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8 March 2006

Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

2005 ANNUAL ACCOUNTS

We attach the Adelaide Brighton Ltd financial report for the 12 month period 1 January 2005 to 31 December 2005 for release to the market.

Yours faithfully

MRD Clayton
Company Secretary



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

**FINANCIAL REPORT
FOR THE 12 MONTH PERIOD
1 JANUARY 2005 TO 31 DECEMBER 2005**

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 2005.

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
 CL Harris
 D Barro AO
 JD McNerney
 LV Hosking
 GF Pettigrew
 MP Chellew

Principal activities

During the year the principal activities of the Group consisted of the manufacture and distribution of cement, and cementitious products, lime, ready mixed concrete, aggregates, sand and concrete products.

Review of operations

A summary of the financial results for the year ended 31 December 2005 is set out below:

(A\$ million)	2005	2004
Sales revenue	723.2	689.0
Depreciation	(47.0)	(51.4)
Earnings before interest and tax ("EBIT")	134.1	119.6
Net interest	(14.0)	(14.7)
Profit before tax	120.1	104.9
Tax expense on profit before tax	(32.3)	(25.8)
Net profit after tax before tax consolidation	87.8	79.1
Profit from discontinued operations	-	1.3
Minority interest	-	(1.1)
Net profit attributable to members before tax consolidation	87.8	79.3
Tax benefit on implementation of tax consolidation ¹	3.1	14.0
Net profit attributable to members	90.9	93.3
Basic earnings per share (cents)	16.8	17.2
Alternative basic earnings per share (cents) ²	16.2	14.6
Dividend per share (cents)	10.5	7.5
Franking (%) – interim	100%	100%
Franking (%) – final	100%	100%
Net debt (A\$ million)	226.8	195.1
Net debt/equity (%)	35.8%	33.1%

¹ Assessed adjustment to deferred tax balances on implementation of tax consolidation

² Before adjustment for the tax benefit on implementation of tax consolidation

Operating revenue increased by 5.0% over the prior year to \$717.3 million as Adelaide Brighton benefited from its broad national geographical spread and exposure to the growing resources sector. Cement demand increased overall due to strong growth in Western Australia, from both the construction and resources sector.

Demand from the resource sector in South Australia and the Northern Territory also increased, though underlying construction activity in these markets was similar to those of 2004. Demand in Victoria and Queensland continued to be robust driven by continued levels of construction, though adverse weather in Queensland impacted sales the first quarter of the year.

Demand in New South Wales was below 2004 due to the decline in residential construction activity. This had a direct impact on the performance of both Hy-Tec and C&M Brick, both of which are more dependent on the residential sector in New South Wales.

Directors' report (continued)

Review of operations (continued)

Lime volume was level with 2004 with some short term interruptions in demand in Western Australia offset by increased demand in the Northern Territory, the latter providing an important contribution to the overall Group result.

Cement pricing improved during the year as selective price increases were achieved across most markets, recovering the impact of material, labour and energy cost increases, and providing some margin growth.

The 2005 full year EBIT has been reported for the first time under Australian equivalents to International Financial Reporting Standards. A material change for Adelaide Brighton has been the cessation of amortisation of goodwill and this charge has been reversed in the restatement of the 2004 result. On a like for like basis EBIT has increased by 12.1% to \$134.1 million.

12 months to 31 December (A\$ millions)	2005	2004	% change
EBIT	134.1	107.0	
2004 restatement under AIFRS		12.6	
Reported EBIT	134.1	119.6	12.1

The increase in sales revenue together with the continued improvement in operating performance were the fundamental drivers behind the 14.5% increase in net profit before tax to \$120.1 million (2004 - \$104.9 million). Underlying NPAT also increased by 10.8% to \$87.8 million before the impact of the one off tax consolidation benefits. 2004 took benefit from the \$1.3 million profit on sale of Pavement Technology Limited.

Cash flow from operations increased to \$123.4 million (2004 - \$115.7 million) as improved profitability was offset by a \$7.0 million increase in income tax paid. The increase in working capital was lower than in 2004 thus improving the current year's cash flow from operations when compared with prior year. The 2005 increase in working capital was partly due to higher closing cement inventories resulting from the timing of two import shipments in December and higher Birkenhead clinker inventories. The increased inventories result from timing differences and are not a permanent increase in working capital.

Year end borrowings increased to \$226.8 million (2004 - \$195.1 million) due to the \$8.1 million increase in dividends paid, higher tax payments and a \$52.6 million increase in capital investment.

Capital expenditure at \$102.7 million for the year exceeded the \$80.0 million forecast due to the \$21.0 million investment in the acquisition of leasehold site and assets at Port Kembla, and the Mascot ready mixed plant site. Adelaide Brighton's ownership of these sites substantially improves the company's long-term strategic position in the New South Wales market. In addition a \$4.5 million investment was made acquiring strategic sand reserves in New South Wales.

Other major capital expenditure projects included: phase one of the Austen Quarry, Birkenhead alternative fuel handling and firing, the Munster kiln 4 electrostatic precipitator and the C&M Brick plant upgrades. The underlying sustaining capital expenditure for the year, including the Munster electrostatic precipitator, was \$41.1 million.

The tax consolidation legislation gives wholly owned groups the option to be treated as a single tax Group. Adelaide Brighton elected to consolidate for tax purposes from the year ended 31 December 2004. The calculation of the financial effect on the deferred tax balances of the Group has been recognised in this financial report, resulting in a further tax benefit of \$3.1 million. This tax credit is additional to the \$14.0 million tax benefit reported in the accounts for the year ended 31 December 2004.

This additional tax benefit has resulted from the step up of the detailed asset revaluations within the company asset registers and the calculation of tax depreciation on this revised tax base. The re-calculation of the future tax depreciation charge has supported our 2004 assessment and given rise to the quantification of this additional deferred income tax benefit.

Directors' report (continued)

Dividends paid or declared by the Company

In respect to the 2005 financial year, the following dividends were paid or have been provided:

- A final dividend in respect of the year ended 31 December 2004 of 4.0 cents per share, fully franked was paid on 30 March 2005. This dividend totalled \$21,674,440.
- An interim dividend in respect of the year ended 31 December 2005 of 4.25 cents per share, fully franked was paid on 6 October 2005. This dividend totalled \$23,041,534.

In addition to the above dividends, since the end of the financial year the Directors have approved the payment of a final dividend of 6.25 cents per share, fully franked, to be paid on 5 April 2006.

State of affairs

No significant changes occurred in the state of affairs of the Group during the financial year.

Events subsequent to the end of the financial year

As at the date of this report, no matter or circumstance has arisen since 31 December 2005 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

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

Environmental performance

The Group 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. All operations have access to safety and environmental legislation summaries specific to their activities. Two sites, Birkenhead and Angaston, are certified to the international environment standard ISO 14001.

