

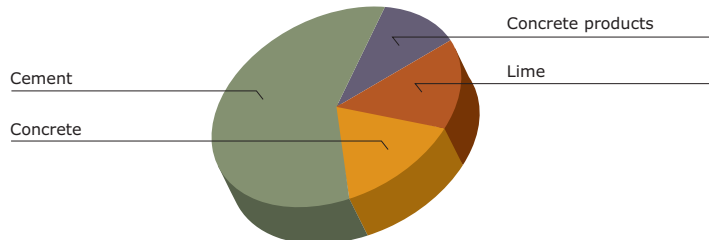
Review of Operations

The 2005 result benefited from Adelaide Brighton's balanced market portfolio and operational improvement in the core cement and lime operations. Increased demand from the resources sector was met by improved productivity and import logistics efficiency.



Munster cement and lime plant

Turnover segmentation



Cement and lime

Improved operational performance delivered record output of clinker and cement. Safety improved significantly with a 70% reduction in injury rates led by Birkenhead, Munster, Dongara and Mataranka, each of which had no reportable lost time accidents during the year.



Martin Brydon
General Manager
Cement and Lime

Cement demand remained buoyant in all markets but New South Wales where the residential sector's market weakening, seen initially in the final quarter of 2004, continued throughout 2005. Demand increased however in Western Australia due to the strength of the construction and resources sectors while both South Australia and Northern Territory benefited specifically from increased resource sector demand.

2005 was a further record year for cement production with all operations performing either at or beyond expectations. This performance was key to optimising the returns from the increase in market demand. The ongoing programs of continuous improvement in the manufacturing process delivered specific benefits at Birkenhead and Angaston which both produced record levels of clinker output at current capacity configurations. Birkenhead exceeded 1.3 million tonnes, its fourth year in succession of improved output.

The consistency of clinker output from Birkenhead and the improvement in cement grinding capabilities were, together with the successful management of the import supply chain, a key factor in meeting demand in its three main markets - South Australia, Queensland and Victoria.

The Birkenhead alternative fuel program made significant advances during the year culminating in the successful commissioning of the demolition wood waste handling and firing system.

This investment aligned for the first time the Birkenhead combustion capacity with the waste wood supply capabilities of the alternative fuel Joint Venture. The natural gas primary fuel substitution rate achieved target levels by year end without any measurable adverse impact on kiln throughput and refractory wear.

The combustion of carbon powder also achieved target levels in the final quarter of the year. The alternative fuels program at Birkenhead is now meeting planned levels of substitution, delivering both environmental and cost benefits and the reduction in the combustion levels of natural gas, a key primary fuel in South Australia.

Further continued progress was made at the Angaston plant with cement Kiln 3 producing record outputs during the year following the upgrading of the burner and burner management system. The plant has now been focussed on the production of the off-white *Brightonlite* cement; this higher value architectural product reaching markets in Victoria, Queensland and New South Wales.

Cement demand increased due to higher levels of construction in Western Australia. However lime demand while level with 2004, did not meet internal target expectations due to delays in customer capacity expansion in the resources sector.

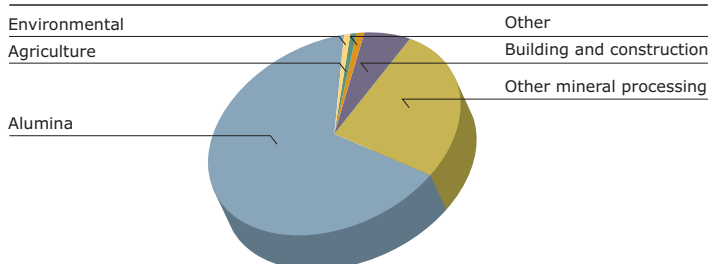
At the Munster plant in Western Australia, clinker output also exceeded expectations, although overall



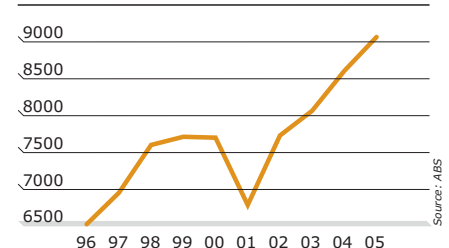
production was below the previous year due to the decision made to carry forward the 2004 major clinker kiln shutdown into 2005. Management continue to identify opportunities to increase the output from the two lime kilns which, at a combined output of 900k tonnes, are the largest of their type in the world.

