Adelaide Brighton Ltd
ACN 007 596 018

# Adelaide Brighton Ltd

## Preliminary final report summary

**Year ended 31 December 2011**

## Results for announcement to the market

| | |
|---|---|
| Company Name: | Adelaide Brighton Ltd |
| ABN: | 15 007 596 018 |
| Reporting period: | Financial year ended 31 December 2011 |
| Previous corresponding period: | Financial year ended 31 December 2010 |
| Release date: | 16 February 2012 |

| | | | | **A$m** |
|---|---|---|---|---|
| **Revenue** from continuing operations | **up** | 2.6% | **to** | 1,100.4 |
| **Earnings** before interest and tax | **up** | 3.3% | **to** | 223.4 |
| **Net profit** for the period attributable to members | **down** | 2.0% | **to** | 148.4 |

| **Dividends** | Amount per security | | Franked amount per security |
|---|---|---|---|
| | Current period | Previous corresponding period | |
| Final ordinary dividend | 9.0¢ | 9.0¢ | 100% |
| Final special dividend | 0.0¢ | 2.5¢ | 100% |
| Interim ordinary dividend | 7.5¢ | 7.5¢ | 100% |
| Interim special dividend | 0.0¢ | 2.5¢ | 100% |

| | |
|---|---|
| **Record date** for determining entitlements to the final dividend | 1 March 2012 |

**Annual General Meeting**

Pursuant to listing rule 3.13.1 notice is hereby given that the 2011 Annual General Meeting of Adelaide Brighton Ltd will be held on Thursday 17 May 2012 at the InterContinental Adelaide, North Terrace, Adelaide, SA, commencing at 11.00 am.

| | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| **Net tangible asset backing** per ordinary share | $1.22 | $1.19 |

**Dividend Reinvestment Plan**

Adelaide Brighton advised in the Appendix 4E Preliminary Final Report Summary released to the Australian Securities Exchange on 18 February 2011, that the Board has suspended the Company's Dividend Reinvestment Plan until further notice. That suspension continues.

Adelaide Brighton Ltd
ACN 007 596 018

# Adelaide Brighton Ltd

## Preliminary final report summary

**Year ended 31 December 2011**

### KEY FEATURES OF FULL YEAR RESULT

- Revenue of $1,100.4 million – an increase of 2.6% over pcp
- Earnings before interest, tax, depreciation and amortisation of $281.2 million – a 4.5% increase over pcp
- Earnings before interest and tax of $223.4 million – a 3.3% increase over pcp
- Profit before tax of $206.4 million – a 2.1% increase over pcp
- Net profit attributable to members of $148.4 million – a decrease of 2.0% over pcp
- Earnings per share decreased by 2.2% to 23.3 cents (23.9 cents pcp)
- Final total dividend of 9.0 cents, franked to 100%, in addition to the total interim dividend of 7.5 cents, franked to 100%. Dividends for the total year of 16.5 cents (fully franked) versus pcp of ordinary dividend of 16.5 cents (fully franked) and special of 5.0 cents (fully franked)
- Cash flow from operations decreased by $33.5 million to $155.0 million
- Gearing[1] increased to 26.0% (15.9% pcp) due to higher levels of capital and acquisition related expenditure
- Interest cover remains at a satisfactory 13.1 times EBIT (15.4 times pcp)

| **FINANCIAL SUMMARY** | **12 months ended 31 December** | | |
|---|---|---|---|
| ($ millions) | **2011** | **2010** | **% change pcp** |
| **Revenue** | **1,100.4** | **1,072.9** | **2.6** |
| Depreciation and Amortisation | (57.8) | (52.8) | 9.5 |
| **Earnings before interest and tax (“EBIT”)** | **223.4** | **216.2** | **3.3** |
| Net interest [2] | (17.0) | (14.0) | 21.4 |
| **Profit before tax** | **206.4** | **202.2** | **2.1** |
| Tax expense | (58.0) | (50.8) | 14.2 |
| **Net profit after tax** | **148.4** | **151.4** | **(2.0)** |
| Non-controlling interests | - | 0.1 | |
| **Net profit attributable to members** | **148.4** | **151.5** | **(2.0)** |
| Earnings per share (cents) | 23.3 | 23.9 | (2.2) |
| Ordinary dividends – fully franked (cents/share) | 16.5 | 16.5 | 0.0 |
| Special dividends – fully franked (cents/share) | 0.0 | 5.0 | |
| Net debt (A$ millions) | 248.4 | 148.4 | 67.4 |
| Net debt/equity (%) | 26.0% | 15.9% | |

[1] *Net debt/equity*
[2] *Interest shown gross in the Income Statement with interest income included in revenue*

## Summary

Adelaide Brighton reported record sales for the year ended 31 December 2011. Earnings before interest and tax (EBIT) increased by 3.3% to $223.4 million and profit before tax increased 2.1% to $206.4 million. Due to a higher effective tax rate of 28.1%, compared with 25.1% in the prior corresponding period (pcp), the net profit after tax attributable to members decreased marginally to $148.4 million.