A group-wide Safety, Health and Environmental (SH&E) Management System is in place for monitoring, reporting and addressing SH&E matters. Each of the Group's sites has implemented their individual SH&E Management System based on the Group SH&E Standards.

The Group monitors SH&E matters by site and business division, and information about the organisation's performance is regularly reported and reviewed by the Group's senior management, the OH&S Committee of the Board and the Board. The Group complies with any applicable specific reporting requirements such as the National Pollutant Inventory and Greenhouse Gas Reporting.

Specific incidents, and any possible trends which appear from 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.

During the year, two events occurred which were not in conformance with licence conditions, neither of which resulted in any environmental harm. Both events were discussed with and resolved to the satisfaction of the relevant regulatory authorities.

There were no prosecutions issued against the Group during the year. The prosecution issued on 15 December 2003 by the South Australian Environment Protection Authority concerning the alleged discharge (denied by the Company) from the MV Accolade II is continuing. The Company has made a submission that it has no case to answer and is awaiting a decision.

Directors' report (continued)

Information on Directors

Director	Experience	Special responsibilities
<p>MA Kinnaird AO, DUniv, BE, Hon FIEAust, FTS</p> <p>Age 72</p>	<p>Independent non-executive Director since September 1996 (Deputy Chairman from September 1996 to January 1997)</p> <p>A civil engineer, founder and past Executive Chairman of former engineering firm Kinhill Pty Ltd, now known as KBR. Consultant with KBR. Involvement in wider professional and business community.</p> <p>Chairman, Asia Pacific Transport Pty Ltd, Freight Link Pty Ltd Director of National Electricity Market Management Company Ltd (NEMMCO), United Water International Pty Ltd, Macmahon Holdings Ltd Member of the Defence Procurement Advisory Board</p> <p>Officer in the General Division of the Order of Australia for services to engineering and the community.</p>	<p>Appointed Chairman January 1997 Chairman, Independent Directors' Committee Member, Audit, Risk and Compliance Committee (appointed 29 November 2005) Member, Nomination and Remuneration Committee Member, Corporate Governance Committee Member, OH&S Committee</p>
<p>CL Harris BEc, FCPA, FAICD</p> <p>Age 59</p>	<p>Independent non-executive Director since March 1995</p> <p>An economics graduate, qualified accountant and former CEO and Managing Director of FH Faulding & Co Limited and Deputy Chairman of Adelaide Bank Limited.</p> <p>Chairman, Argo Investments Limited and EvoGenix Limited Director, McGuigan Simeon Wines Limited, United Water International Pty Ltd, Motor Accident Commission (SA) JM Financial Group Ltd</p>	<p>Chairman, Nomination and Remuneration Committee Chairman, Superannuation Policy Committee Member, Audit, Risk and Compliance Committee Member, Corporate Governance Committee Member, Independent Directors' Committee</p>
<p>D Barro AO FAIM</p> <p>Age 84</p>	<p>Non-executive Director since November 1999</p> <p>Over 55 years of extensive manufacturing and operational experience particularly in the premixed concrete, quarrying, cement, construction, property development and transport industries.</p> <p>Executive Chairman, Barro Group Pty Ltd</p> <p>Officer of the Order of Australia for services to the community, particularly to the Italian community.</p>	

Directors' report (continued)

Information on Directors (continued)

Director	Experience	Special responsibilities
<p>JD McNerney BE, MEngSc, MIE, MBA, CEng, F.IEI</p> <p>Age 61</p>	<p>Non-executive Director since 2002 as nominee of RMC Group plc Independent non-executive Director from April 2004</p> <p>Former Managing Director and non-executive Director of Readymix plc, a listed construction materials company based in Ireland with 35 years experience in the construction materials industry.</p>	<p>Member, Independent Directors' Committee Member, OH&S Committee</p>
<p>LV Hosking</p> <p>Age 61</p>	<p>Independent non-executive Director since June 2003</p> <p>Extensive experience in commercial and financial matters with 15 years experience as Chief Executive of the Sydney Futures Exchange and former Chief Executive Officer of Axiss Australia.</p> <p>Currently Managing Director, National Electricity Market Management Company Limited (NEMMCO) and Director of the Australian Government's Industry Research and Development Board</p>	<p>Chairman, Audit, Risk and Compliance Committee Chairman, Corporate Governance Committee Member, Nomination and Remuneration Committee Member, Independent Directors' Committee</p>
<p>GF Pettigrew FPNA, FAIM, FAICD</p> <p>Age 57</p>	<p>Independent non-executive Director since August 2004</p> <p>Extensive experience in the building materials industry and former Chief Executive Officer of CSR Building Products and broad management experience gained in South East Asia and the United Kingdom through former positions as Managing Director of Chubb Australia Limited and Wormald Security Australia Pty Ltd.</p> <p>Director, Lafarge Plasterboard Pty Ltd</p>	<p>Chairman, OH&S Committee Member, Audit, Risk and Compliance Committee Member, Independent Directors' Committee</p>
<p>MP Chellew BSc, ME, Grad Diploma Mgt</p> <p>Age 49</p>	<p>Executive Director and Managing Director since September 2001</p> <p>Mechanical Engineer with over 24 years experience in the heavy building materials and related industries gained in Australia and the United Kingdom.</p> <p>Previously held the position of Managing Director of Blue Circle Cement in the United Kingdom and senior management positions within the CSR group of companies in Australia and the United Kingdom.</p>	<p>Member, Independent Directors' Committee Member, OH&S Committee</p>

Directors' report (continued)

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:

Director	Board Meetings		Audit, Risk and Compliance Committee		Nomination and Remuneration Committee		Corporate Governance Committee		Independent Directors' Committee		OH&S Committee	
	A	H	A	H	A	H	A	H	A	H	A	H
MA Kinnaird ¹	8	8			3	3	3	3	8	8	4	4
CL Harris	8	8	4	4	3	3	3	3	8	8		
D Barro	7	8										
LV Hosking	8	8	4	4	3	3	3	3	8	8		
JD McNerney	7	8							7	8	4	4
GF Pettigrew	8	8	4	4					8	8	4	4
MP Chellew	8	8							8	8	4	4

¹ Mr Kinnaird was appointed to the Audit, Risk and Compliance Committee following the conclusion of the last meeting of the Committee in 2005, held on 29 November 2005

A Number of meetings attended

H Number of meetings held during period of office

Throughout 2005, the business of the Corporate Governance Committee was dealt with at the Company's Board Meetings, led by the Chairman of the Corporate Governance Committee. Directors not on the Corporate Governance Committee attended the Committee's meetings as observers.

Particulars of the Company's corporate governance practices, including the roles of each Board Committee, are set out on pages 25 to 33 of this report.

