defined number of years with the intention of developing the technology into commercially available cement process control technology.

There is no guarantee provided by ABML that the research and development undertaken will be successful. However, the syndicate has been approved by AusIndustry in Canberra after undergoing detailed planning and scrutiny, including a development and marketing plan and independent valuation of the licence fee payable.

The contract is medium/long term with the research conducted over a minimum period of three years with a further five year period for development and product marketing. The investor has the option of 'putting' for a pre-determined amount, its interest in the technology and research results to ABML at the conclusion of the development/marketing period or earlier in certain situations.

- (ii) Payments to ABML are for technology licence fees (long-term deposits) and research and development contract fees up to one year in advance (short-term deposits). These amounts are held in a deposit account, in ABML's name, with a major bank as security for the advanced Research and Development expenditure and put option. At all times the balance of the deposit account is equal to or greater than the balance of the liabilities.

Quarterly in advance, and subject to satisfactory progress being achieved against an agreed project schedule, funds can be withdrawn from the deposit account by ABML for the next quarter research funding.

- (iii) ABML is obligated to retain the licence fee plus a research profit margin (plus accumulated interest) in the deposit account until such time as the investor achieves commercial royalties from the product of the research or it decides to withdraw from the syndicate by exercising the 'put' option. If royalties are derived, each after tax dollar received by the investor will generate the release from deposit of an equivalent amount which will be brought to account as income to ABML.

If the 'put' is exercised, the transaction will unwind with the balance of the deposit account being used to acquire from the investor all of its interest in the technology and research results.

- (iv) In the financial records of ABML, research income received is only brought to account as research expenditure is incurred. Funds received from the investor and held on deposit are recorded in the financial statements as an asset with the equivalent 'put' option liability recorded as a liability; the net result of these transactions being nil.

## 29 Directors' remuneration

### 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:

\$	CONSOLIDATED		THE COMPANY	
	1999	1998	1999	1998
- - 9 999	<b>4</b>	-	<b>4</b>	-
10 000 - 19 999	-	1	-	1
20 000 - 29 999	-	1	-	1
40 000 - 49 999	-	2	-	2
50 000 - 59 999	<b>1</b>	-	<b>1</b>	-
60 000 - 69 999	<b>*1</b>	-	<b>*1</b>	-
90 000 - 99 999	<b>*1</b>	1	<b>*1</b>	1
110 000 - 119 999	<b>1</b>	-	<b>1</b>	-
350 000 - 359 999	-	1	-	1
1 020 000 - 1 029 999	<b>*1</b>	-	<b>*1</b>	-

\* Remuneration includes lump sum termination payments

The remuneration bands 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 Law and the Accounting Standards.

	\$	\$	\$	\$
Total income paid or payable, or otherwise made available, to all directors of the company from the company or any related party	<b>1 346 601</b>	574 901	<b>1 346 601</b>	574 901
Director fees included above	<b>240 500</b>	224 353	<b>240 500</b>	224 353
The voted limit on directors' fees was	<b>325 000</b>	325 000	<b>325 000</b>	325 000

Directors' income does not include amounts paid by the company during the year 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.

The total premium paid by the company during the year was \$34 758. This premium covers all directors and officers of the consolidated entity.

### 30 Executives' remuneration

The remuneration of executives who work wholly or mainly outside Australia is not included in this disclosure. 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:

\$	CONSOLIDATED		THE COMPANY	
	1999	1998	1999	1998
100 000 – 109 999	–	2	–	–
110 000 – 119 999	–	2	–	–
120 000 – 129 999	–	2	–	–
130 000 – 139 999	<b>2</b>	2	–	–
140 000 – 149 999	<b>*2</b>	1	–	–
150 000 – 159 999	<b>2</b>	1	–	–
160 000 – 169 999	<b>2</b>	2	–	–
170 000 – 179 999	<b>1</b>	1	–	–
190 000 – 199 999	–	1	–	–
200 000 – 209 999	–	1	–	–
230 000 – 239 999	–	<b>*1</b>	–	–
240 000 – 249 999	<b>1</b>	–	–	–
250 000 – 259 999	<b>1</b>	–	–	–
310 000 – 319 999	–	<b>*1</b>	–	–
340 000 – 349 999	–	<b>*1</b>	–	–
360 000 – 369 999	<b>1</b>	–	–	–
550 000 – 559 999	<b>*1</b>	–	–	–
580 000 – 589 999	<b>*1</b>	–	–	–

\* Remuneration includes lump sum redundancy payments

The remuneration bands 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 Law and the Accounting Standards.