Revenue of $1,100.4 million was up 2.6%, as weakness in the residential sector was offset by project work in South Australia and Western Australia.

EBIT increased 3.3% to a record $223.4 million. EBIT Margin improved to 20.3% due to increased selling prices, effective management of costs and improved import margins supported by the strong Australian dollar. Cost management programs delivered benefits of $23 million, helping to offset the increasing costs of energy and labour.

Net interest increased by 21.4% to $17.0 million as debt and borrowing costs increased during the year.

Earnings per share declined by 2.2% to 23.3 cents, as an increase in tax expense for the year resulted in a marginally lower net profit after tax.

A final ordinary dividend for 2011 of 9.0 cents, franked to 100% (pcp – final ordinary dividend 9.0 cents, 100% franked, plus special dividend 2.5 cents, 100% franked), has been declared, payable on 10 April 2012.

## Cement

- ***Sales – Demand from mining and projects, offsetting a weak residential sector***
  Excluding the loss of circa 50% of the cement supplied to a major customer in Western Australia, sales of cement increased marginally in 2012. Increased demand from mining, resources and projects in South Australia and Western Australia offset reduced residential activity. The market in Victoria was again strong, with sales increasing in line with the market. On average, cement net selling prices were slightly better.

- ***Operations - Cement margins improved***
  Cement margins improved as the benefits from cost management helped offset input cost pressures, particularly labour and energy. Adelaide Brighton continues to actively manage energy costs via electricity demand management, direct participation in the gas Short Term Trading Market and the use of alternative fuels.

  In 2011 significant planned cyclical maintenance was completed. The *MV Accolade II*, Adelaide Brighton's owned vessel which transports limestone from Klein Point quarry (South Australia) to the Birkenhead (South Australia) cement works underwent a 60 day dry-dock to refurbish the hull and complete mechanical repairs. The Birkenhead (South Australia) cement works also underwent its annual shutdown during this period.

  Clinker kiln capacity at Munster (Western Australia), Angaston and Birkenhead (South Australia) was fully utilised during the year. Adelaide Brighton's largest clinker kiln at Birkenhead ran at close to record production levels while utilising a record quantity of alternative fuels.

- ***Logistics and imports – Well positioned to manage strong A$***
  Adelaide Brighton's successful import strategy saw sales volumes in excess of domestic production being met through imports of clinker and cement, addressing increased market demand and achieving optimal asset utilisation. The higher Australian dollar improved import margins by approximately $4 million versus the prior corresponding period.

## Lime

- ***Sales – Demand and margins underpinned by the resources sector***
  Demand was generally in line with the prior year, although the temporary suspension of operations at a major customer in the Northern Territory impacted on volumes in the first half. Margins improved as price increases and efficiency improvements more than covered input cost increases.

- ***Operations – Competitive operating position***
  Lime demand sustained production at full capacity in the key operations of Munster (Western Australia), Angaston (South Australia) and Mataranka (Northern Territory). The smaller Dongara (Western Australia) plant and the Munster clinker kilns provided flexibility to supply peak market demand as required. The threat of small scale lime imports in Western Australia remains. However, we are cautiously confident of our competitive position given our cost structure.

## Concrete and Aggregates

- ***Sales – Downstream growth continues***
  Premixed concrete and aggregates volumes increased largely as a result of acquisitions. Sales of aggregate were positively impacted by supply of materials to the Pacific Highway upgrade. Four acquisitions were completed during the year which also increased sales volumes. Concrete and aggregate pricing increased in line with expectations.

- ***Operations – Efficiency focus on going***
  Continued progress was made during the year on control of concrete production costs, through the use of alternative raw materials, management of mix designs and mixer truck utilisation. In the aggregates operations, higher plant throughput was achieved during the year, contributing to an increase in profitability.

## Concrete Masonry Products

- ***Sales – Difficult market conditions continue***
  Due to soft housing and commercial activity, trading conditions remain difficult in all masonry markets. Adbri Masonry (concrete products) revenue was down by 9% for the year. Continued weakness in the Queensland market was exacerbated by very wet weather along the east coast of Australia early in the year.

- ***Operations – Cost focus and capacity management***
  Savings in overheads and production costs, as well as adjustments to output volumes have helped offset the decline in sales volumes and increased competition.

