

ADELAIDE BRIGHTON LTD
AND ITS CONTROLLED ENTITIES
ABN 15 007 596 018

FINANCIAL REPORT
FOR THE 12 MONTH PERIOD
1 JANUARY 2003 TO 31 DECEMBER 2003

Adelaide Brighton Ltd and controlled entities

Directors' report

The Directors present their report on the consolidated entity ("the Group") consisting of Adelaide Brighton Ltd ("the Company") and the entities it controlled at the end of, or during, the year ended 31 December 2003.

Directors

The Directors of the Company, at any time during or since the end of the financial year and up to the date of this report, are:

MA Kinnaird AO, DUniv, BE, Hon FIEAust, FTS

Age 70

Director since September 1996

Appointed Chairman January 1997

Chairman, Independent Directors' Committee (from 27 October 2003)

Chairman, Board Sub-committee of Independent Directors' (Takeover Offer by Boral Limited) (from 16 December 2003)

Member, Corporate Governance Committee (from 13 May 2003)

Member, Remuneration Committee (from 24 November 2003)

Chairman, Asia Pacific Transport Pty Ltd

Director, United Water International Pty Ltd

Director, National Electricity Market Management Company Ltd (NEMMCO)

CL Harris BEc, FCPA, FAICD

Age 57

Director since March 1995

Chairman, Remuneration Committee

Chairman, Superannuation Policy Committee

Chairman, Finance and Audit Committee (from 28 February 2003 to 18 August 2003)

Member, Independent Directors' Committee (from 27 October 2003)

Member, Board Sub-committee of Independent Directors' (Takeover Offer by Boral Limited) (from 16 December 2003)

Member, Finance and Audit Committee (from 1 January 2003 to 28 February 2003 and 18 August 2003 to current)

Chairman, Corporate Governance Committee (from 13 May 2003 to 18 August 2003)

Member, Corporate Governance Committee (from 18 August 2003)

Chairman, Argo Investments Limited

Director, McGuigan Simeon Wines Limited

Director, United Water International Pty Ltd

Board Member, Motor Accident Commission (S.A.)

D Barro AO

Age 82

Director since November 1999

Member, Board Sub-committee of Independent Directors' (Takeover Offer by Boral Limited) (from 16 December 2003 to 7 January 2004)

Chairman and Managing Director, Barro Group of Companies

JA Brooks

Age 55

Director since March 2000

Chairman, Finance and Audit Committee (until 28 February 2003)

Member, Finance and Audit Committee (from 28 February 2003)

Member, Remuneration Committee (from 24 November 2003)

Director Asia Pacific, RMC Group Services Ltd

Director, Readymix plc

MP Chellew BSc, ME, Grad Diploma Mgt

Age 47

Managing Director since September 2001

Member, Independent Directors' Committee (from 27 October 2003)

Member, Board Sub-committee of Independent Directors' (Takeover Offer by Boral Limited) (from 16 December 2003)

Adelaide Brighton Ltd and controlled entities

Directors' report (continued)

Directors (continued)

JD McNerney BE, MEng Sc, MIE, MBA, CEng

Age 59

Director since June 2002

Director, Readymix plc

LV Hosking

Age 59

Director since 10 June 2003

Chairman, Finance and Audit Committee (from 18 August 2003)

Member, Finance and Audit Committee (from 10 June 2003 to 18 August 2003)

Chairman, Corporate Governance Committee (from 18 August 2003)

Member, Independent Directors' Committee (from 27 October 2003)

Member, Board Sub-committee of Independent Directors' (Takeover Offer by Boral Limited) (from 16 December 2003)

Managing Director, National Electricity Market Management Company Limited (NEMMCO)

Member, Commonwealth Government's Industry Research and Development Board

Directors' meetings

The number of Directors' meetings and meetings of committees of Directors held during the financial year and the number of meetings attended by each Director are as follows:

	Board Meetings		Finance and Audit Committee		Remuneration Committee		Independent Directors' Committee ¹	
	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held ³	Number of meetings attended	Number of meetings held
MA Kinnaird ^{2,4}	10	10	-	-	7	7	9	9
CL Harris ^{2,4}	10	10	5	5	8	8	8	9
D Barro	8	10	-	-	-	-	-	-
JA Brooks	10	10	5	5	4	5	-	-
MP Chelley ²	10	10	-	-	-	-	9	9
JD McNerney	10	10	-	-	3	3	-	-
LV Hosking ^{2,3,4}	6	6	2	2	-	-	8	9

¹ Independent Directors' Committee was constituted on 27 October 2003.

² A further Board committee of Independent Directors' (Takeover Offer by Boral Limited), was constituted on 16 December 2003. This committee was constituted by the Board to consider and manage the response to the intended takeover offer announced that day by Boral Limited. The Committee held 3 meetings during the period from 16 December 2003 to 31 December 2003 and attendees were MA Kinnaird (3), CL Harris (3), LV Hosking (3), D Barro (2) and MP Chelley (3). Mr Barro was a member of the committee until 7 January 2004, when he informed the committee that he would cease to be a member due to a potential conflict of interest.

³ Number of meetings held while a Director or Committee member.

⁴ Corporate Governance Committee was constituted on 13 May 2003. To date corporate governance matters, in particular following the publication of the Principles and Best Practice Recommendations by the ASX Corporate Governance Council, have been dealt with at Board level or by individual directors including the Chairman of the Corporate Governance Committee, currently Mr LV Hosking and previously Mr CL Harris.

Adelaide Brighton Ltd and controlled entities

Directors' report (continued)

Principal activities

During the year the principal activities of the consolidated entity consisted of the manufacture and distribution of cementitious, lime, ready mixed concrete and concrete products and materials.

Changes to the nature of activities of the consolidated entity occurred during the year, with new activity in the manufacture and supply of concrete products, resulting from the acquisition of controlled entities and operations.

Results

Net profit after tax attributable to members for the financial year ended 31 December 2003 was \$57.7 million (tax – \$25.8 million) compared with \$50.7 million (tax – \$16.2 million) for the previous financial year. This was derived from sales revenue of \$637.1 million (\$489.4 million for year ended 31 December 2002).

Financial summary

(A\$ million)

	2003	2002
Sales revenue	637.1	489.4
Depreciation	(52.3)	(45.1)
Goodwill amortisation	(9.8)	(8.4)
Earnings before interest and tax ("EBIT")	97.0	80.0
Net interest	(12.6)	(13.1)
Profit before tax	84.4	66.9
Tax expense	(25.8)	(16.2)
Net profit after tax ("NPAT")	58.6	50.7
Minority interest	(0.9)	(0.0)
Net profit attributable to members	57.7	50.7
Earnings per share (cents)	10.7	9.9
Dividend per share (cents)	2.75	5.25
Franking (%) - interim	60%	20%
Franking (%) - final	N/A*	35%
Net debt (A\$ million)	217.1	181.8
Net debt/equity (%)	37.7%	34.6%

* On 16 December 2003, Boral Limited announced its intention to make a takeover offer for all the shares in Adelaide Brighton Ltd that it does not own. The Offer is conditional on a number of matters including the Directors not declaring any dividends. As a result of recommending the revised Offer, the Directors of Adelaide Brighton Ltd did not declare or pay any final dividend or capital distribution for 2003.

Review of operations

The cement and lime markets continued to be strong during 2003 enabling Adelaide Brighton Ltd to report a 29.5% increase in operating revenues to \$630.6 million (\$486.8 million in 2002). Revenues also include a full year contribution from the Hy-Tec concrete operations and a half year contribution from the C&M Brick and Rocla Pavers and Masonry business acquired on 1 July 2003.

The underlying growth in operating revenues and the continued focus on operational efficiencies delivered a 26.2% increase in pre tax profit to \$84.4 million for the year (\$66.9 million in 2002). As all income tax losses had been brought to account in prior periods, 2003 saw a return to a full tax expense of \$25.8 million versus \$16.2 million in 2002. Adelaide Brighton Ltd reported a net profit attributable to members of \$57.7 million, a 13.8% increase over 2002.

Adelaide Brighton Ltd and controlled entities

Directors' report (continued)

Review of operations (continued)

This was a record result for Adelaide Brighton Ltd based upon the continued strength of its major markets and its strategy of integration into downstream businesses, operational performance and cost reduction. The Birkenhead and Munster plants showed significant improvement in performance and delivered record levels of output enabling market demand to be met. The integration of C&M Brick and Rocla Pavers and Masonry has progressed and a program of plant upgrades commenced.

Cash flow from operations for the period increased to \$127.9 million (\$98.4 million in 2002). Net debt at \$217.1m has increased by \$35.3 million from December 2002 as a result of the \$50.5 million acquisition of C&M Brick and Rocla Pavers and Masonry in July 2003, the continuation of key masonry plant upgrades and planned capital investments in the cement and concrete operations. The increase in working capital reflects the consolidation of C&M for the first time. Net borrowings at \$217.1 million and gearing at 37.7% were within Company forecasts.

The significant increase in current liabilities reflects the changed status of the credit facility provided by the former majority shareholder, RMC Group p.l.c. Following the initial sale of part of its interest in Adelaide Brighton Ltd, on 19 December 2003 RMC Group p.l.c served three months notice for the cancellation of the \$350 million credit facility it provided the Company. This notice changed the status of this credit facility at reporting date to a short term interest bearing liability. In February 2004, the Company repaid the funds advanced under the RMC facility and replaced that facility with a multi option bank facility for \$240 million with a six month term, which may be extended by agreement for a further six months.

Net interest costs were \$0.5 million lower than the prior year, driven by reduced debt in the first half of the year and lower interest rates. The reduced interest costs, coupled with the improved operational performance, have delivered a significantly improved interest cover of 7.7 times, compared with 6.1 times for 2002.

Dividends paid or declared by the Company

In respect to the 2003 financial year, the following dividends were paid or have been provided:

- A final dividend in respect of the year ended 31 December 2002 of 2.75 cents per share, franked to 35% was paid on 16 April 2003. This dividend totalled \$14,888,000 and was recognised as a liability at 31 December 2002 but adjusted against retained profits at the beginning of the current year on the change in accounting policy (note 1).
- An interim dividend of 2.75 cents per share, franked to 60%, was paid on 8 October 2003. This dividend totalled \$14,901,000.

On 16 December 2003, Boral Limited announced its intention to make a takeover offer for all the shares in Adelaide Brighton Ltd that it does not own. The Offer is conditional on a number of matters including the Directors not declaring any dividends. As a result of recommending acceptance of the revised Offer, the Directors of Adelaide Brighton Ltd did not declare or pay any final dividend or capital distribution for 2003.

State of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- On 1 July 2003, the Group acquired control of C&M Brick Pty Ltd and the net operating assets of Rocla Pavers and Masonry, manufacturers and suppliers of concrete block, brick and paving in the Australian market.
- In December 2003, the RMC Group p.l.c. sold 216,202,540 shares in the Company reducing its interest in the Company from 54.9% as at 31 December 2002 to 14.9% as at 31 December 2003.

Adelaide Brighton Ltd and controlled entities

Directors' report (continued)

Events subsequent to the end of the financial year

Takeover Offer

On 30 January 2004, Boral Limited dispatched a Bidder's Statement to shareholders under part 6.5 of Chapter 6 of the Corporations Act.

This followed Boral Limited acquiring 19.9% of the issued shares in Adelaide Brighton Ltd from RMC Group p.l.c. on 16 December 2003 and on that date announcing its intention to make a conditional offer to acquire all of the shares in Adelaide Brighton Ltd for cash consideration of \$1.55 per share. RMC Group p.l.c. also announced at that time that it intended to sell the remainder of its stake in Adelaide Brighton Ltd.

Subsequent to those announcements, on 7 January 2004, the Company announced it had reached agreement with Boral Limited whereby Boral Limited had agreed to increase the value of its offer for Adelaide Brighton Ltd shares by 5 cents to \$1.60 per Adelaide Brighton Ltd share upon obtaining a relevant interest in at least 90% of the shares in Adelaide Brighton Ltd and Boral Limited's offer becoming unconditional.

The Independent Directors of Adelaide Brighton Ltd (being Mr MA Kinnaird, Mr CL Harris, Mr MP Chellew and Mr LV Hosking) also announced that they intended to unanimously recommend acceptance of Boral's offer, in the absence of a superior offer. All Independent Directors also advised they intended accepting Boral Limited's offer in respect of their personal shareholdings, in the absence of a superior offer.

Accordingly on 6 February 2004, Adelaide Brighton Ltd dispatched to shareholders the Target's Statement required under part 6.5 of Chapter 6 of the Corporations Act, and advice from the Recommending Directors (being all of the Directors of Adelaide Brighton Ltd other than Mr D Barro) to accept the Boral Limited offer.

Except for the matter discussed above, no matter or circumstance has arisen since 31 December 2003 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

Likely developments in the operations of the consolidated entity, known at the date of this report, and the expected results of those operations, have been covered generally within the annual report.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental performance

The consolidated entity is subject to various Commonwealth, State and Territory laws concerning the environment. Management ensures that any licences or permits required for the Group's operations are obtained and observed.

A group-wide Safety, Health and Environmental (SH&E) Management System is in place for monitoring, reporting and addressing SH&E matters.

Two sites, Birkenhead and Angaston, are certified to the international environment standard ISO 14001.

All sites have implemented their individual SH&E Management System based on the Group SH&E Standards.