Efforts continue to focus on the efficiency of clinker handling at the Munster site and a further \$2.0 million investment was made during the year in both improving the clinker handling facilities and minimising the vehicular transport of clinker at the site with the resulting benefits on operating costs and fugitive dust emissions.

Lime sales market sector demand



Australian cement production Tonnes '000m³





Following the successful expansion of the Kwinana bagged cement facility, further investments were made in the cement packing and shrink wrapping process improving the output, efficiency and quality of the bagged cement products. The extension of the facility and the improvements in process layout has enabled a clearer demarcation between vehicle and people movements thus improving the safety characteristics of the site.

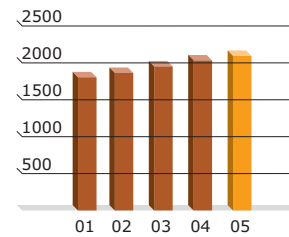
While smaller in scale, the Northern Cement operations provided an increased, valuable contribution to the Company's overall performance during the year. Improving demand in the Northern Territory, together with increased output from the Darwin cement clinker grinding facility, were key factors in delivering this result.

With approximately 60% share in the Western Australian bagged cement market, an investment of just over \$1 million was made in bagging facilities at the Kwinana plant

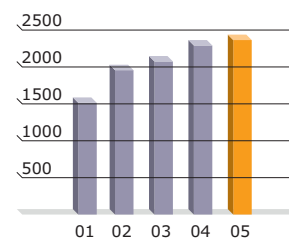
The Mataranka lime plant in Northern Territory operated at close to capacity in order to meet increased demand from the Ranger Uranium plant.

The operating base of the Morgan Cement grinding plant operations was secured during the year through the acquisition of the Port Kembla leasehold site and plant and equipment.

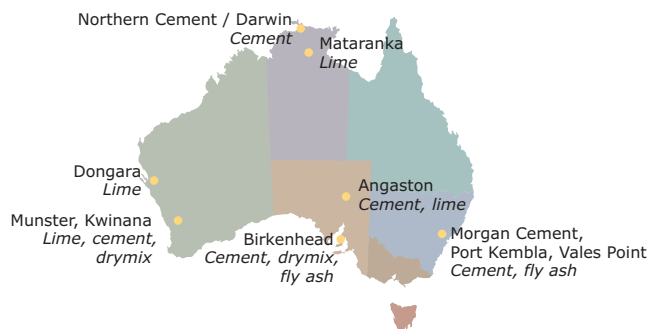
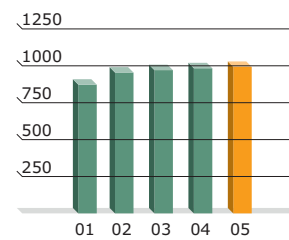
Adelaide Brighton clinker production '000t



Adelaide Brighton cement production '000t



Adelaide Brighton lime production '000t



Concrete and aggregates

Hy-Tec continues to improve its customer service and quality in its core markets in central Queensland, and the Sydney and Melbourne metropolitan markets.



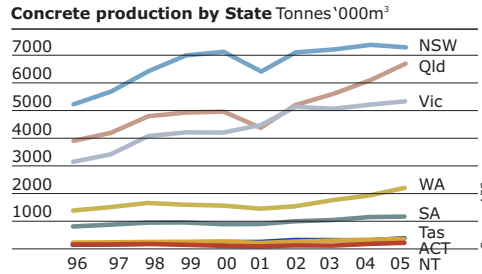
Mark Finney
General Manager
Concrete and Quarries

Hy-Tec experienced soft markets in both New South Wales and Queensland, the former due to the weakening residential sector and the latter due to a return to more seasonal weather patterns. While price increases were realised, these effectively covered raw material cost increases and the additional impact of both labour and fuel costs depressed margins overall. Sales in Victoria were level, though pricing weakened due to keen competition within the independent ready mix sectors.