## Joint Ventures (ABL 50% owned)

- ***Independent Cement and Lime Pty Ltd (ICL)***
  Independent Cement and Lime reported improved earnings as a result of the continued strength in the Victorian construction industry driven by major projects.

- ***Sunstate Cement Limited***
  Sunstate Cement reported decreased earnings, due to weak construction activity in the south east Queensland market. Underlying market weakness, unfavourable weather at the start of the year and continued pricing pressure due to the impact of an entrant into the market during 2010 led to a decline in revenue and earnings for the year.

- ***Mawson Group***
  The Mawsons concrete and aggregates joint venture increased earnings despite the significant adverse impact on operations of flooding in Victoria early in the year. Reconstruction work for flood damaged infrastructure and the continuation of project work resulted in strong demand, following resumption of normal operations.

## Carbon tax – financial and strategic implications

Adelaide Brighton is committed to reducing its carbon emissions. The company has significantly reduced its carbon footprint in Australia through the use of supplementary cementitious materials such as fly ash and slag, the use of alternative fuels and changes to cement standards. The Company has closed inefficient clinker plants and has been consistently developing its capability to import cementitious materials.

As a result of this investment over the last 20 years, Adelaide Brighton has seaborne access into every mainland capital city through an unmatched network of import terminals and grinding facilities. Adelaide Brighton is the largest importer of cement and clinker into the Australian market. This places the Company in a strong position relative to its domestic cement and clinker competitors to deal with the potentially rising cost of local production, given the proposed introduction of a carbon tax.

Following the Australian Government's announcement of a carbon tax effective from 1 July 2012, it is estimated that the impact on net profit after tax in 2012 will be circa $2.7 million and circa $5 million in the first 12 months of the scheme, before mitigation. In light of the proposed carbon tax and the strong Australian dollar, Adelaide Brighton expects it will significantly mitigate the impact of the carbon tax over the next five years by enhancing its import flexibility, reducing reliance on domestic manufacture, increasing the use of alternative fuels and cementitious substitutes, such as fly ash, slag and limestone, and other measures.

The carbon tax as proposed is unlikely to have any significant impact on the consistent and successful growth strategy that has been in place for the last decade.

## Strategic developments

Adelaide Brighton continues its successful long term strategy to grow shareholder value through investment in three key areas:

1. Operational improvement
2. Growth in the lime business
3. Vertical integration into downstream markets

The Company is currently investing approximately $94 million to improve efficiency, sustainability and environmental performance in the Cement and Lime Division. In addition, the downstream strategy continues in the Concrete and Aggregates Division with several bolt-on acquisitions completed in 2011. The Company will continue to pursue both organic and acquisitive growth in a measured and low risk manner in order to maximise shareholder value. As previously advised, Adelaide Brighton expects to realise circa $100 million from its significant land bank.

***Cement - Operational improvement and supply contract renewal***
Adelaide Brighton has previously announced that $60 million will be invested during 2011 and 2012 to expand the Birkenhead (South Australia) cement milling capacity by 750,000 tonnes per annum. This expansion will reduce the Group's reliance on imported cement and includes expenditure to upgrade the ship loading facilities at Birkenhead, which will bring environmental benefits through improved dust collection. Depending on exchange rates and the landed cost for cement and clinker, this project is expected to deliver annualised EBIT benefits of $10 million – $12 million per annum when completed in mid 2013.

The expenditure is subject to the Company achieving necessary planning approvals and reaching agreement for long term supply of cement to the ICL joint venture. Planning approvals are well progressed and supply negotiations with ICL have been agreed in principle, subject to ICL unit-holder approval. We remain cautiously confident that the supply arrangements which expire in the first quarter of 2013, will be renewed on not materially different terms.

Agreements have been formalised with a major cement customer, securing supply in Western Australia and South Australia until 31 December 2012. Under the agreements, the customer has the option of extending supply in South Australia for an additional 12 months to 31 December 2013. We remain cautiously confident of this option being exercised.

***Lime - Capacity improvement and environmental expenditure***
At the Munster (Western Australia) lime facility, $10 million is being invested in a new cooler bag house, which is expected to increase lime production capacity by 100,000 tonnes per annum. This investment will improve efficiency and expand capacity to meet expected future demand for lime from the resources sector in Western Australia. We are also in the process of replacing the Munster kiln 6 electrostatic precipitator with a heat exchanger and bag filter at a cost of $24 million. This project will address environmental performance through improvements in dust and odour emissions. These projects are expected to be completed during 2012.

There is the potential for changes to the Munster, Western Australia operating conditions effective from 30 March 2012, when the EPA license renewal occurs. This may also require a bag house filter to be installed on the second Munster lime kiln (kiln 5) over the next two years for the purpose of reducing emissions from that kiln. If this proceeds, the capital expenditure required is estimated to be in the range of $10 million to $15 million.