All sites regularly report on the following, in addition to immediate reporting of specific SH&E incidents:

- Safety and health incidents (monthly);
- Environmental incidents (monthly);
- Percentage implementation of SH&E site procedures (quarterly);
- National Pollutant Inventory (annual);
- Greenhouse Gas Reporting (annual) with external verification audits; and
- Various specific State regulatory reporting requirements based on site operating licences.

Specific incidents, and any possible trends which appear from the reports, are actively investigated. Where it is considered that changes are required, action plans are developed, implemented and the effect of the changes is monitored.

Adelaide Brighton Ltd and controlled entities

Directors' report (continued)

Environmental performance (continued)

During 2003, all sites achieved a high degree of compliance with applicable environmental regulation. However there were some non-compliances with licence conditions. An allegation was made about an unauthorised discharge by the *MV Accolade II*. On 15 December 2003, the South Australian Environment Protection Authority commenced a criminal prosecution concerning the allegation. The matter is currently before the Court.

Directors are satisfied that the SH&E Management System is appropriate to pro-actively manage and to continuously improve the Group's performance concerning environmental regulation.

Directors' and senior executives' emoluments

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration packages of non-executive Directors and senior executives of the consolidated entity. Performance, duties and responsibilities, market forecasts and independent advice are all considered as part of an annual review process.

Non-executive Directors

The fees of the Chairman and non-executive Directors are set within the aggregate amount approved by shareholders (maximum aggregate of \$500,000 approved at 2003 Annual General Meeting), at levels which represent the responsibilities of, and the time commitments provided by, those Directors in discharging their duties.

Currently the Chairman receives an annual base fee of \$170,775 with no additional amount for committee fees or contributions by the Company towards superannuation.

Non-executive Directors (other than the Chairman of the Board and RMC's nominee directors Mr JA Brooks and Mr JD McNerney) currently receive annual remuneration calculated on the basis of:

- Base fee of \$48,000 per annum.
- Additional fee per committee of \$4,750 per annum (\$6,000 per annum in the case of the committee Chairman) for service on the Finance and Audit Committee, Remuneration Committee, Corporate Governance Committee and the Superannuation Policy Committee.
- An additional amount of 10% of the above fees taken as contributions towards superannuation (other than Mr Barro, for whom no superannuation contributions are made).

During the 2003 year, Mr JA Brooks and Mr JD McNerney were employees of the RMC Group p.l.c. or its associated companies and did not receive any remuneration from the Company.

Senior executives

Remuneration levels are competitively set to attract, retain and motivate appropriately qualified and experienced senior executives capable of discharging their respective responsibilities.

Remuneration packages of senior executives incorporate short and long term performance-based components.

Short term incentive

An annual bonus program has been implemented to reward performance against agreed performance targets. These targets are set with respect to organisational goals. Pursuant to this program a bonus equal to 30% (40% in the case of the Managing Director) of an executive's base compensation may be awarded for performance that meets these targets. This bonus payment can increase to a maximum of 60% (80% in the case of the Managing Director) of base compensation for performance exceeding the agreed targets.

Long term incentive

The Managing Director and other senior executives have been granted Awards pursuant to the Adelaide Brighton Ltd Executive Performance Share Plan. These rights, which entitle their holder to fully paid ordinary shares upon satisfaction of performance hurdles, are longer term incentives linked to Company performance. Further details regarding the terms of the Adelaide Brighton Ltd Executive Performance Share Plan, including the number of Awards issued under the Plan, are set out below and in note 35 to the Financial Statements.

Adelaide Brighton Ltd and controlled entities

Service Agreements

The Company entered into new Service Agreements with the Managing Director and other members of the senior executive team during early 2003 which provide for termination payments to be made in certain circumstances. In particular, the Company may terminate the employment of the Managing Director on giving 12 months notice. The Company may terminate the employment of other executives on giving 9 months notice. The Company may make a payment in lieu of notice. In general, the Managing Director and other senior executives must give the Company at least 3 months notice of resignation. In certain circumstances, such as a substantial diminution of responsibility, the Company may be deemed to have terminated the employment of key executives and will be liable to make compensation payments. As the potential for liability is dependent upon the circumstances in which an executive ceases employment, it is not possible to quantify the potential future impact of these agreements on the Company's financial position. However, the Company's policy in relation to these potential obligations is to make provision when a present obligation arises.

Details of the nature and amount of each element of the emoluments of each Director of the Company and each of the five named officers of companies within the consolidated entity receiving the highest emolument for the financial year ended 31 December 2003 are:

DIRECTORS	Base emolument \$	Bonuses \$	Other benefits⁴ \$	Super contributions \$	Total \$
MA Kinnaird	146,667	-	-	13,291	159,958
CL Harris ⁵	66,125	-	-	6,613	72,738
D Barro	45,750	-	-	-	45,750
JA Brooks ^{1,2}	-	-	-	-	-
MP Chellew	582,268	165,000	352,827	10,760	1,110,855
JD McNerney	-	-	-	-	-
LV Hosking ^{3,5}	32,423	-	-	3,243	35,666
OFFICERS					
MA Finney	303,896	84,129	105,848	31,315	525,188
M Brydon	314,323	89,931	105,848	10,760	520,862
T Douglas	243,965	75,426	105,848	32,935	458,174
AD Poulter ³	350,157	-	-	10,720	360,877
MRD Clayton ³	198,609	-	-	9,226	207,835

¹ Executive, RMC Group p.l.c.

² Director, Readymix plc (a publicly listed company incorporated in the Republic of Ireland in which RMC Group p.l.c. has a 62.5% shareholding)

³ Part year

⁴ Awards exercised pursuant to the Adelaide Brighton Ltd Executive Performance Share Plan causing the Company to issue shares in the Company. Shares were issued at an allotment price of \$1.41 per share, being the volume weighted average price at which the Company's shares traded on the Australian Stock Exchange during the five trading days (VWAP) immediately before the date of allotment. Further details of the Executive Performance Share Plan are set out in note 35 to the financial statements.

⁵ Base emolument includes committee fees. Refer to page 7.

Directors' interests

The relevant interest of each executive and non-executive Director in the share capital of the Company at the date of this report is as follows:

	Ordinary shares
MA Kinnaird	74,286
CL Harris	110,001
D Barro	54,811,389
JA Brooks	1,000
MP Chellew	653,973
JD McNerney	1,000
LV Hosking	2,000

Adelaide Brighton Ltd and controlled entities

Indemnification and insurance of officers

Under Article 193 of the Company's Constitution, each person who is, or has been, an officer of the Company is indemnified to the extent permitted by law when acting in that capacity in respect of:

- liability to persons (other than entities within the Group) unless the liability arises out of conduct of the officer which involves a lack of good faith or is contrary to the Company's express instructions; and
- the cost and expenses of successfully defending legal proceedings.

Insurance cover for Directors' and officers' liability for the period 1 January 2003 to 26 February 2004 was included under a global policy of the ultimate parent entity, RMC Group p.l.c. The premium for this global policy was paid by RMC Group p.l.c. and not recharged to the Company. Due to RMC Group p.l.c. selling 107.8 million shares in the Company to Boral Limited on 16 December 2003, the Company sought to arrange alternative cover and alternative insurance arrangements were put in place commencing from 26 February 2004.

Proceedings on behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest one thousand dollars, unless otherwise indicated.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporation Act 2001.

Dated at Adelaide this 31st day of March 2004.

Signed in accordance with a resolution of the Directors:



M Chellew
Managing Director

Adelaide Brighton Ltd and controlled entities

Corporate governance statement

The Board of Directors is responsible for the performance of the Company and the consolidated entity and accordingly takes accountability for setting strategic direction, establishing policy, overseeing the financial position and monitoring the business and affairs on behalf of shareholders. To assist in this, the Board appoints a Managing Director and delegates responsibility to him for the day-to-day activities.

The Australian Stock Exchange Corporate Governance Council released Principles of Good Corporate Governance and Best Practice Recommendations ("Principles") on 31 March 2003. The Company is continuing to review its practices and policies with a view to updating and expanding them having regard to the Principles and will make a full statement on its compliance with the Principles in its next Annual Report.

Composition of the Board

The composition of the Board is determined using the following principles:

- The Board may comprise up to nine Directors. This may be increased when additional expertise is required.
- The Chairman of the Board should be an independent non-executive Director.
- The Board should comprise both independent non-executive Directors and executive Directors.
- The Board should comprise Directors with a broad range of experience reflecting the national and international character of the Group's business.

The Board currently comprises seven Directors: three non-executive independent Directors (including the Chairman), three non-executive representatives of substantial shareholders and the Managing Director.

The composition of the Board is monitored to ensure the appropriate mix of expertise, experience and competence. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board selects a panel of candidates with the appropriate expertise and experience. Potential candidates are identified by the Board with advice from external consultants. The Board then appoints the most suitable candidate, who must stand for election at the next annual general meeting of shareholders.

The Company's Constitution requires one third of the Directors to retire from office at the annual general meeting each year. Retiring Directors are eligible for re-election.

All Directors are required to own at least 1,000 ordinary shares in Adelaide Brighton Ltd, and the details of Directors' shareholdings are disclosed in the Directors' report.

Dealings in Adelaide Brighton Ltd shares by Directors

The Board has a policy that Adelaide Brighton Ltd Directors and employees may not buy or sell Adelaide Brighton Ltd shares except within a period of one month following the annual and half-yearly results announcements and the period from the release of the Company's annual report until one month after the annual general meeting. The policy supplements the Corporations Act provisions that preclude Directors and employees from trading in securities when they are in possession of "insider information".

Independent professional advice

Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense, provided the costs are reasonable and the advice is specific. Prior approval from the Chairman is required, which will not be unreasonably withheld.

Adelaide Brighton Ltd and controlled entities

Corporate governance statement (continued)

Committees of the Board

To assist the Board in fulfilling its responsibilities, the Board has established a number of committees with responsibility for particular areas.

Finance and Audit Committee

The Finance and Audit Committee is made up of three non-executive Directors:

- L V Hosking (Chairman) - Independent
- C L Harris – Independent
- J A Brooks

The Managing Director, Chief Financial Officer and Company Secretary attend Finance and Audit Committee meetings by invitation.

The Committee:

- monitors compliance with statutory responsibilities relating to accounting policy and disclosure;
- liaises with, assesses the quality and reviews the scope of work and reports of the internal and external auditors;
- assesses the adequacy of accounting, financial and operating controls;
- monitors the Company's performance, reviews valuation and hedging policies and considers asset underwriting proposals;
- reviews broad financial issues and strategies and acts for the Board on financial matters as requested; and
- reviews specific funding proposals.

Remuneration Committee

The Remuneration Committee is made up of three non-executive Directors:

- C L Harris (Chairman) – Independent
- M A Kinnaird – Independent
- J A Brooks

It has been the practice of the Remuneration Committee on occasion to invite other Directors to attend Remuneration Committee meetings.

The Committee:

- determines the fees paid to non-executive Directors, within the limits approved by shareholders, and executive remuneration; and
- establishes and reviews the compensation arrangements for the Managing Director and other senior executives taking into account performance evaluation and comparative remuneration.

Other Board Committees

The Corporate Governance Committee was constituted on 13 May 2003. It currently comprises Mr LV Hosking (Chairman), Mr MA Kinnaird and Mr CL Harris. While the committee's role is to oversee the Company's implementation and compliance with the Principles, to date corporate governance matters have been dealt with at Board level or by individual directors to whom tasks have been delegated. This has included the Chairman of the committee, currently Mr LV Hosking and previously Mr CL Harris.

The Board established a permanent committee, the Independent Directors' Committee, on 27 October 2003 under Rule 134 of the Company's Constitution. Its function is to investigate and consider corporate proposals made to the Company. The Committee comprises independent directors, who do not have any conflict of interest concerning the matters considered by the committee. The present members of the committee are Messrs Kinnaird, Harris, Hosking and Chellev.

On 16 December 2003, after Boral Limited announced that it intended to make an off-market takeover offer to acquire all of the ordinary shares in the Company, the Board formed a committee of independent directors, the Independent Directors' (Takeover Offer by Boral Limited) committee, to consider and manage the response to the intended takeover offer. The present members of the committee are Messrs Kinnaird, Harris, Hosking and Chellev. Mr Barro was a member of the committee until 7 January 2004, when he informed the committee that he would cease to be a member due to a potential conflict of interest.

Adelaide Brighton Ltd and controlled entities

Corporate governance statement (continued)

Managing Risks

Management is responsible for identifying and managing risks to the consolidated entity's businesses. The Board, through the Finance and Audit Committee, monitors management of these risks.

Internal controls and framework

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described as follows:

- Financial reporting: there is a comprehensive budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The consolidated entity reports to shareholders half-yearly. Procedures are also in place to ensure that price sensitive information is reported to the Australian Stock Exchange in accordance with continuous disclosure requirements.
- Operating unit controls: financial controls and procedures including information systems controls are in operation throughout the consolidated entity. Operating units complete detailed questionnaires confirming compliance with these procedures.
- Functional speciality reporting: the consolidated entity has identified a number of key areas which are subject to regular reporting to the Board, such as finance and administration, human resources, safety and environment.
- Investment appraisal: the consolidated entity has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.
- Internal audit: assists the Board in ensuring compliance with internal controls. The Finance and Audit Committee approves the internal audit program to be conducted each financial year, and the scope of the work to be performed at each location.
- Delegated authorities and restrictions: there is a comprehensive procedure which provides a framework that enables employees to operate and act within clearly defined and communicated parameters.