Directors' interests

The relevant interest of each 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	17,081,083
JD McNerney	101,000
LV Hosking	2,000
GF Pettigrew	5,000
MP Chellew	799,143

Full details of the interests in share capital and Awards of Directors of the Company and certain senior executives of the Group are disclosed in Note 33 to the Financial Statements on pages 70 to 76 of this report.

Director and executive remuneration

Details of Company's remuneration policies and the nature and amount of the remuneration of the Directors and certain senior Executives are set out in the Remuneration Report on pages 10 to 24 of this report and in Note 33 to the Financial Statements.

Company Secretaries

The Company's principal company secretary is Marcus Clayton, who has been employed by the Company in the position of General Counsel and Company Secretary since 24 February 2003. He is a legal practitioner admitted in South Australia with 19 years experience.

Two other employees of the Company also hold the office of company secretary, to assist with secretarial duties should the principal company secretary be absent. One is the Company's Chief Financial Officer, Andrew Poulter, who is a Chartered Accountant. The other is the Group's Corporate Affairs Advisor, Luba Przedworski, who has been a company secretary since 22 March 2001.

Directors' report (continued)

Indemnification and insurance of officers

Rule 9 of the Company's constitution provides that the Company indemnifies each person who is or who has been an "officer" of the Company on a full indemnity basis and to the full extent permitted by law, against liabilities incurred by that person in their capacity as an officer of the Company or of a related body corporate.

Rule 9.1 of the constitution defines "officers" to mean:

- each person who is or has been a director, alternate director or executive officer of the Company or of a related body corporate of the Company who in that capacity is or was a nominee of the Company; and
- such other officers or former officers of the Company or of its related bodies corporate as the directors in each case determine.

The indemnity is a continuing obligation and is enforceable by an officer even if he or she has ceased to be an officer of the Company or its related bodies corporate.

Additionally the Company has entered into Deeds of Access, Indemnity and Insurance with all directors of the Company, its wholly owned subsidiaries, and nominee directors on the board of Independent Cement & Lime Pty Ltd. These deeds provide for indemnification on a full indemnity basis and to the full extent permitted by law against all losses or liabilities incurred by the person as an officer of the relevant Company. The indemnity is a continuing obligation and is enforceable by an officer even if he or she has ceased to be an officer of the relevant company.

The Company was not liable during 2005 under such indemnities.

No indemnity has been granted to an auditor of the Company in their capacity as auditor of the Company.

Rule 9.5 of the constitution provides that the Company may purchase and maintain insurance or pay or agree to pay a premium for insurance for "officers" (as defined in the constitution) against liabilities incurred by the officer in his or her capacity as an officer of the Company or of a related body corporate, including liability for negligence or for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal and whatever their outcome.

During the year the Company paid a premium of \$259,747 for Directors and Officers Liability Insurance to cover the directors and secretaries of the Company and its subsidiaries, and the general managers of each of the divisions of the Group, for the period 26 February 2005 to 31 March 2006. Due to confidentiality obligations under that policy, no further details in respect of the nature of the liabilities insured against can be disclosed.

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.

Directors' report (continued)

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's experience and expertise with the Company and the Group are important.

Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 98.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practises and non-related audit firms:

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
(a) Assurance services				
<i>Audit services</i>				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	446,250	425,500	48,950	37,000
Total remuneration for audit services	446,250	425,500	48,950	37,000
<i>Other assurance services</i>				
PricewaterhouseCoopers Australian firm				
Audit of the transition to AIFRS	140,000	-	-	-
Audit of tax consolidation compliance	64,200	-	-	-
Due diligence services	-	299,390	-	-
Other	52,787	-	-	-
	256,987	299,390		
(b) Taxation services				
PricewaterhouseCoopers Australian firm				
Tax compliance services	48,000	-	-	-

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.

Dated at Adelaide this 8th day of March 2006.

Signed in accordance with a resolution of the Directors



M Chellew
Managing Director

Remuneration Report

The Directors of the Company present the Remuneration Report prepared in accordance with section 300A of the Corporations Act for the Company and the Group for the year ended 31 December 2005.

This Remuneration Report forms part of the Directors' report.

This Remuneration Report:

- explains the Board's policies relating to remuneration of directors and senior executives (as defined in Section 2 of the Remuneration Report);
- discusses the relationship between these policies and the Group's performance;
- provides details of the performance conditions applicable to senior executive "at risk" remuneration; and
- sets out remuneration details for each director and senior executive.

Details of the Group's remuneration strategy for 2005 are set out on pages 11 to 19 of this Report.

An overview of the elements of remuneration is set out in Table 1. A more detailed discussion of each element is contained in this Remuneration Report.

Table 1 – Overview of elements of remuneration

	Elements of remuneration	Directors		Senior Executives	Discussion in Remuneration Report
		Non-Executive	Executive		
Fixed remuneration	Fees	✓	✗	✗	pages 11 – 12
	Salary	✗	✓	✓	page 12 - 13
	Other benefits	✗	✓	✓	pages 22 - 23
At-risk remuneration	Short term incentive	✗	✓	✓	pages 14 – 15
	Long term incentive	✗	✓	✓	pages 15 - 19
Post-employment	Superannuation	✓	✓	✓	pages 11-12,24
	Notice periods & termination payments	✗	✓	✓	pages 22 - 23

Remuneration Report (continued)

Section 1 - Non Executive Directors' Remuneration

1.1 Board Policy on remuneration

The remuneration of Non-Executive Directors is determined by the Board on the recommendation of its Nomination and Remuneration Committee within the maximum amount approved by shareholders. The maximum amount was increased to \$700,000 per annum in total remuneration at the 2005 Annual General Meeting.

The remuneration of the Non-Executive Directors consists of directors' fees, committee fees and superannuation contributions. This remuneration is not linked to the performance of the Group in order to maintain the independence and impartiality of the Non-Executive Directors.

In setting fee levels, the Nomination and Remuneration Committee, which makes recommendations to the Board, takes into account:

- the Group's existing remuneration policies;
- independent professional advice;
- fees paid by comparable companies;
- the general time commitment and responsibilities involved;
- the risks associated with discharging the duties attaching to the role of director; and
- the level of remuneration necessary to attract and retain Directors of a suitable calibre.

The Board Nomination and Remuneration Committee will continue to review its approach to Non-Executive Director remuneration to ensure it remains in line with general industry practice and best practice principles of corporate governance. Details of the membership of the Nomination and Remuneration Committee and its responsibilities are set out on pages 29 to 30 of the Corporate Governance Statement.

Fees payable to Non-Executive Directors are set out in Table 2.