In 2011, formal agreements were executed with a major alumina producer for the continued supply of their lime requirements in Western Australia. The new agreement, which is in line with the Heads of Agreement signed in December 2010, is effective from 1 July 2011 and covers supply for periods ranging between five and ten years. Some of the contracted volume is not committed, which opens the possibility of imports from other suppliers.

***Concrete and Aggregates – Vertical integration***

- *KMM*
  In January 2011, Adelaide Brighton acquired the concrete and aggregate business KMM, based in the Kingaroy region of Queensland. This business is well positioned to benefit from infrastructure and resource projects in the region.

- *Mundubbera*
  In August 2011, a bolt-on concrete business at Mundubbera in Queensland was acquired.

- *South Coast Equipment (SCE)*
  In March 2011, the concrete operations of SCE were acquired. Located south of Wollongong, New South Wales, this business is well positioned to benefit from the long term population growth expected in the region, as well as securing sales of cement from the Company's Port Kembla operation.

- *Hammercrete*
  In July 2011, Adelaide Brighton acquired the Hammercrete concrete and quarry business located in south east Queensland and northern New South Wales. This business operates a hard rock quarry with an approved volume limit of 500,000 tonnes per annum and reserves in excess of 20 years, servicing the Gold Coast, southern Brisbane and northern New South Wales markets, as well as three concrete plants in southern Brisbane, Toowoomba and the Gold Coast. This business has good quality assets and is well positioned to benefit from projects and long term population growth.

Consideration paid for these four businesses totalled $48 million, which represents a multiple of 7.3 times estimated annualised 2011 EBITDA.

Adelaide Brighton continues to evaluate potential acquisition opportunities to advance its strategy of selected downstream vertical integration. The expansion of Adelaide Brighton's position in aggregates continues to be a key factor in future strategic growth.

## Financial review

### *Cash flow and borrowings*

Cash flow from operating activities was $155.0 million, a decrease of $33.5 million versus pcp, largely due to an increase in income tax payments of $18.1 million, resulting from higher tax instalments and the payment of the prior year assessment.

Compared with 31 December 2010, inventory levels increased by $10.1 million to $127.9 million and trade and other receivables increased by $15.6 million to $168.9 million. Outstanding debtor days as at 31 December 2011 were the same as pcp.

Capital expenditure of $138.9 million included $48 million for four acquisitions, $16 million for the acquisition of strategic land, as well as $22 million initial expenditure on the Birkenhead cement mill expansion and the Munster kiln 6 projects.

Net debt increased by $100.0 million, bringing net debt to equity gearing to 26.0% which is at the lower end of the Board's targeted range of 25% to 45%.

The Company's strong cash flow and balance sheet position provides capacity for Adelaide Brighton to fund acquisitions and planned organic growth opportunities.

### *Refinancing facilities*

In 2011, the Company refinanced its existing bank debt facilities and increased its total debt facilities with three leading Australian banks to $500 million. The maturity profile of these facilities is:

| 1 July 2013 | 1 July 2014 | 1 July 2015 |
|---|---|---|
| $200 million | $140 million | $160 million |

### *Dividends*

A fully franked final ordinary dividend of 9.0 cents per share has been declared. The resulting full year fully franked ordinary dividend of 16.5 cents per share is in line with the 2010 fully franked ordinary dividend of 16.5 cents. The full year payout ratio is 70.8%.

The Board decided not to pay a 2011 special dividend as acquisitions and investments in organic growth projects during 2011 were higher than in previous years. The return on these investments is expected to be shareholder value accretive. Capital expenditure for 2012 is expected to be in the range of $110 million to $120 million.

The record date for determining eligibility to the final dividend is 1 March 2012 and the payment date is 10 April 2012.

### *Interest and tax*

Net finance costs of $17.0 million were $3.0 million higher than 2010 due to higher levels of debt and a marginal increase in average interest rates for the year.

Tax expense of $58.0 million increased by $7.2 million over 2010 principally as a result of a one-off tax benefit of $4 million recorded in the prior year. As a result, the 2011 effective tax rate increased to 28.1% (2010 - 25.1%). Going forward, it is expected that Adelaide Brighton's effective tax rate will be between 27% and 28%.

## Outlook

Adelaide Brighton anticipates demand for cement in 2012 to be similar to 2011 levels. Demand from infrastructure and non-residential projects in South Australia, and mining and resource projects in Western Australia are expected to offset on-going weakness in the residential sector. The strong Australian dollar, competitive pressures and the risk of imports in some markets may limit the scope for price increases to recover expected cost increases.