Ethical standards

In pursuing high standards of corporate governance and without adopting a formal code of ethics, all Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

Insurance

In order to protect shareholders' funds, the Company carries insurance which the Board considers is sufficient for the size and nature of the Company's business.

Compliance

The Company has adopted policies requiring compliance with occupational health and safety, environmental and trade practices law.

There are ongoing programs for audit of the Company's operations. Occupational health and safety, environmental, and other risks are covered by these audits.

Continuous Disclosure

The Company has in place a Continuous Disclosure Policy which sets out guidelines and processes to be followed in order to ensure that the Company's continuous disclosure obligations are met.

Adelaide Brighton Ltd and controlled entities

Statements of financial performance

For the year ended 31 December 2003

	Notes	Consolidated		The Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenues from sale of goods and services	2	630,626	486,831	-	-
Cost of sales		(410,069)	(317,593)	-	-
Distribution costs		(77,882)	(50,006)	-	-
Gross profit		142,675	119,232	-	-
Other revenues from ordinary activities	2	7,917	3,737	66,500	53,474
Other expenses from ordinary activities					
Marketing		(8,620)	(6,000)	-	-
Administration		(45,428)	(36,237)	(918)	(834)
Borrowing costs	3	(14,058)	(14,296)	(13,746)	(13,507)
Other		(10,997)	(10,754)	(8,613)	(7,957)
Share of net profits of joint venture entities accounted for using the equity method	39(b) & (c)	12,930	11,228	-	-
Profit from ordinary activities before income tax expense		84,419	66,910	43,223	31,176
Income tax expense	4	(25,852)	(16,202)	(4,123)	(9,476)
Net profit		58,567	50,708	39,100	21,700
Net (profit)/loss attributable to outside equity interests		(885)	(31)	-	-
Net profit attributable to members of Adelaide Brighton Ltd		57,682	50,677	39,100	21,700
Net exchange difference on translation of financial reports of foreign controlled entities	25(a)	(175)	(223)	-	-
Net movement in other reserves	25(a)	-	(53)	-	-
Adjustment resulting from change in accounting policy for employee benefits	1(z)	(417)	-	-	-
Total revenues, expenses and valuation adjustments attributable to members of Adelaide Brighton Ltd recognised directly in equity		(592)	(276)	-	-
Total changes in equity other than those resulting from transactions with owners as owners	27	57,090	50,401	39,100	21,700
Basic earnings per share	41	Cents 10.7	Cents 9.9		

The statements of financial performance should be read in conjunction with the notes to the financial statements set out on pages 16 to 57.

Adelaide Brighton Ltd and controlled entities

Statements of financial position

As at 31 December 2003

	Notes	Consolidated		The Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current assets					
Cash assets	5	14,167	19,514	-	-
Receivables	6	101,154	73,593	208,620	166,582
Inventories	7	56,241	48,386	-	-
Other	8	1,700	1,847	-	-
Total current assets		173,262	143,340	208,620	166,582
Non-current assets					
Receivables	9	12,189	12,511	302,860	308,385
Investments accounted for using the equity method	10	33,643	30,806	-	-
Other financial assets	11	32	10	349,675	309,689
Property, plant and equipment	12	620,064	561,297	-	-
Deferred tax assets	13	17,091	28,417	78	206
Intangible assets	14	166,442	146,611	-	-
Total non-current assets		849,461	779,652	652,613	618,280
Total assets		1,022,723	922,992	861,233	784,862
Current liabilities					
Payables	15	76,498	57,834	97,182	53,822
Interest bearing liabilities	16	229,840	519	246,866	28,538
Current tax liabilities	17	8,236	240	5,951	6,825
Provisions	18	30,421	52,211	-	14,888
Other	19	3,606	2,398	-	425
Total current liabilities		348,601	113,202	349,999	104,498
Non-current liabilities					
Payables		6,000	-	6,000	-
Interest bearing liabilities	20	1,360	200,724	-	200,000
Deferred tax liabilities	21	67,550	66,274	-	-
Provisions	22	11,177	4,595	-	-
Other	23	12,407	12,407	-	-
Total non-current liabilities		98,494	284,000	6,000	200,000
Total liabilities		447,095	397,202	355,999	304,498
Net assets		575,628	525,790	505,234	480,364
Equity					
Parent entity interest					
Contributed equity	24(a) & (b)	512,775	512,104	505,646	504,975
Reserves	25(a)	30,453	30,628	-	-
Retained profits (losses)	25(b)	22,417	(19,947)	(412)	(24,611)
Total parent entity interest		565,645	522,785	505,234	480,364
Outside equity interest in controlled entities	26	9,983	3,005	-	-
Total equity	27	575,628	525,790	505,234	480,364

The statements of financial position should be read in conjunction with the notes to the financial statements set out on pages 16 to 57.

Adelaide Brighton Ltd and controlled entities

Statements of cash flows

For the year ended 31 December 2003

	Notes	Consolidated		The Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		675,833	521,004	-	-
Payments to suppliers and employees (inclusive of goods and services tax)		(546,209)	(416,740)	(1,064)	(544)
Dividends received		10,093	8,010	39,924	31,452
Interest received		1,452	1,127	17,963	14,065
Other revenue		5,503	481	-	-
Borrowing costs		(14,017)	(14,493)	(13,844)	(13,409)
Income taxes paid		(4,749)	(1,214)	(515)	(6)
Income tax refunds		7	197	-	-
Net cash inflow from operating activities	40 (a)	127,913	98,372	42,464	31,558
Cash flows from investing activities					
Payments for property, plant and equipment		(60,707)	(39,788)	-	-
Payments for controlled entities and operations	40 (b)	(63,088)	(20,856)	(27,986)	(8,555)
Loans to joint venture entities	36(e)(iii)	-	(778)	-	-
Loans to controlled entities	36(e)(iii)	-	-	(113,218)	(168,212)
Loans repayments from controlled entities	36(e)(iii)	-	-	109,530	133,454
Proceeds from sale of property, plant and equipment		995	2,096	-	-
Net cash (outflow) from investing activities		(122,800)	(59,326)	(31,674)	(43,313)
Cash flows from financing activities					
Proceeds from issue of shares	27	671	49,737	671	49,737
Proceeds from borrowings	36(e)(iii)	73,696	58,476	73,696	52,954
Repayment of borrowings		(53,408)	(123,288)	(44,490)	(67,954)
Dividends paid	28	(29,789)	(23,009)	(29,789)	(23,009)
Net cash inflow/(outflow) from financing activities		(8,830)	(38,084)	88	11,728
Net increase (decrease) in cash held					
Cash at the beginning of the financial year	5	19,514	21,562	(28,538)	(28,511)
Cash balances in controlled entities acquired	40 (b)	(1,236)	(2,852)	-	-
Effects of exchange rate changes on cash		(394)	(158)	-	-
Cash at the end of the financial year	5	14,167	19,514	(17,660)	(28,538)

The statements of cash flows should be read in conjunction with the notes to the financial statements set out on pages 16 to 57.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements

For the year ended 31 December 2003

1 Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001. It is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year. The report is prepared on a going concern basis despite the working capital deficit at year end which is a result of the changed status of the credit facility provided by the former majority shareholder (refer note 20(b)(ii)).

As a result of applying the new accounting standard AASB 1044 Provisions and Contingent Liabilities and Contingent Assets for the first time, certain liabilities have been restated as described in note 1(z).

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Adelaide Brighton Ltd ("the Company") as at 31 December 2003 and the results of all controlled entities for the year then ended. The Company and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statements of financial performance and statements of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of financial performance from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

Investments in joint ventures are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post acquisition profits or losses of joint ventures is recognised in the consolidated statements of financial performance, and its share of post acquisition movements in reserves is recognised in consolidated reserves. The cumulative post acquisition movements are adjusted against the cost of the investment. Details relating to the joint ventures are set out in note 39.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

No provision is made for additional taxes which could become payable if certain reserves of the foreign controlled entity were to be distributed as it is not expected that any substantial amount will be distributed from those reserves in the foreseeable future.

(c) Foreign currency translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

(ii) *Specific commitments*

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions, are deferred in the statement of financial position from the inception of the hedging transaction up to the date of the purchase or sale and included in the measurement of the purchase or sale.

(iii) *General commitments*

Exchange gains or losses on other hedge transactions are brought to account in the statements of financial performance in the financial year in which the exchange rates change. Gains or costs arising on entry into hedges of general commitments are recognised as assets or liabilities at the time of entry into the hedges and are amortised over the lives of the hedges.

(iv) *Foreign controlled entity*

As foreign controlled entities are self-sustaining, assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while revenues and expenses are translated at the average of rates ruling during the year. Exchange differences arising on translation are taken to the foreign currency translation reserve. Upon disposal or partial disposal of a self-sustaining foreign operation, the balance of the foreign currency translation reserve relating to the operation, or to the part disposed of, is transferred to retained profits.

(d) **Acquisitions of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(e) **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. Revenue from product swap arrangements represents the provision of goods to a customer on behalf of the Company by another supplier under a product swap arrangement. Revenue and associated cost of sales is recognised when the goods are provided.

(ii) *Deferred income*

Income received in advance in relation to contract drivers is deferred in the statement of financial position and recognised as income on a straight line basis over the period of the contract.

(iii) *Interest income*

Interest income is recognised as it accrues.

(iv) *Other revenue*

The revenue recognition policy for investments is described in accounting policy note 1(i).

(f) **Receivables**

All trade debtors are recognised at the amount receivable as they are due for settlement no more than 30 to 45 days from the end of the month of invoice.

The ability to collect trade debtors is reviewed on an ongoing basis. Any debt which is deemed unable to be collected is written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(g) **Inventories**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of stock on the basis of weighted average costs.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

(h) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. Any decrement in the carrying amount is recognised as an expense in the statement of financial performance in the financial year in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non current assets are discounted to their present value. The discount rate used ranged from 8% to 10.7%.

(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 statements of financial performance when they are receivable.

(ii) *Joint ventures*

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

(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) Depreciation and amortisation of property, plant & equipment

(i) *Mineral reserves*

Mineral reserves are amortised based on annual extraction rates over the estimated life of the reserves, with the maximum period of amortisation capped at 50 years.

(ii) *Restoration and environmental rehabilitation*

Where practical, restoration of operational quarries is performed progressively and costs incurred are expensed immediately. A provision for reinstatement is made for the restoration of areas in which mineral reserves are extracted where there are known obligations under existing law. The adequacy of the overall provision is reassessed each year based on current costs, which are discounted.

(iii) *Complex assets*

The costs of replacing components of complex assets, capitalised in accordance with note 1(q), are depreciated over the estimated useful life, generally being the period until next scheduled replacement.

(iv) *Leasehold improvements*

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life, whichever is the shorter.

(v) *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	2.5%
Plant and equipment	3.3%

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

(k) Leased non-current 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 statements of financial performance.

Operating lease costs are expensed as incurred.

(l) Non-current assets constructed by the consolidated entity

The cost of non-current assets constructed by the consolidated entity includes the cost of all materials used in construction, direct labour on the project, borrowing costs incurred during construction and an appropriate proportion of variable and fixed overhead.

(m) Intangible assets and expenditure carried forward

(i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over twenty years, being the financial year during which the benefits are expected to arise.

(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 and where applicable amortised on a straight line basis over the period of their expected life, not exceeding twenty years.

(iii) Other intangible assets

Intangible assets, including lease rights acquired, are amortised on straight line basis over the period of their expected life, not exceeding twenty years.

(n) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30-60 days of recognition.

(o) Interest bearing liabilities

Bank loans and other interest bearing loans are carried on the statement of financial performance at their principal amount. Interest expense is accrued at the contracted rate and included in 'other creditors and accruals' (note 15).

(p) Derivative financial instruments

The consolidated entity is exposed to changes in interest rates and foreign exchange rates from its activities. The consolidated entity's policy is to utilise derivative financial instruments to reduce these risks and not to 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 statements of financial performance for the financial year.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

(q) Overhaul of complex assets

Major items of plant that are overhauled during annual shutdowns are treated as complex assets and different depreciation rates applied to each component as appropriate. When these components are replaced during a shutdown, and the replacement is considered to increase the service potential of the asset as a whole, the associated costs are capitalised and depreciated over their estimated useful life, in accordance with note 1(j)(iii). All repair and maintenance costs are charged, as expenses, as incurred.

(r) Employee benefits

(i) Wages and salaries, annual leave and sick leave

The provisions for employee benefits 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 wage and salary rates expected when the obligations are settled and includes related on-costs. This is a change in accounting policy in accordance with note 1(z).

(ii) Long service leave

The provision for employee benefits 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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds.

(iii) Employee share plans

Certain employees are entitled to participate in share ownership schemes. Where shares are to be issued, or acquired on market, as remuneration for past services, a liability is recognised in other creditors when there is no realistic alternative but to settle the liability. The expense is recognised in the financial year the services are performed. For Director and executive remuneration disclosures the shares are recognised in the financial year of issue or acquisition.

(s) Workers' compensation

Certain entities within the group are self insured for workers compensation purposes. For self insured entities, provision is made that covers accidents that have occurred and have been reported together with an allowance for incurred but not reported claims. The provision is based on an actuarial assessment.

(t) Superannuation funds

The consolidated entity contributes to the Adelaide Brighton Group Superannuation Plan and to other pension funds in addition to contributions to the funds made by employees. All Group contributions are charged as an expense in the statement of financial performance.

(u) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year. No interest was capitalised in 2003 (2002: Nil).