	\$	\$	\$	\$
Total income received, or due and receivable from the company, entities in the consolidated entity, and related parties by executive officers whose income is \$100 000 or more	<b>3 377 728</b>	3 100 576	–	–

Executives' remuneration does not include amounts paid by the company during the year 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.

The total premium paid by the company during the year was \$34 758. This premium covers all directors and officers of the consolidated entity.

### 31 Statement of operations of segments

#### Industry and geographical segments

The consolidated entity operates predominantly in the cement and concrete industry in Australia. More than 90% of revenue, operating profit and segment assets relate to operations in the cement and concrete industry in Australia.

### 32 Related party disclosures

#### Directors

The names of each person holding the position of director of the company during the financial year are Messrs MA Kinnaird, CL Harris, PC Crowley, DA Harding, CH Perkins, RW Hammond, RAF England and ND Hamilton. Messrs PC Crowley, DA Harding and CH Perkins were appointed as directors on 30 June 1999. Mr ND Hamilton was appointed as a director on 21 July 1998 and resigned as a director on 30 June 1999. Mr RAF England resigned as a director on 30 June 1999.

Mr PJ Bowen was appointed as an alternate director for PC Crowley and DA Harding on 30 June 1999.

Mr MA Kinnaird, a director of Adelaide Brighton Ltd, is a director of Kinhill Pty Ltd a company in which he has significant influence. Kinhill Pty Ltd provided consulting services to the consolidated entity to the total amount of \$234 (1998: \$45 128) during the year on normal commercial terms and conditions.

Mr MA Kinnaird, a director of Adelaide Brighton Ltd, was a director of Perry Engineering Pty Ltd, a company in which he had significant influence until he ceased to be a director in April 1999. Perry Engineering Pty Ltd provided consulting services to the consolidated entity to the total amount of \$16 889 (1998: Nil) during the year on normal commercial terms and conditions.

Mr RAF England, a director of Adelaide Brighton Ltd, is a director of TOWER Trust Ltd a company in which he has significant influence. Adelaide Brighton Ltd paid TOWER Trust Ltd for trust fees to the total amount of \$23 828 (1998: \$17 460) during the year on normal commercial terms and conditions.

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 and are trivial or domestic in nature.

#### Directors' shareholdings

The shareholdings in the company and share transactions of directors (including directors who retired during the year) and their director related entities during the year were:

	SHARES HELD 30/6/98	ACQUIRED	DISPOSED	SHARES HELD 30/6/99
Directors as at 30 June 1999				
Ordinary Shares	221 164	38 000	(30 000)	<b>229 164</b>
Retired Directors				
Ordinary Shares	40 868	13 561	-	<b>54 429</b>

All share transactions with directors and their director related entities are on normal commercial terms and conditions.

#### Directors' noteholdings

No directors (including directors who retired during the year) or their director related entities held convertible notes during the year.

#### Wholly owned Group

Details of interests in wholly owned controlled entities are set out in Note 25. Details of dealings with these entities are set out below.

Balances with entities within the wholly owned Group include amounts receivable from Adelaide Brighton Cement Ltd. Adelaide Brighton Cement Ltd became a wholly owned controlled entity on 30 June 1999. Prior to 30 June 1999, Adelaide Brighton Cement Ltd was a partly owned controlled entity. Details of transactions with Adelaide Brighton Cement Ltd during the year are disclosed in Other related parties.

## 32 Related party disclosures continued

### Wholly owned Group continued

#### 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. Adelaide Brighton Cement Ltd became a wholly owned controlled entity on 30 June 1999. Comparative information has been shown in the 'Balances with partly owned controlled entities' section. Interest is charged half yearly at ruling commercial rates on the outstanding balance. Interest revenue brought to account by the company in relation to this loan during the year has been shown in the 'Partly owned controlled entities' section.