In 2012 lime sales volumes are expected to be marginally higher than 2011 levels. However, the threat of small scale lime imports in Western Australia and the Northern Territory remains. Lime prices are expected to improve as the benefits of improved pricing to a major alumina customer in Western Australia, which were effective from 1 July 2011, continue to be realised.

The Australian concrete market recovery appears to have plateaued in 2011. Further improvements in concrete and aggregate prices are expected, with customers advised of price increases effective from 1 April 2012.

Weakness in the concrete masonry market is expected to continue in 2012, due to difficult conditions in the commercial and the multi-residential segments.

In line with previous guidance, the carbon tax is expected to impact 2012 net profit after tax by circa $2.7 million before mitigation. Adelaide Brighton continues its focus on cost management across the Group to maintain margins.

**Mark Chellew**
Managing Director

16 February 2012

**FOR FURTHER INFORMATION CONTACT:**

**LUBA ALEXANDER**
**GROUP CORPORATE AFFAIRS ADVISER**
**MOBILE: 0418 535 636**

## Consolidated income statement

For the year ended 31 December 2011

| | Notes | **2011 $m** | 2010 $m |
|---|---|---|---|
| **Revenue from continuing operations** | 3 | **1,100.4** | 1,072.9 |
| Cost of sales | | **(681.2)** | (667.4) |
| Freight and distribution costs | | **(159.5)** | (143.7) |
| Gross profit | | **259.7** | 261.8 |
| Other income | 3 | **12.4** | 8.5 |
| Marketing costs | | **(24.0)** | (25.4) |
| Administration costs | | **(54.7)** | (58.5) |
| Finance costs | | **(19.4)** | (16.3) |
| Other expenses | | **(3.3)** | - |
| Share of net profits of joint venture entities accounted for using the equity method | 9 | **35.7** | 32.1 |
| **Profit before income tax** | | **206.4** | 202.2 |
| Income tax expense | | **(58.0)** | (50.8) |
| **Net profit** | | **148.4** | 151.4 |
| Net profit attributable to: | | | |
| Equity holders of the Company | | **148.4** | 151.5 |
| Non-controlling interests | | **-** | (0.1) |
| | | **148.4** | 151.4 |
| | | **Cents** | Cents |
| **Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:** | | | |
| Basic earnings per share | 6 | **23.3** | 23.9 |
| Diluted earnings per share | 6 | **23.2** | 23.7 |

*The above consolidated income statement should be read in conjunction with the accompanying notes.*

## Consolidated statement of comprehensive income

For the year ended 31 December 2011

| | 2011 $m | 2010 $m |
|---|---|---|
| **Net Profit** | **148.4** | 151.4 |
| **Other comprehensive income** | | |
| Actuarial (losses) on retirement benefit obligation | **(8.8)** | (2.7) |
| Exchange differences on translation of foreign operations | **-** | - |
| Income tax relating to components of other comprehensive income | **2.5** | 0.8 |
| Other comprehensive income, net of tax | **(6.3)** | (1.9) |
| **Total comprehensive income** | **142.1** | 149.5 |
| **Total comprehensive income is attributable to:** | | |
| Equity holders of the Company | **142.1** | 149.6 |
| Non-controlling interests | **-** | (0.1) |
| **Total comprehensive income** | **142.1** | 149.5 |

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

## Consolidated balance sheet
As at 31 December 2011

| | Notes | 2011 $m | 2010 $m |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 4 | **11.0** | 2.8 |
| Trade and other receivables | | **168.9** | 153.3 |
| Inventories | | **127.9** | 117.8 |
| | | **307.8** | 273.9 |
| Assets classified as held for sale | | **-** | 0.2 |
| **Total current assets** | | **307.8** | 274.1 |
| **Non-current assets** | | | |
| Receivables | | **27.2** | 30.4 |
| Investments accounted for using the equity method | | **97.2** | 87.7 |
| Property, plant and equipment | | **851.0** | 760.6 |
| Intangible assets | | **183.0** | 179.1 |
| Total non-current assets | | **1,158.4** | 1,057.8 |
| **Total assets** | | **1,466.2** | 1,331.9 |
| **Current liabilities** | | | |
| Trade and other payables | | **98.5** | 105.4 |
| Borrowings | | **0.7** | 1.0 |
| Current tax liabilities | | **8.2** | 27.1 |
| Provisions | | **21.7** | 21.6 |
| Other liabilities | | **4.6** | 3.9 |
| Total current liabilities | | **133.7** | 159.0 |
| **Non-current liabilities** | | | |
| Borrowings | | **258.7** | 150.2 |
| Deferred tax liabilities | | **70.7** | 51.5 |
| Provisions | | **35.0** | 32.6 |
| Retirement benefit obligations | | **10.9** | 4.2 |
| Other non-current liabilities | | **0.1** | 0.1 |
| Total non-current liabilities | | **375.4** | 238.6 |
| **Total liabilities** | | **509.1** | 397.6 |
| **Net assets** | | **957.1** | 934.3 |
| **Equity** | | | |
| Contributed equity | | **694.6** | 692.7 |
| Reserves | | **2.3** | 2.6 |
| Retained profits | 7 | **257.3** | 236.0 |
| Total equity attributable to equity holders of the Company | | **954.2** | 931.3 |
| Non-controlling interests | | **2.9** | 3.0 |
| **Total equity** | | **957.1** | 934.3 |