Borrowing costs include:

- interest on bank overdrafts and on the principal balance drawn on the ultimate parent company funding arrangements
- interest arising from swap arrangements

(v) Debt defeasance

Net gains or losses on defeasances of debt are brought to account in the statements of financial performance at the date of entering into the defeasance arrangement. The net gain or loss is calculated as the difference between the carrying amount of assets given up and the carrying amount of the debt, and after taking into account costs associated with the defeasance.

(w) Cash

For purposes of the statements of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

(x) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

(y) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(z) Change in accounting policy

(i) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial period. This policy was adopted from 1 January 2003 to comply with AASB 1044 Provisions, Contingent Liabilities and Contingent Assets. In previous years provision was also made for dividends to be paid out of retained profits at the end of the period where the dividend was proposed, recommended or declared between the end of the financial period and the completion of the financial report.

An adjustment of \$14,888,000 was made against consolidated and company retained profits at the beginning of the financial year to reverse the amount provided at 31 December 2002 for the proposed final dividend for the year ended on that date. This reduced consolidated and company current liabilities, and increased net assets, at the beginning of the reporting period by \$14,888,000. The final dividend for the year ended 31 December 2002 has now been provided and paid in the current reporting period.

(ii) Employee benefits - wages and salaries, annual leave and sick leave

The policy noted at 1(r)(i) was adopted from 1 January 2003 to comply with changes to AASB 1028 Employee Benefits. In previous years the provision was calculated based on current wage and salary rates. An adjustment was made to the consolidated retained profits at the beginning of the financial year to increase the amount provided for annual leave benefits by \$417,000.

(iii) Proforma restatement of retained profits

The restatement of consolidated and company retained profits set out below shows the information that would have been disclosed had the new accounting policies always been applied.

Restatement of retained profits	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Previously reported retained profits at the end of the previous year	(19,947)	(42,201)	(24,611)	(17,888)
Change in accounting policy for dividends	14,888	9,474	14,888	9,474
Change in accounting policy for employee benefits	(417)	(352)	-	-
Restated retained profits at the beginning of the year	(5,476)	(33,079)	(9,723)	(8,414)
Previously reported net profit attributable to members	57,682	50,677	39,100	21,700
Change in accounting policy for employee benefits	-	(65)	-	-
Restated net profit attributable to members	57,682	50,612	39,100	21,700
Previously reported dividends provided for or paid	(29,789)	(28,423)	(29,789)	(28,423)
Change in accounting policy for dividends	-	5,414	-	5,414
Restated dividends provided or paid	(29,789)	(23,009)	(29,789)	(23,009)
Restated retained profits at the end of the year	22,417	(5,476)	(412)	(9,723)

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

2 Revenue

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue from operating activities				
Sale of goods	589,164	447,629	-	-
Product swap arrangements	11,024	9,718	-	-
Services (construction contract revenue)	30,438	29,484	-	-
	630,626	486,831	-	-
Revenue from outside the operating activities				
Interest from controlled entities	-	-	17,963	14,065
Interest from related parties	569	549	-	-
Interest from other parties	841	608	-	-
Proceeds from sale of non-current assets	1,003	2,096	-	-
Insurance claims	2,179	-	-	-
Dividends – related parties	-	-	39,924	31,452
Other income	3,325	484	8,613	7,957
	7,917	3,737	66,500	53,474
Revenue from ordinary activities (excluding shares of equity accounted net profits of joint ventures)	638,543	490,568	66,500	53,474
Revenue from services includes construction contract revenue of:	30,438	29,484	-	-

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

3 Profit from ordinary activities

	Consolidated		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Net gains and expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses				
Expenses				
Depreciation				
Buildings	1,459	1,542	-	-
Plant and equipment	49,770	42,326	-	-
Mineral reserves	1,103	1,245	-	-
Total depreciation	52,332	45,113	-	-
Amortisation				
Goodwill	9,803	8,412	-	-
Other intangibles	276	49	-	-
Total amortisation	10,079	8,461	-	-
Other charges against assets				
Write down of plant & equipment	-	866	-	-
Mineral royalties	1,132	1,198	-	-
Bad and doubtful debts – trade debtors	1,313	(1,875)	8,613 ¹	7,957 ¹
Borrowing costs				
Interest expense				
Interest and finance charges paid to direct parent	176	322	176	322
Interest and finance charges paid to ultimate parent	11,994	11,668	11,994	11,668
Interest and finance charges paid to other parties	1,888	2,306	1,576	1,517
Borrowing costs expensed	14,058	14,296	13,746	13,507
Rental expense relating to operating leases	4,190	983	-	-
Net Gains				
Net gain (loss) on disposal				
Property, plant & equipment	(408)	620	-	-

¹ The Company has made provision against a debt of \$8,613,000 (2002: \$7,957,000) due by a wholly owned entity. This debt was in respect of charges by the Company.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

4 Income tax

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(a) The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	84,419	66,910	43,223	31,176
Income tax calculated @ 30% (2002 – 30%)	25,326	20,073	12,967	9,353
Tax effect of permanent differences:				
Non-deductible depreciation and amortisation	3,747	3,094	-	-
Non allowable expenses	49	86	1	17
Share of net profits of joint ventures	169	269	-	-
Rebateable dividends	(2,153)	(2,083)	(11,977)	(9,436)
Capital loss	-	(216)	-	-
Research and development allowance	(133)	(42)	-	-
Sundry items	(208)	(649)	2,584	4,816
Income tax adjusted for permanent differences	26,797	20,532	3,575	4,750
Benefit of tax losses of prior years recouped	-	(3,529)	-	-
Under / (over) provision in previous year	(945)	(801)	548	4,726
Aggregate income tax expense	25,852	16,202	4,123	9,476
Aggregate income tax expense comprises:				
Current taxation provision	20,759	18,114	3,447	4,875
Deferred income tax provision	3,505	5,443	-	-
Future income tax benefit	2,533	(6,554)	128	(125)
Under / (over) provision in prior year	(945)	(801)	548	4,726
	25,852	16,202	4,123	9,476
(b) The Directors estimate that the potential future income tax benefit at 31 December 2003 in respect of tax losses not brought to account is:				
• Capital losses	22,613	22,554	10,997	10,997
• Tax losses carried forward	5,377	5,492	-	-

This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- (ii) the losses are transferred to an eligible entity in the consolidated entity, and
- (iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

The tax consolidation legislation has been substantively enacted. While the consolidated entities intend to adopt the legislation, the transitional period and current group relief rules do not require a decision whether to consolidate until lodgment of income tax returns for 31 December 2004. The financial effect of the legislation has not been recognised in this financial report in accordance with UIG 39 Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances. It is not possible to disclose the financial effect of the legislation on the 2004 financial report as it cannot yet be reliably estimated.

Given the Company's intention to enter tax consolidations, dividends received by the Company from wholly owned controlled entities have been treated as non assessable. Should the Company not enter tax consolidations, the unfranked portion of such dividends received post 30 June 2003 (\$25,870,000) will be assessable, resulting in an additional tax liability of \$7,761,000.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

5 Current assets – Cash assets

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Cash at bank and on hand	14,167	19,514	-	-

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

Balances as above	14,167	19,514	-	-
Less: Bank overdrafts and advances (note 16)	-	-	(17,660)	(28,538)
Balances per statements of cash flows	14,167	19,514	(17,660)	(28,538)

6 Current assets – Receivables

Trade debtors	102,657	72,832	-	-
Less: Provision for doubtful debts	(3,573)	(2,008)	-	-
	99,084	70,824	-	-
Amounts due by joint venture entity	284	310	-	-
Loans to controlled entities	-	-	208,620	166,582
Other debtors	1,786	2,459	-	-
	101,154	73,593	208,620	166,582

7 Current assets – Inventories

Raw materials and stores – at cost	26,728	26,790	-	-
Work in progress – at cost	10,971	10,537	-	-
Finished goods – at cost	18,542	11,059	-	-
	56,241	48,386	-	-

8 Current assets – Other

Prepayments	1,589	1,827	-	-
Other	111	20	-	-
	1,700	1,847	-	-

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

9 Non-current assets – Receivables

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Loans to controlled entities	-	-	302,860	308,385
Loans to joint venture entity	12,189	12,189	-	-
Other debtors	-	322	-	-
	12,189	12,511	302,860	308,385

10 Non-current assets – Investments accounted for using the equity method

Interest in joint venture entities (note 39(a)(b) & (d))	33,643	30,806	-	-
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Interests in joint ventures

Interests in joint ventures are accounted for in the consolidated entity's financial statements using the equity method of accounting and are carried at cost by the respective parent entity (see note 39).

11 Non-current assets – Other financial assets

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Other (non-traded) investments				
Shares in controlled entities – at cost	-	-	281,213	241,227
Shares in controlled entities – at Directors' valuation (1999)	-	-	68,462	68,462
Listed at cost	2	2	-	-
Unlisted shares at cost	30	8	-	-
	32	10	349,675	309,689

Controlled entities are listed at note 37(a).

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

12 Non-current assets – Property, plant and equipment

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Land and buildings				
Freehold land				
At cost	66,948	51,658	-	-
	66,948	51,658	-	-
Buildings				
At cost	62,637	49,258	-	-
Less: Accumulated depreciation	(24,693)	(22,515)	-	-
	37,944	26,743	-	-
Mineral reserves				
At cost	94,627	94,627	-	-
Less: Accumulated depreciation	(4,888)	(3,785)	-	-
	89,739	90,842	-	-
Leasehold property				
At cost	4,761	2,862	-	-
Less: Accumulated amortisation	(996)	(670)	-	-
	3,765	2,192	-	-
Total land and buildings	198,396	171,435	-	-
Plant and equipment				
At cost	802,271	736,575	-	-
Less: Accumulated depreciation	(399,374)	(371,456)	-	-
	402,897	365,119	-	-
Leased plant and equipment				
At cost	1,689	4,170	-	-
Less: Accumulated depreciation	(805)	(2,071)	-	-
	884	2,099	-	-
Plant and equipment in the course of construction				
At cost	17,887	22,644	-	-
	17,887	22,644	-	-
Total plant and equipment	421,668	389,862	-	-
Total property, plant and equipment	620,064	561,297	-	-

Valuation of land and buildings measured on the cost basis

The transitional provisions of AASB 1041 Revaluation of Non Current Assets have been applied to property, plant and equipment re-valued prior to 1 January 2001. These assets are now deemed to be carried at cost.

For land and buildings (excluding mineral reserves) the most recent valuations are set out below. The basis of valuation for land and buildings is fair value, being the current market value based on existing use.

At independent valuation 2001	47,375
At independent valuation 2002	18,400
At independent valuation 2003	58,563
	<u>124,338</u>

The independent valuations have not been adopted in the statement of financial position.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Freehold Land	Building	Leasehold Property	Plant & Equipment	Leased Assets	Mineral Reserves	In course of con- struction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated								
Carrying amount at 1 January 2003	51,658	26,743	2,192	365,119	2,099	90,842	22,644	561,297
Additions	-	3,269	7	44,703	-	-	12,728	60,707
Additions: acquired entities / operations	14,940	9,389	1,892	25,477	-	-	105	51,803
Disposals	-	-	-	(1,411)	-	-	-	(1,411)
Reclassification	350	2	-	17,861	(623)	-	(17,590)	-
Depreciation/ amortisation expense (note 3)	-	(1,459)	(326)	(48,852)	(592)	(1,103)	-	(52,332)
Carrying amount at 31 December 2003	<u>66,948</u>	<u>37,944</u>	<u>3,765</u>	<u>402,897</u>	<u>884</u>	<u>89,739</u>	<u>17,887</u>	<u>620,064</u>

13 Non-current assets – Deferred tax assets

	Consolidated		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Future income tax benefit	<u>17,091</u>	28,417	<u>78</u>	206

14 Non-current assets – Intangible assets

Goodwill	205,065	176,671	-	-
Less: Accumulated amortisation	(40,861)	(30,871)	-	-
	<u>164,204</u>	145,800	-	-
Patents, trademarks and brand names	1,032	983	-	-
Less: Accumulated amortisation	(256)	(172)	-	-
	<u>776</u>	811	-	-
Lease right	1,645	-	-	-
Less: Accumulated amortisation	(183)	-	-	-
	<u>1,462</u>	-	-	-
	<u>166,442</u>	146,611	-	-

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

15 Current liabilities – Payables

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Trade creditors	43,559	38,873	-	-
Other creditors and accruals	32,939	18,961	97,182	53,822
	76,498	57,834	97,182	53,822

16 Current liabilities – Interest bearing liabilities

Secured

Lease liabilities (note 34)	634	519	-	-
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Unsecured

Bank overdrafts and advances	-	-	17,666	28,538
Other loans (note 20(b), 36(g))	229,206	-	229,206	-
	229,840	519	246,866	28,538

17 Current liabilities – Current tax liabilities

Income tax	8,236	240	5,951	6,825
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18 Current liabilities – Provisions

Dividends (note 1(z))	-	14,888	-	14,888
Employee benefits (note 1(z))	9,272	14,939	-	-
Workers' compensation	2,287	2,981	-	-
Restructuring costs	18,862	19,403	-	-
	30,421	52,211	-	14,888

Movement in each class of provision during the financial year, other than employee benefits, are set out below.