Table 2 – Non-Executive Directors' fees

	Board		Board Committee	
	Chairman	Member	Chairman	Member
	\$	\$	\$	\$
Annualised Fee applicable for period (Jan – May 05)	182,060 ¹	50,000 ²	6,000	4,750
Annualised Fee applicable for period (Jun – Dec 05)	196,500 ¹	55,000 ²	6,000	4,750

¹ The Chairman receives no additional fees for Committee work.

² Mr JD McNerney receives a annualised director's fee of \$44,000 in the first five months and \$48,000 in the remaining seven months of the FY'05.

In addition to directors' fees, Non-Executive Directors generally have the benefit of a contribution towards their superannuation equivalent to 10% of their directors' fees. This additional 10% is not made available for Messrs Kinnaird, Barro and McNerney, for whom no superannuation contributions are made.

Consistent with best practice, the Group does not pay Non-Executive Director retirement benefits other than superannuation contributions. The Group currently contributes 1% higher than the statutorily prescribed superannuation contribution rate of 9%.

In accordance with rule 7.3(f) of the Company's constitution, Directors are also permitted to be paid additional fees for special duties or exertions. Such fees may or may not be included in the aggregate remuneration cap approved by shareholders, as determined by the Directors. No such fees were paid during the year.

Directors are also entitled to be reimbursed for all business related expenses, including travel on company business, as may be incurred in the discharge of their duties.

Remuneration Report (continued)**1.2 Remuneration**

Details of Non-Executive Directors' remuneration for the year ended 31 December 2005 are set out in Table 3.

Table 3 – Non-Executive Directors' remuneration for the 2005 financial year

	Short-term benefits		Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
	Directors' Fees	Committee Fees	Superannuation Contributions ¹	Other ²			
	\$	\$	\$	\$	\$	\$	
MA Kinnaird (Chairman)	190,483	-	-	-	-	-	190,483
CL Harris	52,657	21,500	7,416	-	-	-	81,573
D Barro	53,317	-	-	-	-	-	53,317
JD Mc Nerney	46,385	4,750	-	-	-	-	51,135
LV Hosking	52,803	16,750	6,955	-	-	-	76,508
GF Pettigrew	52,983	10,750	6,373	-	-	-	70,106
Total	448,629	53,750	20,744	-	-	-	523,123

¹ Superannuation contributions are made on behalf of Non-Executive Directors to satisfy the Group's obligations under applicable Superannuation Guarantee Charge legislation.

² Non-monetary and other benefits (inclusive of applicable fringe benefits tax).

Section 2 Managing Director and Senior Executive Remuneration

The Group has chosen to provide specific disclosures in relation to the remuneration of the Managing Director, Mr Mark Chellew, and eight members of the executive team on the basis that these executives ("senior executives") have the authority and responsibility for planning directing and controlling the activities of the Company and the Group. This includes the Managing Director and the five most highly remunerated senior executives during the financial year as required under section 300A of the Corporations Act 2001.

The senior executives include Randall Eckert, the former General Manager Concrete.

Mr Eckert ceased acting as General Manager Concrete on 24 February 2005 and ceased employment with the Company on 1 July 2005.

Executives	Position
Managing Director	
MP Chellew	Managing Director
Current senior executives	
AD Poulter	Chief Financial Officer
M Brydon	General Manager Cement and Lime
M Finney	General Manager Aggregates and Recycling (until 24 February 2005) General Manager Concrete and Quarries (from 24 February 2005)
T Douglas	General Manager Strategy and Business Development
MRD Clayton	General Counsel and Company Secretary
SJ Toppenberg	General Manager Human Resources (from 2 May 2005)
C Kupke	Managing Director C&M Brick Pty Ltd
Former senior executives	
RW Eckert	General Manager Concrete (until 24 February 2005)

Remuneration Report (continued)

2.1 Board Policy on remuneration

The Nomination and Remuneration Committee has recommended, and the Board has adopted, a policy that remuneration will:

- be competitive in the markets in which the Group operates in order to attract, motivate and retain high calibre employees;
- reinforce the short and long term objectives of the Group as set out in the strategic business plans endorsed by the Board; and
- provide a common interest between employees and shareholders by linking the rewards that accrue to management to the creation of value for shareholders.

The policy seeks to support the Group's objective to be perceived as "an employer of choice" by:

- offering remuneration levels which are competitive relative to those offered by comparable employers; and
- providing strong, transparent linkages between individual and Group performance and rewards.

The Board, based on the recommendations of the Nomination and Remuneration Committee, establishes the remuneration of the Managing Director.

The Nomination and Remuneration Committee, based on the recommendations of the Managing Director, establishes the remuneration of senior executives reporting to the Managing Director, including their participation in both short term and long term incentive schemes.

The Board aims to achieve a balance between fixed and performance related components of remuneration that reflect market conditions at each job and seniority level.

In general, between 35% and 45% of the total remuneration packages for the Managing Director and senior executives is performance-based.

2.2 Elements of remuneration

As indicated above, remuneration for the Group's Managing Director and senior executives is made up of the following components:

1. Fixed remuneration; and
2. Performance based remuneration, comprising:
 - Short Term Incentives ("STI") – based on annual individual and operational performance over 12-month periods; and
 - Long Term Incentives ("LTI") – based on sustained shareholder value creation over 3-year periods.

Fixed remuneration

The terms of employment for all executive management contain a fixed remuneration component. This is expressed as a dollar amount that the executive may take in a form agreed with the Company or the Group. This amount of remuneration is determined in line with the median market rate for a comparable role. Adelaide Brighton uses the Mercer International Position Evaluation (IPE) system to measure job size and complexity to ensure an objective comparison of roles to the market. During 2005 all executive management roles were evaluated based on market comparisons completed by Mercer Human Resource Consulting.

In general, the fixed remuneration component for the executive management team comprises an amount equal to between 55% and 65% of their total annual remuneration.

Details of the certain benefits made available to Managing Director and senior executives are outlined in the summary of the Service Agreements set out on pages 22 to 23 of this report.

Remuneration Report (continued)

At-Risk Remuneration - Short Term Incentive (STI)

The STI program involves linking specific annual performance targets (predominantly financial) with the opportunity to earn cash incentives based on a percentage of fixed remuneration. The performance criteria are set by the Board and agreed with the executive during the first half of the year, determined following the close of the relevant financial year and paid on or before March in the following year. These targets are set with respect to organisational goals.

The Group STI performance measures contain target, partial stretch and stretch objectives. Target objectives must be met for any reward to be payable. To secure maximum STI reward, stretch objectives must be met. The amount of STI that can be earned by the Managing Director and senior executives for 2005 performance is set out in the Table 4.