A loan to Adelaide Brighton Cement Ltd of \$82 860 247 was granted on 30 June 1999 to fund a capital reduction payment. The loan is subordinated and is only repayable after full repayment of external borrowings. Interest will be charged quarterly from 30 June 1999 at a 5.5% premium on ruling commercial rates on the outstanding balance.

All other loans to and from Group entities are repayable at call. Interest is charged annually at ruling commercial rates on the outstanding balance.

Interest revenue and expense brought to account by the company in relation to these loans during the year was:

	THE COMPANY	
	1999	1998
	\$'000	\$'000
Interest revenue	11 680	11 400
Interest expense	-	1 480

#### Dividends

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

17 450	17 100
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#### Other transactions

The company purchases management services from Adelaide Brighton Management Ltd in the normal course of business and on normal terms and conditions.

Tax losses are transferred between entities within the wholly owned Group at cost, in accordance with Division 170 of the Income Tax Assessment Act 1997. The company acquired tax losses to the value of \$2 134 314 (1998: \$1 679 354) from Mataranka Lime Pty Ltd, Adelaide Brighton Management Ltd and Abcem Pty Ltd during the year.

#### 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 are:

	THE COMPANY	
	1999	1998
	\$'000	\$'000
<b>Receivables</b>		
Other loans – current	65 508	64 537
Other loans – non-current	148 360	-
<b>Payables</b>		
Other loans – current	(2 709)	(17 099)



**32 Related party disclosures** continued

**Other related parties**

The aggregate amount of debts, other than trade debts, due and receivable from and payable to other related parties by the company and the consolidated entity at balance date:

	CONSOLIDATED		THE COMPANY	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Receivables</b>				
Current	12 074	9 124	-	170
Non-current	400	1 000	-	65 500
	<b>12 474</b>	<b>10 124</b>	<b>-</b>	<b>65 670</b>
<b>Other Loans</b>				
Non-current	<b>107 890</b>	-	-	-

**(a) Partly owned controlled entities**

Details of interests in partly owned controlled entities are set out in Note 25. Details of dealings with these entities are set out below.

**Loans**

A subordinated loan to Adelaide Brighton Cement Ltd is repayable based on the conversion of convertible notes to ordinary share capital of the company. Adelaide Brighton Cement Ltd became a wholly owned controlled entity on 30 June 1999 and the loan balance outstanding at 30 June 1999 has been shown in the 'Balances with entities within the wholly owned Group' section.

Interest is charged half yearly at ruling commercial rates on the outstanding balance. Interest revenue brought to account by the company in relation to this loan during the year was \$3 770 000 (1998: \$3 716 000).

**Dividends**

Dividend revenue from partly owned controlled entity, Adelaide Brighton Cement Ltd, brought to account by the company was \$7 431 000 (1998: \$4 658 000).

**Balances with partly owned controlled entities**

The aggregate amount receivable from and payable to, partly owned controlled entities by the company at balance date were:

	THE COMPANY	
	1999 \$'000	1998 \$'000
<b>Receivables</b>		
Current	-	170
Non-current	-	65 500
	-	65 670

Adelaide Brighton Cement Ltd became a wholly owned controlled entity on 30 June 1999. All balances outstanding at 30 June 1999 with the company have been shown in the 'Balances with entities within the wholly owned Group' section.

### 32 Related party disclosures continued

#### Other related parties continued

#### (b) Associated companies and business undertakings

Details of interests in associated companies and business undertakings is set out in Note 27. Details of dealings with these entities are set out below.

#### Loans

Loans to associated companies: Stabilised Pavements of Australia Pty Ltd and Independent Cement & Lime are repayable at call. The loan to Stabilised Pavements of Australia Pty Ltd is interest free and interest is charged quarterly on the loan to Independent Cement & Lime at ruling commercial rates on the outstanding balance. Interest revenue brought to account by the consolidated entity during the year was \$369 000 (1998: \$304 000).