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

## Consolidated statement of changes in equity
As at 31 December 2011

| | Attributable to owners of Adelaide Brighton Ltd | | | | | |
|---|---|---|---|---|---|---|
| | **Contributed equity** | **Reserves** | **Retained earnings** | **Total** | **Non-con-trolling interests** | **Total equity** |
| | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** |
| **Balance at 1 January 2011** | 692.7 | 2.6 | 236.0 | 931.3 | 3.0 | 934.3 |
| Profit for the year | - | - | 148.4 | 148.4 | - | 148.4 |
| Other comprehensive income | - | - | (6.3) | (6.3) | - | (6.3) |
| **Total comprehensive income for the year** | **-** | **-** | **142.1** | **142.1** | **-** | **142.1** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Dividends provided for or paid | - | - | (120.8) | (120.8) | (0.1) | (120.9) |
| Executive Performance Share Plan | 1.9 | (0.3) | - | 1.6 | - | 1.6 |
| | 1.9 | (0.3) | (120.8) | (119.2) | (0.1) | (119.3) |
| **Balance at 31 December 2011** | **694.6** | **2.3** | **257.3** | **954.2** | **2.9** | **957.1** |
| **Balance at 1 January 2010** | 690.4 | 2.9 | 200.6 | 893.9 | 3.1 | 897.0 |
| Profit for the year | - | - | 151.5 | 151.5 | (0.1) | 151.4 |
| **Other comprehensive income** | - | - | (1.9) | (1.9) | - | (1.9) |
| **Total comprehensive income for the year** | - | - | 149.6 | 149.6 | (0.1) | 149.5 |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Contributions of equity, net of transaction costs | | | | | | |
| Dividends provided for or paid | - | - | (114.2) | (114.2) | - | (114.2) |
| Dividend Reinvestment Plan | | | | | | |
| Executive Performance Share Plan | 2.3 | (0.3) | - | 2.0 | - | 2.0 |
| | 2.3 | (0.3) | (114.2) | (112.2) | - | (112.2) |
| **Balance at 31 December 2010** | 692.7 | 2.6 | 236.0 | 931.3 | 3.0 | 934.3 |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

## Consolidated statement of cash flows

For the year ended 31 December 2011

| | Notes | 2011 $m | 2010 $m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of goods and services tax) | | **1,189.0** | 1,187.7 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | **(989.4)** | (964.4) |
| Joint venture distributions received | | **26.2** | 16.9 |
| Interest received | | **2.4** | 2.2 |
| Other revenue received | | **9.7** | 7.0 |
| Interest paid | | **(17.3)** | (13.4) |
| Income taxes paid | | **(65.6)** | (47.5) |
| **Net cash inflow from operating activities** | | **155.0** | 188.5 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(91.3)** | (51.7) |
| Payments for acquisition of businesses, net of cash acquired | | **(47.6)** | - |
| Proceeds from sale of property, plant and equipment | | **1.6** | 4.5 |
| Loans (to) / from joint ventures and other related parties | | **3.2** | (0.1) |
| **Net cash (outflow) from investing activities** | | **(134.1)** | (47.3) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | **-** | (50.5) |
| Proceeds from borrowings | | **109.0** | - |
| Dividends paid to Company's shareholders | 5 | **(120.8)** | (114.2) |
| Dividends paid to outside equity interests | | **(0.1)** | - |
| **Net cash (outflow) from financing activities** | | **(11.9)** | (164.7) |
| **Net increase / (decrease) in cash and cash equivalents held** | | **9.0** | (23.5) |
| Cash and cash equivalents at the beginning of the reporting period | | **2.0** | 25.5 |
| **Cash and cash equivalents at the end of the reporting period** | 4 | **11.0** | 2.0 |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## Notes to the financial statements

For the year ended 31 December 2011

## 1 Accounting policies

This report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. It has been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value through profit or loss.

The accounting policies adopted are consistent with those of the previous financial year.

## 2 Segment reporting

### (a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Managing Director. These reports are evaluated regularly in deciding how to allocate resources and in assessing performance.