	Workers' compensation \$'000	Restructuring \$'000	Dividends \$'000
Carrying amount at the start of the year	2,981	19,403	14,888
Change in accounting policy for dividends (note 1(z))	-	-	(14,888)
Additional provision recognised	2,226	495	-
Provisions acquired	188	-	-
Payments	(3,108)	1,036	-
Carrying amount at the end of the year	2,287	18,862	-

19 Current liabilities – Other

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Deferred income	1,347	1,751	-	-
Other	2,259	647	-	425
	3,606	2,398	-	425

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

20 Non-current liabilities – Interest bearing liabilities

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(a) Secured				
Lease liabilities (note 34)	1,360	724	-	-
Unsecured				
Ultimate parent entity (note 36(g))	-	200,000	-	200,000
Total non-current interest bearing liabilities	1,360	200,724	-	200,000

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default. The carrying amount of plant & equipment under finance lease is \$884,000 (2002 - \$2,099,000).

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(b) Financing arrangements				
Unrestricted access was available at balance date to the following lines of credit:				
(i) Credit standby arrangements				
Total facilities				
Bank overdrafts	4,000	4,000	4,000	4,000
Bill facility	15,000	25,000	15,000	25,000
Advance facility – ultimate parent entity (ii)	-	350,000	-	350,000
Advance facility – external parties (ii)	350,000	-	350,000	-
Other loans	1,994	1,345	-	-
	370,994	380,345	369,000	379,000
Used at balance date				
Advance facility – ultimate parent entity (ii)	-	200,000	-	200,000
Advance facility – external parties (ii)	220,000	-	220,000	-
Bill facility	15,000	15,000	15,000	15,000
Other loans	1,994	1,345	-	-
	236,994	216,345	235,000	215,000
Unused at balance date				
Bank overdrafts	4,000	4,000	4,000	4,000
Bill facility	-	10,000	-	10,000
Advance facility - (ii)	130,000	150,000	130,000	150,000
	134,000	164,000	134,000	164,000

(ii) Advance facility

In June 2000, the Company entered into a five year arrangement with its then ultimate parent company RMC Group p.l.c. for the provision of credit facilities to \$350 million. Following the sale of 19.9% of its interest in Adelaide Brighton Ltd (note 36(g)), on 19 December 2003 RMC Group p.l.c. served three months notice for the cancellation of the \$350 million credit facility. This notice changed the status of this credit facility at reporting date to a short term interest bearing liability. In February 2004, the Company repaid the funds advanced under the RMC facility and replaced that facility with a multi option bank facility for \$240 million with a six month term and which may be extended by agreement for a further six months.

(iii) Bank arrangements – multi-option facilities

The consolidated entity has access to net bank overdraft facilities of \$4 million. Interest on bank overdrafts is charged at variable rates.

The consolidated entity and the Company have available bill facilities totalling \$15 million (2002 - \$25 million). At 31 December 2003, the total of the market rate advance facility drawn down was \$15 million (2002: \$15 million). The weighted average effective interest rate chargeable on the market rate advances was 5.0% (2002: 4.9%).

All facilities between the consolidated entity and its bankers are reviewed annually.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

21 Non-current liabilities – Deferred tax liabilities

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Provision for deferred income tax	67,550	66,274	-	-

22 Non-current liabilities – Provisions

Employee benefits (note 1(z))	9,407	2,825	-	-
Reinstatement of operational quarries	1,770	1,770	-	-
	11,177	4,595	-	-

Movement in each class of provision during the financial year, other than employee benefits, are set out below.

	Reinstatement \$'000
Carrying amount at the start of the year	1,770
Additional provision recognised	-
Payments	-
Carrying amount at the end of the year	1,770

23 Non-current liabilities – other

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Limited recourse loan – (note 36(g)(i))	12,305	12,305	-	-
Other loans	102	102	-	-
	12,407	12,407	-	-

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

24 Contributed equity

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(a) Share capital				
Issued and paid up capital				
541,861,007 (2002: 541,386,007) ordinary shares, fully paid	512,775	512,104	505,646	504,975
(b) Movements in ordinary share capital				
Balance at the beginning of the financial year	512,104	462,367	504,975	455,238
Shares issued				
67,677,015 shares issued under Rights Issue (i)	-	49,737	-	49,737
475,000 shares issued under Executive Performance Share Plan (ii)	671	-	671	-
Balance at the end of the financial year (iii)	512,775	512,104	505,646	504,975
(c) Other equity securities				
Former share premium account included in equity (iii)	82,522	82,522	75,393	75,393

- (i) On 18 June 2002 the Company issued and allotted 67,677,015 ordinary shares at \$0.75 per share following the completion of a 1 for 7 renounceable Rights Issue announced on 29 April 2002.
- (ii) Ordinary shares issued under the Adelaide Brighton Ltd Executive Performance Share Plan (refer note 35).
- (iii) The share premium reserve on consolidation is higher than the Company's as a result of shares issued to a minority at a premium.

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote and, upon a poll, each share is entitled to one vote.

25 Reserves and retained profits

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(a) Reserves				
Asset revaluation reserve	33,074	33,074	-	-
Capital profits	25	25	-	-
Foreign currency translation reserve	(2,646)	(2,471)	-	-
	30,453	30,628	-	-
Movements:				
Asset revaluation reserve				
Balance at the beginning of the financial year	33,074	33,074	-	-
Balance at the end of the financial year	33,074	33,074	-	-
Capital profits reserve				
Balance at the beginning of the financial year	25	78	-	-
Realised on liquidation of subsidiary	-	(53)	-	-
Balance at the end of the financial year	25	25	-	-
Foreign currency translation reserve				
Balance at the beginning of the financial year	(2,471)	(2,248)	-	-
Net exchange differences on translation of financial statements of foreign controlled entities	(175)	(223)	-	-
Balance at the end of the financial year	(2,646)	(2,471)	-	-

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

Reserves and retained profit (continued)

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(b) Retained profit (loss)				
Retained loss at the beginning of the financial year	(19,947)	(42,201)	(24,611)	(17,888)
Net profit attributable to members of Adelaide Brighton Ltd	57,682	50,677	39,100	21,700
Dividends provided for or paid	(29,789)	(28,423)	(29,789)	(28,423)
Net effect on initial adoption of AASB 1028 Employee Benefits	(417)	-	-	-
Net effect on initial adoption of AASB 1044 Provisions, Contingent Liabilities and Contingent Assets	14,888	-	14,888	-
Retained profit (loss) at the end of the financial year	22,417	(19,947)	(412)	(24,611)

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets which occurred before 1 January 2001. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities (Adelaide Brighton Cement Inc., Adelaide Brighton Cement (Netherlands) BV, Fuel and Combustion Technology Inc., and Fuel and Combustion Technology International Ltd) are taken to the foreign currency translation reserve, as described in accounting policy note 1(c)(iv).

26 Outside equity interests in controlled entities

	Consolidated	
	2003 \$'000	2002 \$'000
Interest in:		
Share capital	6,214	4,880
Reserves	2,296	-
Retained profit (loss)	1,473	(1,875)
Balance at the end of the financial year	9,983	3,005

27 Equity

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Total equity at the beginning of the financial year	525,790	454,044	480,364	437,350
Net effect on initial adoption of AASB 1044 Provisions, Contingent Liabilities and Contingent Assets	14,888	-	14,888	-
Total changes in equity recognised in the statements of financial performance	57,090	50,401	39,100	21,700
Transactions with owners as owners:				
Share issue under 1:7 Renounceable Rights Issue (i)	-	49,737	-	49,737
Share issue under Executive Performance Share Plan	671	-	671	-
Dividends provided for or paid	(29,789)	(28,423)	(29,789)	(28,423)
Total changes in outside equity interest	6,978	31	-	-
Total equity at the end of the financial year	575,628	525,790	505,234	480,364

(i) Net of transaction costs arising on share issue of \$1,021,147.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

28 Dividends

	The Company	
	2003	2002
	\$'000	\$'000
Dividends provided or paid during the year		
2003 interim dividend of 2.75 cents (2002 – 2.5 cents) per fully paid share paid 8 October 2003 (2002 – 14 October 2002)		
Franked @ 60% – 1.65 cents per share (2002 – 0.5 cents per share)	8,941	2,707
Unfranked – 1.1 cents per share (2002 - 2.0 cents per share)	5,960	10,828
	14,901	13,535
2002 final dividend of 2.75 cents per fully paid share paid on 16 April 2003 recognised as a liability at 31 December 2003 but adjusted against retained profits at the beginning of the financial year on the change in accounting policy (note 1(z))		
Franked @ 35% - 0.9625 cents per share	5,211	5,211
Unfranked – 1.7875 cents per share	9,677	9,677
	14,888	14,888
Total dividends provided for or paid	29,789	28,423
Dividends paid in cash	29,789	23,009

Dividends not recognised at year end

Since the end of the year the Directors have not recommended the payment of a final dividend.

Franked dividends

The franked portions of the dividends proposed as at 31 December 2003 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 December 2003.

	Consolidated		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2002 – 30%).	(42)	(514)	(42)	(514)

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that may arise from the payment of any current tax liability
- franking debits that may arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that may arise from the receipt of dividends recognised as receivables at the reporting date, and
- franking credits that may be prevented from being distributed in subsequent financial years.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

29 Financial instruments

Off-balance sheet derivative instruments

Adelaide Brighton Ltd and certain of its controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates and to trade.

(a) Interest rate risk management

The consolidated entity may enter into interest rate swaps, forward rate agreements and futures interest rate options to manage funding costs. During the current year 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 1 and 3 years.

Each contract involves quarterly payment or receipt of the net amount of interest. At 31 December 2003, the fixed rates varied from 5.45% to 5.81% (2002: 5.45% to 6.05%) and the floating rates were at bank bill rates. The weighted average effective interest rate for the year ended 31 December 2003, including hedging costs was 5.71% (2002: 5.75%).

No forward rate agreements were outstanding at year end (2002: 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 31 December 2003 (2002: Nil).

(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. The term of these derivatives and commitments is rarely more than 1 year.

The Group'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 settlement periods of outstanding contracts for the consolidated entity.

At balance date, the details of outstanding contracts are:

	Consolidated			
	Sell Australian dollars		Average exchange rate	
	2003 \$'000	2002 \$'000	2003	2002
Buy US dollars				
Maturity: 0 – 12 months	1,369	3,748	0.70	0.56
Buy Euros				
Maturity: 0 – 12 months	289	430	0.58	0.57
Buy JPY				
Maturity: 0 – 12 months	1,953	-	0.76	-

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

(b) Foreign Exchange Risk (continued)

As these contracts are hedging anticipated future purchases, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction provided the underlying transaction is still expected to occur as originally designated. Included in the amounts deferred are any gains and losses on hedging contracts terminated prior to maturity where the related hedged transaction is still expected to occur as designated.

The following gains, losses and costs have been deferred at 31 December 2003:

	Consolidated	
	2003	2002
	\$'000	\$'000
Unrealised gains	-	27
Total gains	-	27
Unrealised losses	(201)	(10)
Total losses and costs	(201)	(10)
Net losses and costs	(201)	17

(c) Credit risk exposures

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 – 70% (2002: 76%), Retail – 16% (2002: 6%) and Mining – 14% (2002: 18%).

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 29(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 31 December 2003 (2002: 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.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

(d) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to financial statements. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

2003	Weighted Average interest rate	Fixed interest maturing in:					Non-interest bearing \$'000	Total \$'000
		Floating interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000			
Financial assets								
Cash and deposits – note 5	4.76%	11,138	2,986	-	-	43	14,167	
Receivables – note 6 & 9	4.62%	12,189	-	-	-	101,154	113,343	
Other debtors – note 8	-	-	-	-	-	1,700	1,700	
Other financial investments – note 11	-	-	-	-	-	32	32	
		<u>23,327</u>	<u>2,986</u>	<u>-</u>	<u>-</u>	<u>102,929</u>	<u>129,242</u>	
Financial liabilities								
Borrowings – note 20 & 23	5.45%	199,206	30,000	-	-	102	229,308	
Trade and other creditors – note 15	-	-	-	-	-	76,498	76,498	
Lease liabilities – note 16 & 20	6.50%	-	634	1,360	-	-	1,994	
Limited recourse loan – note 23	-	-	-	-	-	12,305	12,305	
Interest rate swaps*	5.71%	(55,000)	55,000	-	-	-	-	
		<u>144,206</u>	<u>85,634</u>	<u>1,360</u>	<u>-</u>	<u>88,905</u>	<u>320,105</u>	
Net financial assets (liabilities)		<u>(120,879)</u>	<u>(82,648)</u>	<u>(1,360)</u>	<u>-</u>	<u>14,024</u>	<u>(190,863)</u>	
2002								
2002	Weighted Average interest rate	Fixed interest maturing in:					Non-interest bearing \$'000	Total \$'000
		Floating interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000			
Financial assets								
Cash and deposits – note 5	4.50%	16,550	2,930	-	-	34	19,514	
Receivables – note 6 & 9	4.76%	12,189	-	-	-	73,915	86,104	
Other debtors – note 8	-	-	-	-	-	1,847	1,847	
Other financial investments – note 11	-	-	-	-	-	10	10	
		<u>28,739</u>	<u>2,930</u>	<u>-</u>	<u>-</u>	<u>75,806</u>	<u>107,475</u>	
Financial liabilities								
Borrowings – note 20 & 23	5.64%	200,000	-	-	-	102	200,102	
Trade and other creditors – note 15	-	-	-	-	-	57,834	57,834	
Lease liabilities – note 16 & 20	6.50%	-	519	724	-	-	1,243	
Limited recourse loan – note 23	-	-	-	-	-	12,305	12,305	
Interest rate swaps*	5.79%	(105,000)	50,000	55,000	-	-	-	
		<u>95,000</u>	<u>50,519</u>	<u>55,724</u>	<u>-</u>	<u>70,241</u>	<u>271,484</u>	
Net financial assets (liabilities)		<u>(66,261)</u>	<u>(47,589)</u>	<u>(55,724)</u>	<u>-</u>	<u>5,565</u>	<u>(164,009)</u>	

* Notional principal amounts.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

(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 basis:

(i) On-balance sheet financial instruments

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

(ii) 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 the reporting date. This is based on independent market quotations and determined using standard valuation techniques.