Table 4 – Amount of STI which can be earned

2005 Group performance against Budget		% of fixed remuneration	
		Managing Director	Senior Executives
Target (Tier 1)	100-109.9%	40%	30%
Partial Stretch (Tier 2)	110-119.9%	60%	45%
Stretch (Tier 3)	120% or greater	80%	60%

This criteria are the same as the criteria which were applied for performance in the 2004 financial year. Information relating to the amount of the STI bonus earned by the Managing Director and senior executives for performance in the 2005 financial year is set out in Table 5 on page 15 of this Report. Information relating to the amount of the STI bonus earned by the Managing Director and senior executives for performance in the 2004 financial year is set out in the Remuneration Table 11 on page 24 of this Report.

Performance conditions under the STI

The STI performance targets are based on the Group's performance against the Group's budget for the relevant year. The Board considers performance targets to be appropriate because it provides a direct link between a component of the executive's remuneration which is "at risk" and the performance of the Group for the relevant year. The key financial measure used is Profit Before Tax.

Profit Before Tax (PBT) is defined for STI purposes as net profit after interest but before income tax expense, exceptional, abnormal, extraordinary items and the effect of any acquisitions made during the financial period.

The Board may adjust performance to take account of factors beyond the control of executive management. Factors that would be considered beyond the control of management include any takeover bid for the Company or a substantial change in the ownership of the Company. Current executive contracts reflect a provision equivalent to the short-term incentive should there be a substantial change in control in the ownership of the Company.

Remuneration Report (continued)

Assessment of performance

In assessing the extent to which these performance hurdles were satisfied, the Board reviews the budgeted targets for the year, focusing on PBT financial measure, and assesses the degree to which the Group met these targets. Where applicable, abnormal, extraordinary or unanticipated factors, which may have affected the Group's performance during the year, are considered and where necessary, the Group's performance is adjusted. Assessment of performance against the performance hurdles for the relevant year are determined at the first Board meeting subsequent to the balance date following finalisation of the Group's full year results (generally in February) and is normally paid to the executive by March.

For 2005, the Group's actual PBT was \$120.1 million. No adjustments for material one off items or acquisitions were deemed necessary in assessing this result. The Managing Director and senior executives satisfied the performance conditions attaching to the 2005 STI by 101.1%.

This means that the performance conditions attaching to the STI for the 2005 financial year were satisfied. Tier 1 of the STI was reached, triggering a bonus payment equal to 30%, (40% in the case of Managing Director) of fixed remuneration (2004 – 45% for senior executives, 60% for the Managing Director).

Specific information relating to the percentage of the 2005 STI which was paid and the percentage that was forfeited for the Managing Director and eight executives of the Company and Group are set out in Table 5 as follows:

Table 5 – STI for the 2005 financial year

Managing Director & Senior Executives	Stretch STI as % of fixed remuneration	Actual STI as % of fixed remuneration	Actual STI as a % of stretch	% of stretch payment not achieved ¹	Actual STI payment ²
	%	%	%	%	\$
MP Chellew	80	40	50	50	\$292,480
AD Poulter	60	30	50	50	\$115,755
M Brydon	60	30	50	50	\$122,550
MA Finney	60	30	50	50	\$105,000
T Douglas	60	30	50	50	\$90,336
MRD Clayton	60	30	50	50	\$79,500
SJ Toppenberg	60	30	50	50	\$45,000
C Kupke ³	-	-	-	-	-
Former executives					
RW Eckert ⁴	60	0	0	100	-

¹ Where the actual STI payment is less than maximum potential, the difference is forfeited and does not become payable in subsequent years.

² The STI constitutes a cash bonus granted during FY'05; determined following close of FY'05 results and paid in February 2006.

³ Mr Colin Kupke does not participate in the STI scheme

⁴ As Mr Randall Eckert ceased employment with the Company during the financial year, he earned no STI bonus in respect of performance in the 2005 financial year

At-Risk Remuneration - Long Term Incentive (LTI)

The Group's LTI arrangements are designed to link executive reward with the key performance drivers, which underpin sustainable growth in shareholder value and comprise both share price and returns to shareholders.

Participation in the LTI arrangements is only offered to the Managing Director and senior executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against the relevant performance hurdles.

Remuneration Report (continued)

Overview of the LTI Plan

The Adelaide Brighton Ltd Executive Performance Share Plan (“the Plan”) provides for grants of Awards to the Managing Director and senior executives. This Plan was approved by shareholders at the Annual General Meeting held on 19 November 1997. In accordance with the requirements of the ASX Listing Rules, the Awards granted to the Managing Director have been approved by shareholders.

Under the Plan, eligible executives are granted Awards (each being an entitlement to a fully paid ordinary share of Adelaide Brighton Ltd, subject to the satisfaction of performance conditions) on terms and conditions determined by the Board.

If the performance conditions are satisfied, the Award vests and shares are delivered to the executive on exercise of the Award. Awards are granted at no cost to the executive and no amount is payable by the executive on exercise of the Award.

If an executive ceases employment with the Company, the Awards in respect of any tranche that is not exercisable will be forfeited, except in limited circumstances. These circumstances include death, retirement, redundancy and in the case of voluntary cessation of employment, where the Board consents to the exercise. In these circumstances, where an Award is permitted to be exercised at an earlier date, in respect of any tranche, the number of shares available will be reduced in accordance with a formula to reflect the shorter performance period.

An executive’s entitlement to shares under an Award may also be adjusted to take account of capital reconstructions and bonus issues. In the event of a takeover bid (or other transaction likely to result in a change in control of the Company), an executive will only be allowed to exercise their Awards to the extent determined by the Board as provided in the Plan Rules.

In order to safeguard shareholders’ interests, the Awards (to the extent that they have not been exercised) will lapse if the Board considers that the executive has acted fraudulently, dishonestly or in breach of their obligations to the Company.

Any Awards that do not vest in a financial year will be added to the Awards otherwise available in the next vesting year and tested against the performance condition applicable to that subsequent year.

Any shares allocated to the executive following exercise of an Award are not subject to any restrictions on dealing, other than the restrictions in trading the Company’s securities under the Company’s Share Trading Policy and the generally applicable insider trading prohibitions.

Awards granted to the Managing Director and senior executives under the Plan

During 2005, there were 2 series of Awards on issue to the Managing Director and senior executives:

- the remainder of Tranche 3 of the Awards initially granted to the Managing Director and senior executives in 2002 (known as the “**2002 Awards**”); and
- Awards (Tranches 1, 2 and 3) granted to senior executives in 2004 and the Managing Director in 2005 (known as the “**2004 Awards**”).

The relevant performance conditions for the 2002 Awards and the 2004 Awards are tied to total shareholder return (**TSR**) and earnings per share growth (**EPS**).

The Board considers these performance targets to be appropriate because they ensure that a proportion of each executive’s remuneration is linked to the generation of profits and shareholder value and ensures that executives only receive a benefit where there is a corresponding direct benefit to shareholders.