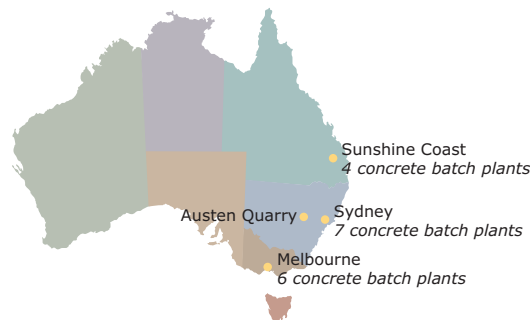
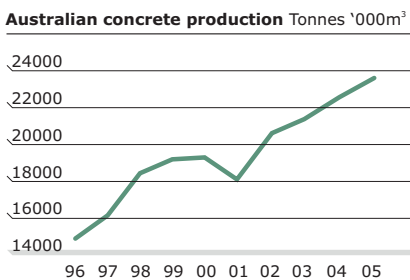
Management continue to focus on mix designs and optimising primary material costs and in particular in the use of slag and ash based extended cements.

Phase 1 of the Austen Quarry development near Hartley, west of Sydney, was essentially completed in late 2005. The roads, infrastructure and primary crushing plant are now in place and the operation has begun to produce aggregates and blended sand largely for internal Hy-Tec use. The quality of the aggregates is higher than originally expected and the road base has shown good compacting properties and received approval from the Roads and Traffic Authority in New South Wales.

The output of the quarry will be increased progressively in order to satisfy Hy-Tec's internal aggregate demands. The quarry and reserves will be an important future strategic supply of aggregates to the Western Sydney market as the reserves at Penrith Lakes run out towards the end of the decade.



Hy-Tec supplied 40,000m³ of varying concrete mixes over a 15 month cycle for the Woolworths Limited New South Wales corporate office



Concrete products

The consolidation of C&M Brick Pty Ltd with Rocla Pavers and Masonry is now complete with the focus on the C&M brand, elimination of overlapping product ranges, operational efficiency and new product development.



Colin Kupke
Managing Director
C&M Brick

2005 was a year of transition for C&M Brick as management completed the program of plant upgrades, new product development and restructuring. Market conditions proved difficult in New South Wales as demand from the higher value landscaping sector weakened, placing pressure on gross margins and creating a higher dependence on the lower margin contract commercial business.

The upgrade of the Adelaide plant was completed in November and, while several months behind schedule, this investment will have a significant positive impact on the future performance of C&M Brick. The upgrade allows for the manufacture of the full C&M product range in South Australia with a substantial reduction in the cost base and improvement in product quality. This investment regrettably involved the closure of the Horsham plant, but will reduce high cost interstate product shipments as the plant becomes largely self-sufficient in its product range.

The launch of the wet cast product range at the Campbellfield plant in Victoria has given C&M an entry into this attractive product sector. The wet cast process provides a differentiated product finish and complements the C&M range. The introduction of wet cast production was initially extremely labour intensive and abnormally increased the Campbellfield production cost base. The progressive automation of the handling processes and focussing of the product range into the most profitable sectors now provides a solid base for future performance.

The progressive upgrades of the Moorebank and Newcastle plants in New South Wales and the consolidation of the operation of the new plant at Nowra has further reduced the dependence on higher cost inter-plant product transfers and consequently the load on the Bendigo plant operations in Victoria. This resulted in the need to

reduce manning levels, the cost of which adversely impacted the 2005 results. However, these actions now provide for a lower cost base for the future.