The carrying amounts and net fair values of financial assets and liabilities of the consolidated entity at balance date are:

	Notes	Consolidated			
		2003		2002	
		Carrying amount \$'000	Net Fair Value \$'000	Carrying amount \$'000	Net Fair Value \$'000
On-balance sheet financial instruments					
Financial assets					
Cash	5	14,167	14,167	19,514	19,514
Trade debtors	6	101,154	101,154	73,915	73,915
Other debtors	8	1,700	1,700	1,847	1,847
Loans to joint venture entity	9	12,189	12,189	12,189	12,189
Shares in other corporations	11	32	32	10	10
Non-traded financial assets		129,242	129,242	107,475	107,475
Financial liabilities					
Trade creditors	15	76,498	76,498	57,834	57,834
Lease liabilities	16 & 20	1,994	1,994	1,243	1,243
Other loans	16	229,206	229,206	-	-
Loan from ultimate parent entity	20	-	-	200,000	200,000
Other loan	23	102	102	102	102
Limited Recourse Loan	23	12,305	12,305	12,305	12,305
Non-traded financial liabilities		320,105	320,105	271,484	271,484
Off-balance sheet financial instruments					
Financial assets					
Forward exchange contracts		-	(201)	-	17
Interest rate swaps		-	(14)	-	(1,111)
		-	(215)	-	(1,094)

Net fair value is exclusive of costs which would be incurred on realisation of an asset, and inclusive of costs which would be incurred on settlement of a liability.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

30 Remuneration of Directors

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:

\$		The Company	
		2003	2002
0	- 9,999	2	3
30,000	- 39,999	1	-
40,000	- 49,999	1	1
50,000	- 59,999	-	1
60,000	- 69,999	-	1
70,000	- 79,999	1	-
150,000	- 159,999	1	1
540,000	- 549,999	-	1
1,110,000	- 1,119,999	1	-

	Directors of entities in the consolidated entity**		Directors of the Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Total income paid or payable, or otherwise made available, to Directors by entities in the consolidated entity and related parties.	2,611,921	916,070	1,424,966	873,635
Company Directors' fees included above	314,111	324,935	314,111	324,935
Voted limit on Company Directors' fees	400,000	400,000	400,000	400,000

** Excluding executives of the parent entity who are only directors of wholly-owned Australian entities.

Directors' income does not include amounts paid by the Company during the financial 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.

In order to protect shareholders' funds, the Company carries insurance which the Board considers is sufficient for the size and nature of the Company's business.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

31 Remuneration of executives

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:

	\$	Executive officers of the Consolidated Entity		Executive officers of the Company	
		2003	2002	2003	2002
120,000 – 129,999		1 ²	-	-	-
170,000 – 179,999		1 ²	-	-	-
180,000 – 189,999		2 ^{1,2}	-	1 ²	-
200,000 – 209,999		1 ²	1	-	-
210,000 – 219,999		-	1	-	-
240,000 – 249,999		-	1 ²	-	-
260,000 – 269,999		-	1	-	-
320,000 – 329,999		-	2	-	1
360,000 – 369,999		1 ²	-	1 ²	-
390,000 – 399,999		-	1	-	-
450,000 – 459,999		1	-	-	-
520,000 – 529,999		2	-	-	-
540,000 – 549,999		-	1	-	1
1,110,000 – 1,119,999		1	-	1	-

¹ Remuneration includes lump sum redundancy payments

² Part year

Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by Australian based executives (including executive Directors) whose remuneration was at least \$100,000:	Executive officers of the Consolidated Entity		Executive officers of the Company	
	2003 \$	2002 \$	2003 \$	2002 \$
Executive officers of the Company	1,654,001	873,592	1,654,001	873,592
Executive officers of other entities in the consolidated entity	2,187,897	1,642,637	-	-
	3,841,898	2,516,229	1,654,001	873,592

Executives' remuneration does not include amounts paid by the consolidated entity during the financial year to indemnify executive officers, nor does it include an allocation of insurance premiums paid by the consolidated entity or related parties in respect of executive officers' liabilities and legal expenses.

Insurance cover for executive officers liability is extended to the consolidated entity under a global policy effected by RMC Group p.l.c. under its insurance portfolio.

32 Remuneration of auditors

Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:	Consolidated		The Company	
	2003 \$	2002 \$	2003 \$	2002 \$
Auditor of the parent entity – PricewaterhouseCoopers Australian firm	351,568	300,000	33,000	30,000
Other auditors of controlled entities	13,290	117,803	-	-
	364,858	417,803	33,000	30,000
Remuneration for other services: Auditor of the parent entity – PricewaterhouseCoopers Australian firm	79,243	40,000	-	-

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

33 Contingent liabilities and contingent assets

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

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(a) Guarantees				
Bank guarantees	11,040	7,702	-	-

(b) Contingent payments

The consideration payable for controlled entities acquired during the financial year includes an element contingent on future events (refer note 37(b)).

(c) Litigation

At the time of preparing this financial report some companies included in the consolidated entity are parties to pending legal proceedings, the outcome of which is not known. The relevant entities are defending, or prosecuting, these proceedings as they are entitled to. The Directors have assessed the impact on the consolidated entity from the individual actions to be immaterial.

(d) Other

Given the Company's intention to enter tax consolidations, dividends received by the Company from wholly owned controlled entities have been treated as non assessable. Should the Company not enter tax consolidations, the unfranked portion of such dividends received post 30 June 2003 will be assessable resulting in an additional tax liability (refer note 4).

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

34 Commitments for expenditure

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2002 \$'000	2002 \$'000
Capital commitments				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	6,233	6,014	-	-
Finance leases				
Commitments in relation to finance leases payable:				
Within one year	910	659	-	-
Later than one year but not later than 5 years	1,028	800	-	-
Later than 5 years	143	-	-	-
Minimum lease payments	2,081	1,459	-	-
Less: Future finance charges	87	216	-	-
Recognised as a liability	1,994	1,243	-	-
Representing lease liabilities:				
Current (note 16)	634	519	-	-
Non current (note 20)	1,360	724	-	-
	1,994	1,243	-	-

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

	Consolidated		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Operating leases				
Commitments in relation to operating leases contracted for at the reporting date, but not recognised as liabilities, payable:				
Within one year	11,369	3,876	-	-
Later than one year but not later than 5 years	27,282	15,060	-	-
Later than 5 years	32,383	34,599	-	-
	71,034	53,535	-	-

Commitments for operating lease payments relate mainly to rental leases on property.

35 Employee benefits

	Consolidated		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Employee benefit liabilities				
Provision for employee benefits (note 1(z))				
Current (note 18)	9,272	14,939	-	-
Non-current (note 22)	9,407	2,825	-	-
Aggregate employee benefit liability	18,679	17,764	-	-
Employee numbers				
Average number of employees during the financial year	1,153	915	-	-

As explained in note 1(r)(ii), the liability for long service leave is measured at its present value. The following assumptions were adopted in measuring present values:

	Consolidated		The Company	
	2003	2002	2003	2002
Long service leave				
Weighted average rates of increase in annual employee benefits to settlement of the liabilities	3.0%	2.8%	-	-
Weighted average discount rates	5.9%	5.4%	-	-
Weighted average years to settlement of the liabilities	10	10	-	-

Employee Share Plan

The establishment of the Adelaide Brighton Ltd Employee Share Plan was approved by special resolution at the annual general meeting of the Company held on 19 November 1997. All full time employees (including executive Directors) of the Company and its controlled entities who have been continuously employed by the Company or a controlled entity for a period of one year are eligible to participate in the plan. Casual employees and contractors are not eligible to participate in the plan.

No shares were issued under the Employee Share Plan during the year (2002 - Nil).

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.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

Employee benefits (continued)

Executive Performance Share Plan

The Adelaide Brighton Ltd Executive Performance Share Plan ("the Plan") was approved by shareholders at the Annual General Meeting held on 19 November 1997. A further ordinary resolution was passed at the Annual General Meeting held on 29 May 2002 inviting the Managing Director to participate in the Plan. At 31 December 2003, the Managing Director and five senior executives of the Company had accepted the Company's invitation under the Plan and are therefore Participants granted Awards under the Plan.

Pursuant to the Terms of the 2002 Award under the Plan, Participants are invited to apply to take up an Award up to a maximum number of shares, divided into three equal tranches exercisable no earlier than 1 May 2003, 1 May 2004 and 1 May 2005 respectively. The 2002 Award expires on 28 May 2005.

A tranche may be exercised only if the performance conditions prescribed in the Plan rules are achieved. These performance conditions relate to a Total Shareholder Return hurdle and/or an Earnings per Share hurdle. The Board determines which hurdle or hurdles apply. The achievement of the performance conditions is evaluated by the Board. If the performance conditions are met for a particular tranche, or part of a tranche, and the Board approves the issue of notices of exercise, then a Participant may exercise the Participant's Award to the extent permitted and the relevant number of shares will be provided to the Participant for no payment.

The Plan provides for early exercise of an Award in certain circumstances, which include if a takeover bid is made and/or if pursuant to a takeover bid more than 20% of the Company's issued shares have or will become vested in the offeror and related and associated parties.

During the year 475,000 shares (2002 – Nil) were issued under the Plan on the exercise of Tranche 1 under the 2002 Award, following the Board's determination that the Total Shareholder Return exercise condition should apply and had been satisfied for that tranche. The shares were issued at an allotment price of \$1.41, being the volume weighted average price at which the Company's shares traded on the Australian Stock Exchange during the five trading days (VWAP) immediately before the date of allotment, a cost to the Company of \$671,000 (2002- Nil).

As at 31 December 2003, if the exercise conditions are satisfied and the remaining balance of all Awards under the 2002 Award are exercised in the remaining tranches (Tranche 2 – May 2004 and Tranche 3 – May 2005), the Company would be obliged to transfer 1,190,000 shares to the Participants, which includes an allocation of 500,000 shares in relation to the Managing Director.

Subsequent to 31 December 2003, Boral Limited sent shareholders its offer to acquire all the issued shares in the Company. As a consequence and in accordance with the Plan rules, the Board resolved that part of the Awards be vested and it permitted early exercise of part of the Awards in the 30 day period concluding 2 March 2004. After Awards were exercised in this period, 798,482 shares were transferred to the Managing Director and senior executives by the Plan Trustee. The shares were acquired on market by the Plan Trustee at \$1.54 per share with funds provided by the Company, a cost to the Company of \$1,230,000. At present the number of shares which the Company could be obliged to provide to Participants, if in the future all existing Awards are entitled to be exercised under the terms of the Plan, is 391,518.

The Plan does not entitle the Participants to participate in any other share issues of the Company and the unexercised Awards do not attract dividend or voting rights.

The Plan is accounted for by the Company in accordance with note 1(r)(iii).

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

Employee benefits (continued)

Superannuation

The majority of Adelaide Brighton Ltd employees are now members of the consolidated superannuation entity being the Adelaide Brighton Group Superannuation Plan ("the Fund"), a sub-plan of the Mercer Super Trust ("MST"). The MST is a superannuation master trust arrangement governed by an independent trustee, Mercer Investment Nominees Ltd. The Fund commenced in the MST on 1 August 2001.

Membership is in either the Defined Benefit or Accumulation categories of the Fund, with the membership distribution as at December 2003, being:

Defined Benefit (including Hybrid members)	442
Accumulation	531
Total Membership	973

An actuarial update as at December 2002 concluded that the value of Fund assets were sufficient to meet the liabilities of the Fund with respect to vested and accrued liabilities in the event of the Fund's termination, or the voluntary or compulsory termination of employment of each Defined Benefit member of the Fund. Current employer contribution rates for Defined Benefit members are in accordance with actuarial recommendations.

All new employees, with the exception of those recently joining Adelaide Brighton Ltd as a result of the acquisition of C&M Brick and Rocla Pavers and Masonry, have become members of the accumulation category of the Fund.

The limited number of employees who are not members of the Fund are in complying superannuation funds as specified by the Enterprise Bargaining Agreements (WA and Victoria Award covered employees) that cover their employment.

The latest financial statements for the Fund are as at 30 June 2003, with the latest actuarial investigation completed as at 1 August 2001. The next actuarial valuation is due as at 1 July 2004.

Adelaide Brighton Group Superannuation Plan \$'000

Fund assets at 1 August 2001	36,946
Accrued benefits at 1 August 2001	35,560
Excess of fund assets over accrued benefits	1,386
Fund assets at 30 June 2003	43,711
Vested benefits at 30 June 2003	43,250
Employer contributions to the fund (1 July 2002 to 30 June 2003)	4,561
Employer contributions payable to the Fund ¹	n/a

¹ The Fund assets are measured on a "cash" basis in the Mercer Super Trust.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

36 Related parties

(a) Directors

The names of each person holding the position of Director of the Company during the year are Messrs MA Kinnaird AO, CL Harris, D Barro AO, JA Brooks, MP Chellew, JD McNerney and LV Hosking (appointed 10 June 2003).