#### Dividends and distributions

Refer Note 27

#### Other transactions

During the year other transactions with related corporations were:

- i. Adelaide Brighton Cement Ltd supplied finished products and raw materials to related corporations Sunstate Cement Ltd, Independent Cement & Lime, Melcann Pty Ltd and Australian Cement Holdings Pty Ltd, and purchased raw materials and finished products from Australian Cement Holdings Pty Ltd and Melcann Pty Ltd.
- ii. Pavement Technology Ltd purchased raw materials from Independent Cement & Lime.
- iii. Pavement Technology Ltd hired equipment to, and hired equipment from, Stabilised Pavements of Australia 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 was:

	CONSOLIDATED		THE COMPANY	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Sales	90 341	90 755	-	-
Purchases	23 457	52 085	-	-

#### Balances with associated companies and business undertakings

The aggregate amounts receivable from, and payable to, associated companies and business undertakings by the consolidated entity at balance date were:

	CONSOLIDATED		THE COMPANY	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Receivables				
Current	24 154	19 520	-	-
Non-current	400	1 000	-	-
Payables				
Current	2 448	2 027	-	-

These amounts include trade debtors, trade creditors, loans and distributions/dividends receivable.

#### (c) Controlling entity

Rugby Holdings Ltd acquired a 55% interest in Adelaide Brighton Ltd on 30 June 1999.

#### Balances with controlling entity

\$12 889 727 was owing to Rugby Holdings Ltd at 30 June 1999 by Cockburn Cement Ltd, a subsidiary of Adelaide Brighton Ltd. The loan is on normal terms and conditions.

#### (d) Entities subject to common control

On 30 June 1999, Cockburn Cement Ltd received a loan of \$95 000 063 from Gillingham Portland Cement Company Ltd, a subsidiary of The Rugby Group PLC. The loan is on normal terms and conditions.

#### Ultimate Parent Entity

The immediate parent entity of Adelaide Brighton Ltd is Rugby Holdings Ltd, a company incorporated in Western Australia. The ultimate parent entity of Adelaide Brighton Ltd is The Rugby Group PLC, a company incorporated in the United Kingdom.

### 33 Earnings per share

	CONSOLIDATED	
	1999	1998
	¢	¢
Basic earnings per share (cents per share) calculated in accordance with AASB 1027	-24.1	*8.6
Earnings per share (cents per share) calculated by reference to operating profit before abnormal items after income tax and outside equity interests	7.3	*8.4
	\$'000	\$'000
<b>Reconciliation of earnings used in the calculation of earnings per share *</b>		
Operating profit/(loss) after income tax	(70 070)	27 192
Less: Outside equity interests	(32 155)	13 722
Earnings used in calculation of basic earnings per share (AASB 1027)	(37 915)	13 470
Earnings before abnormal items after income tax and outside equity interests	11 481	13 223

Weighted average number of ordinary shares used in the calculation of basic earnings per share

NUMBER OF SHARES	
1999	1998
157 439 770	157 171 596

#### Change in accounting policy

As detailed in Note 2, the consolidated entity changed its accounting policy with respect to accounting for investments in associates and major maintenance provisions. The effect for the financial year ended 30 June 1999 has been to decrease basic earnings per share by 1 cent as compared with the amounts of earnings per share that would have been determined using the previous accounting policy.

\* 1998 comparative amounts have been adjusted to the amounts that would have been determined had the change in accounting policy occurring in the current financial year been applied to 1998.

#### Potential ordinary shares

29 094 661 (1998: 29 095 660) convertible unsecured notes were on issue at balance date. These potential ordinary shares do not have a dilutive effect on the calculation of diluted earnings per share.

#### Conversion, call, subscription or issue after 30 June 1999

There has been:

- (a) no conversion of convertible notes to ordinary shares;
- (b) no calls of or subscription for ordinary shares; or
- (c) no issues of potential ordinary shares

since the reporting date and before the completion of these financial statements.