C&M's progressive implementation of Adelaide Brighton Group SH&E Standards has resulted in significant progress in safety management, reporting of injuries and post-injury management and a 70% reduction in lost time injuries in 2005 compared to the previous year.



C&M Brick Ottoway display centre



Joint venture operations

The continued strength of markets in Queensland and Victoria has supported improved contribution to Company performance in 2005 from Sunstate Cement Limited and Independent Cement and Lime Pty Ltd.

Alternative Fuel Company Pty Ltd (AFC) is a joint venture between Adelaide Brighton and Adelaide based Resourceco Pty Ltd. AFC processes selected combustibles construction and demolition waste (primarily timber waste) into fuel suitable as a replacement for traditional fossil fuels. The demolition wood waste is utilised by Adelaide Brighton's Birkenhead plant as a substitute for gas in the kiln. This resource recovery process diverts demolition wood waste away from landfill and delivers huge environmental benefits to South Australia by reducing material going to landfill and also reducing greenhouse gas emissions by replacing natural gas.

Alternative Fuel Company Pty Ltd (AFC)

AFC made further progress during the year following the commissioning of an upgraded demolition wood waste shredding facility. AFC is now providing a key environmental and cost benefit to South Australia in reducing the quantities of demolition waste sent to landfill and supplementing the primary gas fuel stream used at Adelaide Brighton's Birkenhead plant.

The skills and technical know-how being developed within this venture will be a key asset to the further development of the market for shredded wood waste as an alternative fuel.

The use of landfill is rapidly diminishing in developed countries due to its high environmental cost. The pressure from the introduction of landfill levies has, for example, been used in Europe to develop environmentally sound waste disposal methods. Appropriate levels of landfill levy in South Australia will ensure viable alternatives to landfill are sustainable.

Independent Cement and Lime Pty Ltd (ICL), a joint venture between Adelaide Brighton and Barro Group Pty Ltd, is a specialist supplier of cement, cement blended products, and agricultural lime to a wide variety of industries, major retail outlets, and agricultural markets throughout Victoria and New South Wales.

Independent Cement and Lime Pty Ltd (ICL)

ICL benefited from buoyant demand in Victoria and good sales volumes in New South Wales. Although this resulted in further improvement during the year, one-off administration expenses and higher input costs impacted the final results.

Cement supply to ICL from Birkenhead was supplemented by imported cement with management overcoming the considerable challenges of increased shipping movements and logistical difficulties with the port facilities in Melbourne.

The Melbourne cement terminal is operating to close to its design capacity and the joint venture parties have agreed to build an additional silo and dispatch facility to handle expected demand well into the future.

ICL is meeting the challenge of supplying its range of products in New South Wales and the completion in late 2005 of a new packing plant near Port Kembla will provide ICL with the ability to efficiently supply packaged products across a wider geographic area within New South Wales. The relocation of the ICL Maldon blending plant to Adelaide Brighton's Port Kembla cement plant in 2006 is expected to further improve logistical efficiencies.



Tom Douglas
General Manager
Strategy and Business Development
(Sunstate Cement and ICL)



Independent Cement and Lime Pty Ltd.



Sunstate Cement Limited, a joint venture between Adelaide Brighton and Blue Circle Southern Cement, is a cement milling, storage and distribution facility at Fisherman Islands in Brisbane. With a capacity of over one million tonnes per year of both bulk and bagged cement products, Sunstate Cement remains a reliable supplier to Queensland's construction industry.

Sunstate Cement

In a buoyant Queensland market, demand for Sunstate Cement products continued to be robust. The increased demand for clinker meant supplying Sunstate with product from both domestic and international sources. To manage the variety of shipping vessels transporting clinker to Brisbane, a new unloading system for standard bulk carriers was installed. Sunstate Cement is currently operating close to its clinker storage design capacity and it is planned to install additional capacity over the next 18 months.

Improvements in milling efficiency and product quality resulted in Sunstate Cement delivering a more consistent range of cements at lower cost in 2005. Further improvements are expected in 2006, particularly with the development of a range of fly ash blended cements.