The two reportable segments have been identified as follows:

- Cement, Lime and Concrete
- Concrete Products

The operating segments, Cement, Lime and Concrete, all individually meet the quantitative thresholds required by AASB 8 as well as meeting the aggregation criteria allowing them to be reported as one segment. Concrete Products meets the quantitative threshold, therefore is reported as a separate segment. The Cement, Lime and Concrete Products joint ventures form part of the above two reportable segments as they meet the aggregation criteria.

The major end use markets of Adelaide Brighton's products include residential and non-residential construction, engineering construction, alumina and steel production and mining.

## Notes to the financial statements
For the year ended 31 December 2011

## 2 Segment reporting (continued)

### (b) Segment information provided to the Managing Director

The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2011 is as follows:

| **2011** | **Cement, Lime and Concrete** | **Concrete Products** | **All other segments** | **Total** |
|---|---|---|---|---|
| | $m | $m | $m | $m |
| Total segment operating revenue | 1,124.9 | 120.2 | 77.3 | 1,322.4 |
| Inter-segment revenue | (40.7) | - | - | (40.7) |
| Revenue from external customers | **1,084.2** | **120.2** | **77.3** | **1,281.7** |
| Depreciation and amortisation | 42.9 | 8.0 | 6.9 | 57.8 |
| EBIT | **225.2** | **1.8** | **(3.6)** | **223.4** |
| | | | | |
| **2010** | | | | |
| Total segment operating revenue | 1,084.4 | 131.5 | 61.6 | 1,277.5 |
| Inter-segment revenue | (35.3) | - | - | (35.3) |
| Revenue from external customers | 1,049.1 | 131.5 | 61.6 | 1,242.2 |
| Depreciation and amortisation | 39.1 | 7.9 | 5.8 | 52.8 |
| EBIT | 223.7 | 3.8 | (11.3) | 216.2 |

The operating revenue assessed by the Managing Director includes revenue from external customers and the 50% share of revenue from the joint ventures and excludes freight revenue, interest revenue and royalties. A reconciliation of segment operating revenue to revenue from continuing operations is provided as follows:

| | Consolidated | |
|---|---|---|
| | **2011** | 2010 |
| | **$m** | $m |
| Total segment operating revenue | **1,322.4** | 1,277.5 |
| Inter-segment revenue elimination | **(40.7)** | (35.3) |
| Freight revenue | **102.7** | 93.9 |
| Interest revenue | **2.4** | 2.3 |
| Royalties | **1.2** | 1.2 |
| Elimination of joint venture revenue | **(287.6)** | (266.7) |
| Revenue from continuing operations | **1,100.4** | 1,072.9 |

The Managing Director assesses the performance of the operating segments based on a measure of EBIT. This measurement basis excludes the effect of net interest. A reconciliation of the EBIT to operating profit before income tax is provided as follows:

| | Consolidated | |
|---|---|---|
| | **2011** | 2010 |
| | **$m** | $m |
| EBIT | **223.4** | 216.2 |
| Net interest | **(17.0)** | (14.0) |
| Profit before income tax from continuing operations | **206.4** | 202.2 |

## Notes to the financial statements

For the year ended 31 December 2011

## 3 Operating profit

| | Consolidated | |
|---|---|---|
| | **2011** | 2010 |
| | **$m** | $m |
| **Revenue** | | |
| Sale of goods | **1,096.8** | 1,069.4 |
| Interest revenue | **2.4** | 2.3 |
| Royalties | **1.2** | 1.2 |
| | **1,100.4** | 1,072.9 |
| **Other Income** | | |
| Insurance proceeds | **2.4** | 0.9 |
| Other income | **10.0** | 7.6 |
| | **12.4** | 8.5 |
| | **1,112.8** | 1,081.4 |
| Revenue and other income | | |

**Net gains and expenses**
Profit before income tax includes the following expenses:

| | | |
|---|---|---|
| Depreciation | | |
| Buildings | **3.4** | 3.1 |
| Plant and equipment | **50.8** | 46.9 |
| Mineral reserves | **2.7** | 2.0 |
| Total depreciation | **56.9** | 52.0 |
| Amortisation of intangibles | **0.9** | 0.8 |
| Finance costs | | |
| Interest and finance charges paid / payable | **17.2** | 13.4 |
| Unwinding of the discount on restoration provisions and retirement benefit obligation | **3.1** | 2.9 |
| Total finance costs | **20.3** | 16.3 |
| Less interest income | **(2.4)** | (2.3) |
| Less interest capitalised as cost of fixed asset | **(0.9)** | - |
| Net finance expense | **17.0** | 14.0 |