Mr D Barro AO, a Director of Adelaide Brighton Ltd, is a Director of Barro Group Pty Ltd, a Company in which he has significant influence. Barro Group Pty Ltd and Adelaide Brighton Ltd, through its 100% owned subsidiary, Adelaide Brighton Management Ltd, each control 50% of Independent Cement and Lime Pty Ltd, a distributor of cement and lime in Victoria and New South Wales. Mr Barro was a Director of Steel Cement Ltd and Building Products Supplies Pty Ltd (resigned 27 November 2002). Both companies are 100% owned subsidiaries of Independent Cement and Lime Pty Ltd.

During the year, the Barro Group of Companies purchased goods and materials from and sold goods, materials and services to Independent Cement and Lime Pty Ltd. The Barro Group of Companies also purchased goods and materials from Sunstate Cement Ltd, a company in which the consolidated entity has a 50% share.

Mr MP Chellew, a Director of Adelaide Brighton Ltd, is also a Director of Sunstate Cement Ltd and was a Director of Independent Cement and Lime Pty Ltd (resigned 16 September 2002). During the year, the consolidated entity traded significantly with both Independent Cement and Lime Pty Ltd and Sunstate Cement Ltd.

All transactions involving the Barro Group Pty Ltd and Adelaide Brighton Ltd and its subsidiaries and Independent Cement and Lime Pty Ltd and its subsidiaries and Sunstate Cement Ltd were conducted on standard commercial terms.

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. These transactions are conducted on standard commercial terms.

Aggregate amounts of the above transactions with the Directors and their Director-related entities:	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Sales to Director-related entities	21,558,440	19,807,625	-	-
Purchases from Director-related entities	3,575,269	3,653,117	-	-

(b) Directors' shareholdings

The shareholdings in the Company of Directors and their Director-related entities at the end of the financial year were:	2003	2002
	Number	Number
Ordinary shares held	56,231,232	55,626,608

Mr D Barro AO and members of his family are Directors of Barro Properties Pty Ltd and have the capacity to significantly influence the decisions of that company. As at 31 December 2003, Mr D Barro AO and his director related entities held 55,743,802 shares (2002 - 55,369,804) in Adelaide Brighton Ltd.

All share transactions with Directors and their Director-related entities are on normal commercial terms and conditions.

Acquisitions	2003	2002
	Number	Number
Ordinary shares issued under Rights Issue	-	6,946,714
Ordinary shares purchased on market	352,624	162,848
Ordinary shares awarded pursuant to Executive Performance Share Plan (i)	250,000	-

- (i) On 16 September 2003, Mr Mark Chellew, Managing Director, was provided with 250,000 ordinary shares at an allotment price of \$1.41 per share, being the VWAP immediately before the date of allotment. The shares were provided pursuant to the Adelaide Brighton Ltd Executive Performance Share Plan (refer note 35).

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

(d) Wholly-owned group

Details of interests in wholly owned controlled entities are set out in note 37(a). Details of the Company's dealings with these wholly owned entities are set out below.

(i) Loans

A loan to Adelaide Brighton Cement Ltd of \$82,860,247 funds a capital reduction payment. The loan is subordinated and is only repayable after full repayment of external borrowings. Interest is charged quarterly at the 90 day BBSW market rate at the beginning of each quarter plus 5.5% premium on the outstanding balance.

A subordinated loan to Adelaide Brighton Cement Ltd of \$65,500,000 was repaid on 15 December 2002.

A loan to Adelaide Brighton Management Ltd of \$220,000,000 represents the level of drawn down funds from the Advance Facility with RMC Group p.l.c.

All other loans to and from group entities are repayable at call.

(ii) Interest revenue and expense brought to account by the Company in relation to these loans during the year was:

	The Company	
	2003	2002
	\$'000	\$'000
Interest revenue	17,963	14,065

(iii) Dividends

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

	39,924	31,452
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(iv) Other transactions

Tax losses are transferred between companies within the consolidated entity at cost, in accordance with Division 170 of the Income Tax Assessment Act 1997. The Company will acquire tax losses to the value of \$5,951,000 (2002: \$6,825,000) from Mataranka Lime Pty Ltd in 2003 to extinguish its income tax provision in the statements of financial position.

(v) 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 were:

	The Company	
	2003	2002
	\$'000	\$'000
Receivables		
Other loans – current	208,620	166,582
Other loans - non-current	302,860	303,385
Payables		
Other loans – current	(90,438)	(53,259)

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

(e) Other related parties

- (i) The aggregate amounts included in the determination of profit from ordinary activities before income tax expense that resulted from transactions with other related parties.

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Share of profits				
- Joint venture entities	12,930	11,228	-	-
Interest income				
- Joint venture entity	569	549	-	-
Interest expense				
- Ultimate parent entity (note 36(g)(iii))	11,994	11,668	11,994	11,668
- Direct parent entity (note 36(g)(ii))	176	322	176	322

- (ii) Aggregate amounts brought to account in relation to other transactions with other related parties were:

- Adelaide Brighton Cement Ltd and Cockburn Cement Ltd supplied finished products and raw materials to Sunstate Cement Ltd and Independent Cement and Lime Pty Ltd; and
- Pavement Technology Limited and Hy-Tec Industries (Victoria) Pty Ltd purchased raw materials from Independent Cement and Lime 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	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Sales	85,373	59,258	-	-
Purchases	17,395	14,459	-	-

- (iii) Other amounts brought to account in relation to other transactions by the Company and the consolidated entity and the Company with other related parties were:

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Loans advanced to:				
- Joint venture	-	778	-	-
- Wholly owned subsidiary	-	-	113,218	168,212
Loans advanced from:				
- Ultimate parent entity (note 36(g)(iii))	61,000	52,954	61,000	52,954
- Direct parent entity (note 36(g)(ii))	12,696	5,522	12,696	-
Loan repayments to:				
- Ultimate parent entity (note 36(g)(iii))	41,000	67,954	41,000	67,954
- Direct parent entity (note 36(g)(ii))	3,490	18,954	3,490	-
Loan repayments from:				
- Wholly owned subsidiary	-	-	109,530	133,454

Loans from and repayments to the ultimate parent entity are in line with terms of the advance facility referred to in note 20(b)(ii).

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

(iv) Balances with other related parties

The aggregate amounts receivable from and payable to associated companies and joint ventures by the Company and the consolidated entity are:

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current receivables				
- Joint venture entity (interest)	284	310	-	-
- Joint venture entity (trade)	8,028	7,439	-	-
Non-current receivables				
- Joint venture entity (loan)	12,189	12,189	-	-
Non-current interest bearing liabilities				
- Ultimate parent entity (note 36(g)(iii))	-	200,000	-	200,000
Non-current liabilities				
- Direct parent entity (note 36(g)(i))	-	12,305	-	-

These amounts include trade debtors, trade creditors, loans and other distributions.

(f) **Loans**

Loans to joint venture entity: A loan to Independent Cement and Lime Pty Ltd has interest charged at the ruling commercial rates on the outstanding balance. Interest revenue brought to account by the consolidated entity during the reporting year on this loan was \$569,000 (2002: \$549,000).

(g) **Controlling entity and ultimate parent entity**

On 30 June 1999, Rugby Holdings Limited acquired a 55% interest in Adelaide Brighton Ltd and became the direct parent company of Adelaide Brighton Ltd.

On 16 December 2003, Rugby Holdings Limited agreed to sell 107.8 million shares in the Company to Boral Limited and therefore ceased to have a controlling interest in Adelaide Brighton Ltd. As a result of this transaction, no entity has a controlling interest in Adelaide Brighton Ltd at 31 December 2003. Prior to the sale by Rugby Holdings Limited, the ultimate parent entity was RMC Group p.l.c.

Transactions with controlling entity and ultimate parent entity

- (i) A limited recourse loan of \$12,305,000 was owing to Rugby Holdings Limited at 31 December 2003 (2002 - \$12,305,000) by Cockburn Cement Ltd, a subsidiary of Adelaide Brighton Ltd. This is in respect of real property belonging to Rugby Holdings Limited on loan to Cockburn Cement Ltd. The loan is non-interest bearing.
- (ii) Advances from Rugby Holdings Limited to Adelaide Brighton Ltd are interest bearing at the same rate as the primary funding to Adelaide Brighton Ltd from RMC Group p.l.c. At 31 December 2003, \$9,206,000 (2002 - Nil) remains payable to Rugby Holdings Limited. For the year ended 31 December 2003, interest of \$176,000 (2002 - \$322,000) was charged on amounts advanced.
- (iii) The Company had access to a \$350 million advance facility with RMC Group p.l.c. (refer note 20(b)(ii)). At balance date, \$220 million (2002 - \$200 million) was drawn down under the facility. For the year ended 31 December 2003, interest of \$11,994,000 (2002 - \$11,668,000) was charged on the facility. All funds advanced under the facility were repaid in February 2004.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

37 Investments in controlled entities

(a) Particulars in relation to controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2003 %	2002 %
Adelaide Brighton Ltd				
Adelaide Brighton Cement Ltd	South Aust ⁴	Ord	100	100
Adelaide Brighton Cement Inc	Washington USA ²	Ord	80	80
Adelaide Brighton Cement Investments Pty Ltd	South Aust ⁴	Ord	100	100
Adelaide Brighton Management Ltd	South Aust ⁴	Ord	100	100
Adelaide Brighton Masonry Products Pty Ltd	South Aust ¹	Ord	100	-
Adelaide Brighton Cement International Pty Ltd	South Aust ¹	Ord	100	100
Adelaide Brighton Intellectual Property Pty Ltd (formerly FCT Intellectual Property Pty Ltd)	South Aust ¹	Ord	100	100
Cement Resources Consolidated Pty Ltd	South Aust ¹	Ord	100	100
Cockburn Cement Ltd	Western Aust ⁴	Ord	100	100
C & M Brick Pty Ltd	Victoria	Ord	70	-
Hy-Tec Industries (Queensland) Pty Ltd	South Aust ⁴	Ord	100	100
Northern Cement Ltd	Northern Territory ⁴	Ord	100	100
Premier Resources Ltd	NSW ⁴	Ord	100	100
Adelaide Brighton Cement Ltd				
Exmouth Limestone Pty Ltd	Western Aust ¹	Ord	51	51
Adelaide Brighton Cement Inc				
Adelaide Brighton Cement (Florida) Inc	Florida USA ²	Ord	100	100
Adelaide Brighton Cement (Hawaii) Inc	Hawaii USA ²	Ord	100	100
Hileah (Florida) Management Inc	Florida USA ²	Ord	100	100
Adelaide Brighton Management Ltd				
Pavement Technology Ltd	South Aust ⁴	Ord	100	100
Adelaide Brighton Cement (Netherlands) BV	Netherlands ²	Ord	100	100
Accendo Pty Ltd	South Aust ¹	Ord	50	50
Adba Pty Ltd	NSW ¹	Ord	100	100
Pavement Technology Ltd				
Accendo Pty Ltd	South Aust ¹	Ord	50	50
Fuel & Combustion Technology International Ltd				
Fuel & Combustion Technology International Inc	USA ^{2,3}	Ord	100	100
Adelaide Brighton Cement International Pty Ltd				
Adelaide Brighton Cement Inc	Wash. State USA ²	Ord	20	20
Fuel & Combustion Technology International Ltd	United Kingdom ^{2,3}	Ord	100	100
Northern Cement Ltd				
Mataranka Lime Pty Ltd	South Aust ¹	Ord	100	100
Cockburn Cement Ltd				
Cockburn Waters Pty Ltd	Western Aust ^{1,3}	Ord	100	100
Hydrated Lime Pty Ltd	Western Aust ^{1,3}	Ord	100	100
Chemical Unit Trust	Western Aust ^{1,3}	Units	100	100
Kalgoorlie Lime & Chemical Company Pty Ltd	Western Aust ^{1,3}	Ord	100	100
Premier Resources Ltd				
Hy-Tec Industries Pty Ltd	NSW ⁴	Ord	100	100
Hy-Tec Industries (Victoria) Pty Ltd	NSW ⁴	Ord	100	100
Bonfoal Pty Ltd	NSW ¹	Ord	100	100
Aus-10 Rhyolite Pty Ltd	NSW ¹	Ord	100	100
Morgan Cement International Pty Ltd	NSW ⁴	Ord	100	100
Hy-Tec Industries (Victoria) Pty Ltd				
Hy-Tec Industries (Victoria) No 1 Pty Ltd	NSW ¹	Ord	100	100
Hy-Tec Industries (Victoria) No 2 Pty Ltd	NSW ¹	Ord	100	100
Sheltacrete Pty Ltd	NSW ¹	Ord	100	100

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2003 %	2002 %
C&M Brick Pty Ltd				
Adelaide Brighton Masonry Products Pty Ltd	South Aust	Ord	100	-
Betta Brick Pty Ltd	Vic ¹	Ord	100	-
C&M Brick (Bendigo) Pty Ltd	Vic ¹	Ord	100	-
C&M Design/Construct Pty Ltd	Vic ¹	Ord	100	-

¹ Small proprietary company as defined by the Corporation Act and is not required to be audited for statutory purposes

² Controlled entities of which PricewaterhouseCoopers has not acted as auditor

³ Liquidation process underway

⁴ These controlled entities have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities & Investments Commission. For further information see note 38.