Remuneration Report (continued)

In particular, the use of a TSR based hurdle:

- ensures alignment between comparative shareholder return and reward for the executive; and
- provides a relative, external market performance measure, having regard to those companies with which the Group competes for capital, customers and talent;

while an EPS based hurdle:

- is a fundamental indicator of financial performance, both internally and externally; and
- links directly to the Group's long-term objectives of maintaining and improving earnings.

A detailed discussion of the Group's performance, set specifically against the Group's earnings and the consequences of the Group's performance on shareholder wealth, both in the current financial year and the previous four years, is set out on pages 20 to 22 of this Report.

Further details of the specific EPS and TSR performance conditions applicable to the 2004 Awards and the 2002 Awards are set out below.

2004 Awards - Performance conditions

The 2004 Awards granted to the Managing Director and senior executives are divided into 3 equal tranches and are exercisable (subject to satisfaction of relevant performance conditions) as follows:

- Tranche 1 – Exercise Date 1 May 2006
- Tranche 2 – Exercise Date 1 May 2007
- Tranche 3 – Exercise Date 1 May 2008

The relevant performance conditions are tied to total shareholder return and earnings per share growth.

The Board may apply and evaluate both or either of these performance targets (as it decides) to determine whether the performance of the Group entitles the executive to exercise any or all of a tranche of the Award. In relation to the 2004 Awards granted to the Managing Director and senior executives (as announced at the 2005 AGM), the Board has determined that:

- 50% of each tranche of the Award will be subject to the TSR hurdle; and
- 50% of each tranche of the Award will be subject to the EPS hurdle.

TSR performance hurdle

TSR measures the return a shareholder obtains from shares in a Company in a defined period and takes into account various matters such as changes in the market value of the shares as well as dividends on the shares.

The Company's TSR performance will be compared with the TSR performance of other companies in a comparator group.

The TSR hurdle is that the Company's TSR growth must equal or exceed the median TSR growth of the companies in at least 2 of the 3 indices below plus the percentage premium applicable to the respective indices:

- S&P / ASX Small Ordinaries Accumulation Index (AS 38) plus 2% premium;
- S&P / ASX 200 Materials Accumulation Index (AS 51 MATL) plus 2% premium;
- S&P / ASX 200 Accumulation Index (AS 51) plus 3% premium.

Remuneration Report (continued)

Under the Plan Rules, the Company's growth in TSR is measured as at 1 April prior to the exercise date for the relevant tranche of Awards ("Performance Date").

The TSR hurdle will be adjusted by the Board to neutralise fluctuations in the share price at the performance date resulting from the Boral Takeover Offer made on 30 January 2004.

In assessing whether the TSR performance hurdle has been met, the Company receives independent data, which provides both the Company's TSR growth over the relevant performance period and that of the comparator group.

EPS performance hurdle

The EPS performance hurdle measures the average annual growth in EPS of the Company from 1 January 2004 until the end of the financial year immediately prior to the Performance Date (as defined above).

As a threshold before any part of the relevant tranche of the 2004 Awards subject to the EPS hurdle will vest, the average annual growth in EPS of Adelaide Brighton from 1 January 2004 until the end of the financial year immediately prior to the Performance Date must equal or exceed 7% per annum compound growth measured against the EPS for the financial year ended 31 December 2003.

Once the 7% threshold is reached, the relevant tranche of Awards subject to the EPS hurdle will progressively vest in accordance with the following scale:

Table 6 – EPS hurdle vesting schedule

	Average Annual Compound Growth in EPS								
	below 7%	7% to 8%	8% to 9%	9% to 10%	10% to 11%	11% to 12%	12% to 13%	13% to 14%	above 14%
Percentage of Awards subject to EPS hurdle which vest	Nil	30%	40%	50%	60%	70%	80%	90%	100%

EPS is measured as disclosed in the audited annual accounts of the Group for the financial years ending on 31 December (as defined above).

2002 Awards – performance conditions

Tranche 3 of the 2002 Awards became exercisable (subject to satisfaction of relevant performance conditions) on 1 May 2005. Those Awards not exercised by 28 May 2005 expired.

Under the terms of the 2002 Awards, the Board was able to apply and evaluate both or either of the EPS or TSR performance conditions (as it decided). The Board determined that 100% of Tranche 3 of the 2002 Awards would be subject to a TSR hurdle, identical to the TSR performance hurdle described above (in relation to the 2004 Awards). The Board also determined that the TSR hurdle had been satisfied. In assessing whether the TSR performance hurdle had been met, the Company received independent data, which provided both the Company's TSR growth over the relevant performance period and that of the comparator group.

Details of the number of Awards that were exercised by the Managing Director and relevant senior executives during 2005 are set out in the section below.

Awards granted as remuneration

During the year, the Company granted Awards to the Managing Director as set out in Table 7 below. Each Award is over one ordinary share in the Company, and is exercisable subject to certain hurdles being met (as discussed above).

Table 7 below also sets out details of the movement in Awards held by the Managing Director and senior executives during the reporting period, including details of the remainder of Tranche 3 of the 2002 Awards that were exercised during the period.

Remuneration Report (continued)

Table 7 – Number of Awards granted as remuneration and details of Awards vested, exercised or lapsed during the year

	Award type	Grant date	Balance at 1 Jan 2005	Granted	Exercised ²	Lapsed/ Forfeited	Balance at 31 Dec 2005
MP Chellew	2002	1/7/02	110,521	-	(110,521)	-	-
	2004	19/5/05	-	900,000 ¹	-	-	900,000
AD Poulter	2002	11/3/03	43,869	-	(43,869)	-	-
	2004	30/8/04	255,000	-	-	-	255,000
M Brydon	2002	22/10/02	37,215	-	(37,215)	-	-
	2004	4/9/04	255,000	-	-	-	255,000
MA Finney	2002	21/10/02	37,175	-	(37,175)	-	-
	2004	2/9/04	255,000	-	-	-	255,000
T Douglas	2002	28/10/02	37,459	-	(37,459)	-	-
	2004	1/9/04	255,000	-	-	-	255,000
MRD Clayton	2002	11/3/03	26,321	-	(26,321)	-	-
	2004	2/9/04	255,000	-	-	-	255,000
RW Eckert	2002	-	-	-	-	-	-
	2004	21/10/04	255,000	-	-	(255,000) ³	-
S J Toppenberg	2002	-	-	-	-	-	-
	2004	1/12/05	-	170,000 ⁴	-	-	170,000
C Kupke ⁵	2002	-	-	-	-	-	-
	2004	-	-	-	-	-	-
Total			1,822,560	1,070,000	(292,560)	(255,000)	2,345,000

¹ 900,000 Awards were granted to Mark Chellew on 19 May 2005, divided into 3 tranches as follows:

- Tranche 1: 300,000 Awards – Exercise Date 1 May 2006
- Tranche 2: 300,000 Awards – Exercise Date 1 May 2007
- Tranche 3: 300,000 Awards – Exercise Date 1 May 2008

The Awards expire on 28 May 2008. The performance conditions applicable to the Awards are set out in the discussion above. During the current reporting period, no percentage of the grant was paid or forfeited.