## 4 Current assets – cash and cash equivalents

| | | |
|---|---|---|
| Cash at bank and in hand | **-** | - |
| Deposits at call | **11.0** | 2.8 |
| Cash and cash equivalents | **11.0** | 2.8 |

**(a) Reconciliation to cash at the end of the year**

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

| | | |
|---|---|---|
| Balances as per above | **11.0** | 2.8 |
| Bank overdrafts | **-** | (0.8) |
| Cash and cash equivalents in the statement of cash flows | **11.0** | 2.0 |

## Notes to the financial statements
For the year ended 31 December 2011

## 5 Dividends

| | 2011 $m | 2010 $m |
|---|---|---|
| **Dividends provided or paid during the year** | | |
| 2010 final dividend of 9.0 cents (2009 – 8.0 cents) per fully paid ordinary share, franked at 100% (2009 – 100%) paid on 11 April 2011 | **57.2** | 50.7 |
| 2010 final special dividend of 2.5 cents per fully paid ordinary share, franked at 100% paid on 11 April 2011 | **15.9** | 15.9 |
| 2011 interim dividend of 7.5 cents (2010 – 7.5 cents) per fully paid ordinary share, franked at 100% (2010 – 100%) paid on 10 October 2011 | **47.7** | 47.6 |
| Total dividends – paid in cash | **120.8** | 114.2 |
| **Dividends not recognised at the end of the year** | | |
| Since the end of the year the Directors have recommended the payment of a final dividend of 9.0 cents (2010 – 9.0 cents) per fully paid ordinary share, franked at 100% (2010 – 100%). The aggregate amount of the proposed final dividend expected to be paid on 10 April 2012, not recognised as a liability at the end of the reporting period, is | **57.3** | 57.2 |
| In relation to the prior year, a special dividend of 2.5 cents franked at 100% was declared payable coincident with the final dividend. No special dividend has been declared for the current financial period. At 31 December 2010 the amount of the declared 2010 special dividend not recognised as a liability at the end of the reporting period, was | **-** | 15.9 |

## 6 Earnings per share

| | 2011 Cents | 2010 Cents |
|---|---|---|
| Basic earnings per share | **23.3** | 23.9 |
| Diluted earnings per share | **23.2** | 23.7 |

| | 2011 Number | 2010 Number |
|---|---|---|
| **Weighted average number of shares used as the denominator** | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **635,895,098** | 634,851,343 |
| Adjustments for calculation of diluted earnings per share: | | |
| Awards | **3,952,500** | 5,315,000 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | **639,847,598** | 640,166,343 |

## 7 Retained profits

| | 2011 $m | 2010 $m |
|---|---|---|
| Retained profits at the beginning of the financial year | **236.0** | 200.6 |
| Net profit attributable to members of Adelaide Brighton Ltd | **148.4** | 151.5 |
| Actuarial (loss) on defined benefit plan, net of tax | **(6.3)** | (1.9) |
| Dividends paid (note 5) | **(120.8)** | (114.2) |
| Retained profits at the end of the financial year | **257.3** | 236.0 |

## Notes to the financial statements

For the year ended 31 December 2011

## 8 Contingencies

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

| Guarantees | **2011** **$m** | 2010 $m |
|---|---|---|
| Bank guarantees | **14.2** | 15.3 |

No material losses are anticipated in respect of the above contingent liabilities.

## 9 Investments in joint ventures

Investments in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting.

| Name of joint venture | Ownership interest **2011** **%** | 2010 % |
|---|---|---|
| Sunstate Cement Ltd | 50 | 50 |
| Independent Cement & Lime Pty Ltd | 50 | 50 |
| Alternative Fuel Company Pty Ltd | - | 50 |
| EB Mawson & Sons Pty Ltd | 50 | 50 |
| Lake Boga Quarries Pty Ltd | 50 | 50 |
| Burrell Mining Services | 50 | 50 |
| Batesford Quarry | 50 | 50 |

| **Contribution to net profit** | **2011** **$m** | 2010 $m |
|---|---|---|
| Sunstate Cement Ltd | **9.6** | 12.2 |
| Independent Cement & Lime Pty Ltd | **18.9** | 15.4 |
| Other | **7.2** | 4.5 |
| Share of profits equity accounted | **35.7** | 32.1 |

The Group disposed of its 50% interest in Alternative Fuel Company Pty Ltd to its joint venture partner on 15 March 2011.

## 10 Events occurring after reporting date

No matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly affect:

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

## Audit statement

This report is based on accounts to which one of the following applies.

- ☐ The accounts have been audited.
- ☐ The accounts have been subject to review.
- ☑ The accounts are in the process of being audited or subject to review.
- ☐ The accounts have not yet been audited or reviewed.