(b) Acquisition of controlled entities or operations

On 1 July 2003 the consolidated entity acquired control of C&M Brick Pty Ltd and the net operating assets of Rocla Pavers and Masonry for consideration of \$50.5 million, plus transaction costs incidental to the acquisition. The net operating results of the acquired entities and operations have been included in the consolidated statement of financial performance since the date of acquisition. In the event that certain pre-determined performance measures are achieved by the controlled entity, additional consideration may be payable in cash. At the date of this report the amount of any additional payments, if any, can not be reliably estimated. Should consideration be payable it will be brought to account as goodwill acquired.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

38 Deed of cross guarantee

As at the date of this report, Adelaide Brighton Ltd, Adelaide Brighton Cement Ltd, Cockburn Cement Ltd, Adelaide Brighton Cement Investments Pty Ltd, Adelaide Brighton Management Ltd, Northern Cement Ltd, Pavement Technology Ltd, Premier Resources Ltd, Hy-Tec Industries Pty Ltd, Hy-Tec Industries (Victoria) Pty Ltd, Hy-Tec Industries (Queensland) Pty Ltd and Morgan Cement International Pty Ltd are parties to a Deed of Cross Guarantee (the Deed) under which each company guarantees the debts of the others. By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017 and 00/0321) issued by the Australian Securities & Investments Commission.

The above companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the Deed that are controlled by the Company, they also represent the "Extended Closed Group".

Premier Resources Ltd, Hy-Tec Industries Pty Ltd, Hy-Tec Industries (Victoria) Pty Ltd, Hy-Tec Industries (Queensland) Pty Ltd and Morgan Cement International Pty Ltd became parties to the Deed and the Closed Group during 2002. PQ Ltd and Adjuto Ltd were removed from the Deed and the Closed Group during 2002 following the voluntary liquidation of these entities.

Set out below is a consolidated statement of financial performance for the year ended 31 December 2003 of the Closed Group.

	2003	2002
	\$'000	\$'000
Revenues from sale of goods and services	582,209	486,831
Cost of sales	(374,510)	(317,392)
Distribution costs	(77,882)	(50,006)
Gross profit	129,817	119,433
Other revenues from ordinary activities	8,441	3,533
Other expenses from ordinary activities		
Marketing	(5,566)	(6,000)
Administration	(40,670)	(36,020)
Borrowing costs	(13,946)	(14,310)
Other	(10,938)	(10,754)
Shares of net profits of joint venture entities accounted for using the equity method	12,930	11,228
Profit from ordinary activities before income tax expense	80,068	67,110
Income tax expense	(27,062)	(18,438)
Profit from ordinary activities after income tax expense	53,006	48,672
Aggregate of amounts transferred from reserves	-	-
Adjustment resulting from change in accounting policy for employee benefits	(417)	-
Total changes in equity other than those resulting from transactions with owners as owners	52,589	48,672

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

Set out below is a consolidated statement of financial position as at 31 December 2003 of the Closed Group.

	2003 \$'000	2002 \$'000
Current assets		
Cash assets	4,785	14,815
Receivables	175,619	112,498
Inventories	41,510	48,382
Other	1,657	1,792
Total current assets	<u>223,571</u>	<u>177,487</u>
Non-current assets		
Receivables	12,434	12,756
Investments accounted for using the equity method	33,643	30,806
Property, plant and equipment	515,120	511,131
Deferred tax assets	9,730	13,406
Intangible assets	157,265	146,611
Other	28,742	6,402
Total non-current assets	<u>756,934</u>	<u>721,112</u>
Total assets	<u>980,505</u>	<u>898,599</u>
Current liabilities		
Payables	103,038	84,589
Interest bearing liabilities	229,497	519
Current tax liabilities	7,579	274
Provisions	28,675	36,999
Other	3,695	2,397
Total current liabilities	<u>372,484</u>	<u>124,778</u>
Non-current liabilities		
Payables	6,000	-
Interest bearing liabilities	320	200,724
Deferred tax liabilities	66,731	65,658
Provisions	22,273	16,803
Other	102	102
Total non-current liabilities	<u>95,426</u>	<u>283,287</u>
Total liabilities	<u>467,910</u>	<u>408,065</u>
Net assets	<u>512,595</u>	<u>490,534</u>
Equity		
Contributed equity	512,775	512,104
Reserves	31,691	33,099
Retained profits (losses)	<u>(31,871)</u>	<u>(54,669)</u>
Total equity	<u>512,595</u>	<u>490,534</u>

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

39 Investments in joint ventures and associates

- (a) Investments in joint ventures and associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (see note 10).

Name of joint venture company	Principal activity	Ownership interest		Consolidated carrying amount		The Company carrying amount	
		2003 %	2002 %	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Sunstate Cement Ltd	Cement manufacture	50	50	13,235	13,329	-	-
Independent Cement and Lime Pty Ltd	Cement distribution	50	50	20,408	17,477	-	-
				33,643	30,806	-	-

The annual balance date of the above joint venture entities is 30 June.

	Consolidated	
	2003 \$'000	2002 \$'000
(b) Movements in carrying amount of investments		
Carrying amount of investments in joint ventures and associates at the beginning of the financial year	30,806	27,588
Share of joint ventures net profit	12,930	11,228
Dividends received from joint ventures	(10,093)	(8,010)
Carrying amount of investments in joint ventures at the end of the financial year	33,643	30,806
(c) Results of joint ventures		
Share of joint ventures operating profit before tax	17,626	15,862
Share of joint ventures income tax expense attributable to operating profit	(3,594)	(3,927)
Share of joint ventures net profit – as disclosed by joint ventures	14,032	11,935
Adjustments:		
Amortisation of goodwill arising from investment in joint ventures	(996)	(996)
Unrealised profit in inventory	(106)	289
Share of joint ventures net profit – equity accounted	12,930	11,228
Share of joint ventures retained profits at the beginning of the financial year	(3,175)	(6,393)
Dividends and distribution from joint ventures	(10,093)	(8,010)
Share of joint ventures retained profits at the end of the reporting year	(338)	(3,175)
(d) Summary performance and financial position of joint ventures		
The aggregate share of profits, assets and liabilities of joint ventures is as follows:		
Net profit	28,064	23,870
Total assets	121,307	113,026
Total liabilities	(68,291)	(67,884)
Consolidated entity's share of joint ventures net assets	26,508	22,571
Adjustments arising from equity accounting:		
Goodwill (net of amortisation)	7,437	8,433
Unrealised profit in inventory	(302)	(198)
Net assets – equity adjusted	33,643	30,806
(e) Share of joint venture entities' revenues, expenses and results		
Revenues	144,249	131,481
Expenses	(126,623)	(115,619)
Profit before tax	17,626	15,862

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

40 Notes to the statements of cash flows

(a) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Profit from ordinary activities after income tax	58,567	50,708	39,100	21,700
Add non-cash items:				
Transfer to provisions:				
Doubtful debts	901	(1,875)	-	-
Depreciation and amortisation	62,408	53,375	-	-
Add(less) items classified as investing / financing activities:				
(Gain) loss on sale of non-current assets	408	(620)	-	-
Share of joint venture entities' net profit	(2,858)	(3,218)	-	-
Other	-	814	(1,646)	7,863
Net cash provided by operating activities before change in assets and liabilities	119,426	99,184	37,454	29,563
Changes in operating assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:				
(Increase)/decrease in inventories	4,846	(6,522)	-	-
(Increase)/decrease in prepayments	658	(1,037)	-	-
(Increase)/decrease in trade/term debtors	(16,972)	(11,109)	-	-
Increase/(decrease) in trade creditors	(6,212)	(2,862)	6,180	278
Increase/(decrease) in provisions	5,057	5,533	(425)	-
Increase/(decrease) in taxes payable	7,574	231	(873)	1,440
Increase in deferred taxes payable	13,536	14,954	128	277
Net cash provided by operating activities	127,913	98,372	42,464	31,558

(b) Acquisition of controlled entities or operations

Details of the acquisitions are as follows;	Consolidated	
	2003 \$'000	2002 \$'000
Fair value of identifiable net assets acquired		
Net cash acquired	(1,236)	(2,852)
Trade debtors	12,373	3,799
Inventories	12,701	2,587
Deferred tax	934	492
Property, plant and equipment	51,803	58,293
Intangibles	2,298	-
Trade creditors	(13,093)	(11,390)
Provisions	(1,838)	(232)
Lease liabilities	(1,453)	(1,900)
Other loans	(8,216)	(35,807)
	54,273	12,990
Less: Minority interest	(6,093)	-
	48,180	12,990
Goodwill on consolidation	14,908	7,866
Cash consideration, including acquisition costs	63,088	20,856
Add: net overdraft acquired	1,236	2,852
Outflow of cash	64,324	23,708

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

41 Earnings per share

	Consolidated	
	2003 Cents	2002 Cents
Basic earnings per share	<u>10.7</u>	<u>9.9</u>

	The Company	
	2003 Number	2002 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	<u>541,523,952</u>	<u>510,236,038</u>

	Consolidated	
	2003 \$'000	2002 \$'000
Reconciliations of earnings used in calculating earnings per share Basic earnings per share		
Net profit	58,567	50,708
Net profit attributable to outside equity interest	(885)	(31)
Earnings used in calculating basic earnings per share	<u>57,682</u>	<u>50,677</u>

42 Segment information

Business segments

The consolidated entity is organised into the following divisions by product and service type:

Construction and mining materials

Production and sale of clinker, cement, lime, ready mixed concrete and concrete products and supplementary cementitious materials. The major end-use markets for these products are the Australian residential and non-residential construction, engineering construction and mining markets.

Other

The provision of specialised road construction, maintenance and rehabilitation services and other group management activities. None of these activities constitutes a separately reportable segment.

Geographical segments

All of the consolidated entity's divisions operate in Australia. The major end-use markets for these products are the Australian construction and mining markets.

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

Primary reporting – business segments

	2003 \$'000			
	Construction & Mining Materials	Other	Eliminations / Unallocated	Consolidated
Sales – External	600,188	30,438	-	630,626
Inter-segment sales	1,230	-	(1,230)	-
Sales revenue	601,418	30,438	(1,230)	630,626
Other revenue	4,976	1,577	(46)	6,507
Revenue from ordinary activities	606,394	32,015	(1,276)	637,133
Share of net profits of joint ventures	12,930	-	-	12,930
Total segment revenue	619,324	32,015	(1,276)	650,063
Segment result	116,619	(9,749)	(9,803)	97,067
Net interest expense			(12,648)	(12,648)
Operating profit				84,419
Income tax expense			(25,852)	(25,852)
Net profit				58,567
Segment assets	948,267	836,456	(762,000)	1,022,723
Segment liabilities	747,413	465,729	(766,047)	447,095
Investments in joint venture entities	33,643	-	-	33,643
Payments for property, plant & equipment	59,549	1,118	-	60,667
Depreciation and amortisation	49,905	3,099	9,417	62,421

Primary reporting – business segments

	2002 \$'000			
	Construction & Mining Materials	Other	Eliminations / Unallocated	Consolidated
Sales – External	457,348	29,483	-	486,831
Inter-segment sales	1,499	-	(1,499)	-
Sales revenue	458,847	29,483	(1,499)	486,831
Other revenue	2,355	331	(106)	2,580
Revenue from ordinary activities	461,202	29,814	(1,605)	489,411
Share of net profits of joint ventures	11,228	-	-	11,228
Total segment revenue	472,430	29,814	(1,605)	500,639
Segment result	94,951	(6,490)	(8,412)	80,049
Net interest expense			(13,139)	(13,139)
Operating profit				66,910
Income tax expense			(16,202)	(16,202)
Net profit				50,708
Segment assets	830,656	806,404	(714,068)	922,992
Segment liabilities	640,322	482,637	(725,757)	397,202
Investments in joint venture entities	30,806	-	-	30,806
Payments for property, plant & equipment	37,575	2,213	-	39,788
Depreciation and amortisation	42,568	2,594	8,412	53,574

Adelaide Brighton Ltd and consolidated entities

Notes to the financial statements (continued)

For the year ended 31 December 2003

Secondary reporting – geographical segments

	Segment revenues - external		Segment assets		Acquisitions of fixed assets	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Australia	630,626	486,831	1,021,442	921,295	60,667	39,788
Other countries	-	-	1,281	1,697	-	-
	630,626	486,831	1,022,723	922,992	60,667	39,788

Adelaide Brighton Ltd and consolidated entities

Directors' declaration

The Directors declare that the financial statements and notes set out on pages 13 to 57:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 38 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in note 38.

This declaration is made in accordance with a resolution of the Directors.



M Chellew
Director

Dated at Adelaide on the 31st day of March 2004.

Independent audit report to the members of Adelaide Brighton Ltd

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Adelaide Brighton Ltd (the Company) for the year ended 31 December 2003 included on the Company's web site. The Company's directors are responsible for the integrity of the Adelaide Brighton Ltd web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion, the financial report of Adelaide Brighton Ltd:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Adelaide Brighton Ltd and the Adelaide Brighton Ltd Group (defined below) as at 31 December 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Adelaide Brighton Ltd (the company) and the Adelaide Brighton Ltd Group (the consolidated entity), for the year ended 31 December 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

**Independent audit report to the members of
Adelaide Brighton Ltd (continued)**

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



DR Clark
Partner

Adelaide
31 March 2004