² The remainder of Tranche 3 of the 2002 Awards was exercised on 22 April 2005. The Board applied and evaluated a TSR performance hurdle (the same approach used for Tranche 1 and 2 of the 2002 Awards which were exercised in years 2003 and 2004) in determining whether the performance of the Company entitled the executive to exercise any or all of a tranche of the Award.

³ Mr Randall Eckert ceased employment with the Company effective 1 July 2005. In accordance with the terms of the Plan, those Awards held by Mr Eckert lapsed on cessation of his employment.

⁴ 170,000 Awards were granted to Sam Toppenberg on 1 December 2005. The 170,000 Awards are divided into two tranches as follows:

- Tranche 2: 85,000 Awards – Exercise Date 1 May 2007
- Tranche 3: 85,000 Awards – Exercise Date 1 May 2008

The Awards expire on 28 May 2008. The performance conditions applicable to the Awards are set out in the discussion above. During the current reporting period, no percentage of the grant was paid or forfeited.

⁵ Mr Colin Kupke does not participate in the LTI scheme

Remuneration Report (continued)

2.3 Group Performance

The Group's remuneration policy aims to achieve a link between the remuneration received by executives, increased Group earnings and the creation of shareholder wealth. The STI is focussed on achieving operational targets and short-term profitability and the LTI is focussed on achieving long-term growth in shareholders wealth.

Shareholders' wealth

The total return to an investor over a given period consists of the combination of dividends paid, the movement in the market value of their shares over that period and any return of capital to shareholders. During fiscal year 2005 the share price fluctuated between a low of A\$1.44 and a high of A\$2.32.

Table 8 below shows the Company's TSR, basic EPS, dividends per share, and share price from 2001 to 2005. All are indices which illustrate the consequences of the Group's performance on shareholder wealth.

Table 8 – Shareholders' wealth improvement from year 2001 to year 2005

	Year ended 31 Dec 05	Year ended 31 Dec 04	Year ended 31 Dec 03	Year ended 31 Dec 02	Year ended 31 Dec 01
Share price (A\$) ¹	2.10	1.70	1.50	1.17	0.75
Total dividends paid (Ac)	10.5	7.5	6.0	5.25	4.0
Franked dividends	100%	100%	81.7%	27.9%	16.5%
EPS (Ac) ^{2,3}	16.2	14.6	10.7	9.9	6.5
TSR (%)	17.6%	18.3%	33.3%	63.0%	97.5%
Compound Annual Growth Rate since 2000	43.4%	48.2%	60.5%	77.7%	97.5%

¹ The amount disclosed is the closing price of the Company's shares on the ASX on 31 December of the relevant year.

² The FY'05 and FY'04 earnings exclude the adjustment for the tax benefit on implementation of tax consolidation.

³ The FY'05 and FY'04 EPS and TSR are AIFRS adjusted.

As can be seen from the results provided, the Group has delivered consistent growth over the last five years, resulting in:

- an increase in the Company's share price by 425% over the period 2001 - 2005 (the increase measured from 1 January 2001, from the price of \$0.40 per share);
- a progressive increase in dividend resulting from both improved profitability and an increase in dividend payout ratio;
- a return to the payment of fully franked dividends from 2004;
- an average annual increase in earnings per share of 37%; and
- a Compound Annual Growth Rate of 43.4% since 31 December 2000.

Earnings

A fundamental driver of shareholder value is earnings growth. The Adelaide Brighton STI is based wholly on the achievement of budgeted earnings and therefore aligned to shareholder value creation. Annual budgets are reviewed by the Board and approved once the Board is satisfied that the budgets are (i) consistent with both Group strategy and (ii) sufficiently ambitious in terms of the delivery of shareholder value.

Earnings Before Interest Tax and Amortisation, EBITA, is used as one measure for earnings growth in Table 9 below. This measure allows a more consistent comparison with prior years being stated before the benefits of the accounting adjustments that have been required by both AIFRS and Tax consolidation in 2004 and 2005. Adelaide Brighton's earnings over the five years to 31 December 2005 are summarised in Table 9 below.

Remuneration Report (continued)

Table 9 – Earnings improvement from year 2001 to year 2005

	Year ending 31 Dec 05 A\$m	Year ending ¹ 31 Dec 04 A\$m	Year ending ¹ 31 Dec 03 A\$m	Year ending ¹ 31 Dec 02 A\$m	Year ending ¹ 31 Dec 01 A\$m
Sales revenue	717.3	696.4	630.6	486.8	387.8
EBITA	134.1	117.2	106.8	88.5	55.9
EBITA margin %	18.7%	16.8%	16.9%	18.2%	14.4%
Profit before tax, abnormal and extraordinary items	120.1	94.9	84.4	66.9	30.6
Net profit after tax (PAT)	90.9 ²	81.5 ²	57.7	50.7	30.6

¹ Earnings for years 2001 to 2004 do not include AIFRS adjustments (STIs were derived based on AGAAP earnings).

² PAT includes \$3.1m (FY'05) and \$14.0m (FY'04) tax credit as a result of tax consolidation.

The above table also illustrates the rationale for linking executive long-term incentives to three-year shareholder returns of TSR and EPS. In using these measures, executive rewards are linked closely to shareholder value creation over the longer term. This in turn provides a complementary executive focus on medium to longer-term strategic decision making which may not be as relevant to the delivery of short-term incentives.

In particular, the underlying EBITA has increased from \$55.9 million in 2001 to \$134.1 million in 2005, a 139.9% increase. Similarly profit before tax increased from \$30.6 million in 2001 to \$120.1 million in 2005, a 292.5% increase.