### 34 Notes to the statement of cash flow

#### (i) Reconciliation of cash

For the purpose of the Statement of cash flows, cash includes cash on hand and at bank and short-term deposits/(borrowings) at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the balance sheets as follows:

	CONSOLIDATED		THE COMPANY	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Cash	14 532	9 290	154	-
Bank overdraft	(911)	(344)	(10 885)	(514)
	<b>13 621</b>	<b>8 946</b>	<b>(10 731)</b>	<b>(514)</b>

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

Operating profit/(loss) after income tax	(70 069)	23 512	(28 284)	(2 813)
Add/(less) non-cash items:				
Transfer to provisions:				
Doubtful debts	(194)	387	-	-
Depreciation & amortisation	27 713	23 809	195	195
Add/(less) items classified as investing/financing activities:				
Put option	1 318	1 230	-	-
Research and development funding	(1 372)	(3 603)	-	-
(Profit)/Loss on sale of non-current assets	1 544	(15 700)	-	-
Write down of property, plant and equipment	39 288	-	-	-
Write down of patents, trademarks and brandnames	9 432	-	-	-
Write down of capitalised research and development costs	3 032	-	-	-
Write down and loss on sale of investments	-	151	55 611	28 289
Share of associates' net profit	606	-	-	-
Equity in interest in business undertakings	-	(697)	-	-
Other	123	(764)	-	(40)
Net cash provided by operating activities before change in assets and liabilities	11 421	28 325	27 522	25 631
Changes in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:				
(Increase)/decrease in deferred expenses	597	(333)	189	(138)
(Increase)/decrease in inventories	10 582	(3 509)	-	-
(Increase)/decrease in prepayments	(621)	371	-	(1)
(Increase)/decrease in trade/term debtors	(8 112)	5 587	-	-
(Increase)/decrease in inter-company debtors	-	-	(27 068)	(27 014)
Increase/(decrease) in trade creditors	(7 419)	5 872	544	(27)
Increase/(decrease) in provisions	36 955	(1 783)	-	666
Increase/(decrease) in deferred taxes payable	(14 810)	3 648	(199)	-
Net cash provided by (used in) operating activities	28 593	38 178	988	(883)



**34 Notes to the statement of cash flow** continued

	CONSOLIDATED		THE COMPANY	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<i>(iii) Other cash flows related to financing and investing activities.</i>				
(a) Other cash flows relating to investing activities comprise:				
Purchase of Research and Development Syndication deposit	(54)	(539)	-	-
Costs incidental to the acquisition of 49% of Adelaide Brighton Cement Ltd	(1 466)	-	(1 466)	-
Other	(845)	(1 612)	-	-
	<b>(2 365)</b>	<b>(2 151)</b>	<b>(1 466)</b>	-
(b) Other cash flows relating to financial activities comprise:				
Sale of core technology and advance payments in relation to Research and Development Syndication	1 318	4 142	-	-
Other	(17)	-	-	-
	<b>1 301</b>	<b>4 142</b>	-	-

*(iv) Disposal of controlled entities*

The proceeds on sale of Hurricane Wire Products Ltd and Hurricane Wire Products (Aust) Pty Ltd were received in the 1998 financial year (\$19 940 000).

*(v) Acquisitions of controlled entities*

During the financial year the consolidated entity acquired 100% of the ordinary shares of Cockburn Cement Ltd (1998: 51% of the ordinary shares of Exmouth Limestone Pty Ltd). Details of the acquisitions are as follows:

	CONSOLIDATED	
	1999 \$'000	1998 \$'000
Consideration paid and payable	-	5 203
Acquisition costs	1 012	-
	<b>1 012</b>	5 203
Cash acquired	(9 184)	(4 080)
Outflow of cash	(8 172)	1 123
Fair value of net assets of entity acquired		
Cash	9 247	4 080
Receivables	17 791	-
Inventories	16 805	-
Other current assets	1 429	-
Freehold land	30 820	-
Buildings	21 930	-
Plant & equipment	133 202	-
Limestone reserves and mineral tenements	8 540	6 003
Accounts payable	(14 404)	-
Bank overdraft	(63)	-
Borrowings	(116 890)	-
Provisions	(21 733)	-
	<b>86 674</b>	10 083
Outside equity interests at acquisition	-	(4 880)
Goodwill on acquisition	144 338	-
Non-cash consideration – issue of shares (Note 19)	(230 000)	-
Consideration (cash)	<b>1 012</b>	5 203

### 35 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.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 June 1999.