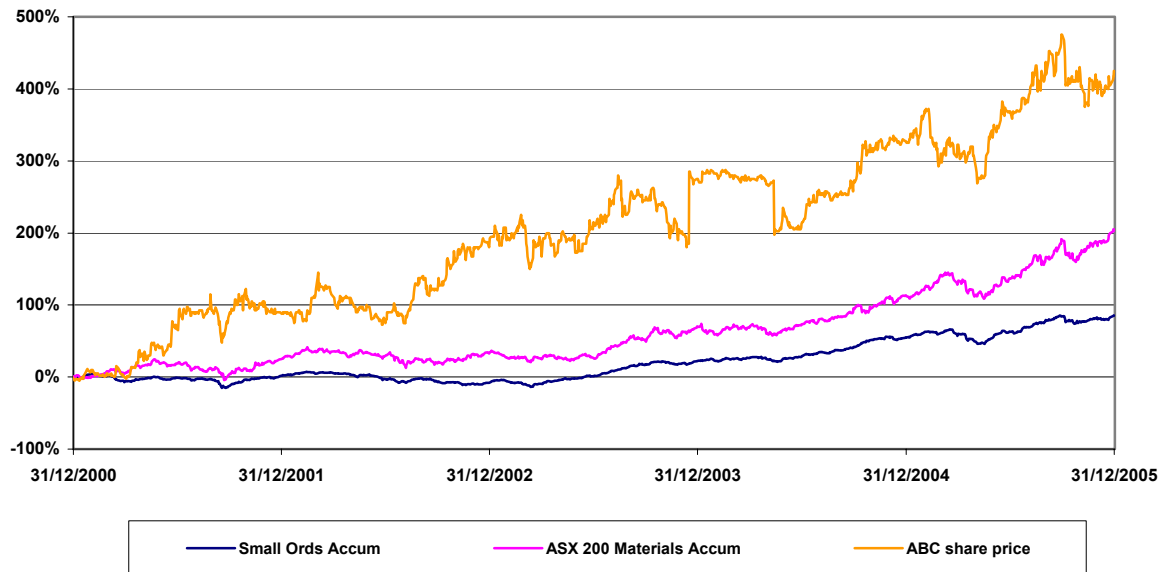
The benefits to the Group of attracting, retaining and motivating its executive team is demonstrated clearly in the improvement in the Group's results over the last five years. The relative stability of the executive team over this period together with the adherence to a consistent strategy has been an important part of delivering the five year performance. These benefits have also been relevant during such uncertainties posed by the 2003 takeover bid by Boral when both concerns over job security and the restriction of availability of capital resources placed significant challenges on the management of the Group.

Adelaide Brighton's executive management have continued to drive for improved returns through the optimisation of the company strategy of limited downstream integration into concrete aggregates and concrete products, focus on performance improvement and the development of the lime business. Within this strategy management continue to employ rigorous evaluation of capital investment possibilities and the imposition of demanding hurdle rates of return in order to optimise shareholder return and manage investment risk.

Set out in the graph below is the performance of Adelaide Brighton's share price versus the ASX Small Ords Accumulation Index (AS38) and the ASX 200 Materials Accumulation Index (ASX51MATL) from 1 January 2001. The Adelaide Brighton share price has outperformed both indices reflecting both rising market demand and the success of the company strategy in expanding into downstream markets in the eastern states and in its focus on operational improvement.

The temporary impact of the Boral bid can be seen in December 2003 when the share price increased from \$1.14 to \$1.55. Following the announcement by the Australian Competition and Consumer Commission on 12 May 2004 to oppose this bid, the share price fell back to \$1.20 a level consistent with the movement of the underlying ASX 200 index during the period of the bid.

Comparison of growth ABC share price to the ASX Small Ords Accumulation Index and ASX200 Materials Accumulation Index



2.4 Service Agreements

The remuneration and other terms of employment for the Managing Director and senior executives are formalised in Service Agreements. Each of these agreements provide for the provision of performance related cash bonuses (as disclosed above), and participation, where eligible, in the Group’s long-term employee incentive scheme (as disclosed above).

General information regarding the duration of the contract, the periods of notice required to terminate the contract and the termination payments provided for under the Service Agreements are summarised in the discussion below.

Duration of contract

Under the terms of the Service Agreements, the Managing Director and other members of the senior executive team continue to be employed until their employment is terminated.

Remuneration Report (Continued)

Notice periods and payments on termination

The Service Agreements 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 nine 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 three 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 the Managing Director and certain key executives and will be liable to make compensation payments.

The potential liability of the Group in relation to the termination of employment of other executives is dependent on the circumstances of the termination, the Group's policies and arrangements. As the potential for liability is dependent on the circumstances in which an executive ceases employment, it is not possible to quantify the potential future impact of these agreements on the Group's financial position. However, the Group's policy in relation to these potential obligations is to make provision on an annual basis when a present obligation arises.

In addition, under the Service Agreements, the Managing Director and other senior executives are entitled to the accelerated payment of certain short-term incentives on the occurrence of certain specified events including a change of control. Change of control is defined as occurring where a person (together with any associates of that person) other than RMC Group PLC becomes entitled to 20% or more of the voting shares in the Company as a result of a takeover bid for the Company or otherwise in accordance with the provisions of Chapter 6 of the Corporations Act. In these instances the maximum STI payment would be triggered.

Other terms

Certain executives, due to individual circumstances, have different or additional provisions in their agreements relating to payments on termination and other benefits. These are set out in the table below.

Executive	Summary
M Brydon and T Douglas	Entitled to the following additional payments on termination: <ul style="list-style-type: none"> • ex-gratia payment of \$10,000 • payment of sick leave

E. Remuneration paid and other specific disclosures

Details of the remuneration paid to the Managing Director and each of the senior executives of the Company and the Group with the highest remuneration during the 2005 Financial Year are set out in the following table.

Remuneration Report (Continued)

Table 10 – Remuneration for 2005 Financial Year

	Short-term benefits			Post-employment benefits	Termination benefits	Share based payments ^{1, 2}	Total
	Fixed salary	STI ⁴	Non-monetary	Superannuation contributions			
	\$	\$	\$	\$	\$	\$	\$
MP Chellew	731,321	292,480	-	11,862	-	383,459	1,419,122
AD Poulter	375,334	115,755	-	11,862	-	85,198	588,149
M Brydon	398,180	122,550	-	11,862	-	84,086	616,678
MA Finney	318,766	105,000	32,177	28,689	-	83,878	568,510
T Douglas	266,176	90,336	-	35,934	-	82,818	475,264
MRD Clayton	255,221	79,500	-	11,862	-	83,450	430,033
SJ Toppenberg	138,762	45,000	-	12,489	-	9,419	205,670
C Kupke	275,969	-	5,784	24,770	-	-	306,523
RW Eckert ³	142,639	-	-	12,701	330,730	-	486,070

¹ In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the notional value of equity compensation granted or outstanding during the year. The notional value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should the equity instruments vest. The notional value of Awards as at the date of their grant has been determined in accordance with the accounting policy note 1(x)(iv).

² 27% of the Managing Director's and 0% - 20% of executives remuneration for the financial year consists of Awards.

³ Mr Eckert ceased employment with the Company effective 1 July 2005.

⁴ Performance against the financial targets applicable to the 2004 STI was determined by the Board subsequent to the balance date and was paid to executives during 2005. For 2004, the Group's performance against budget, after adjustment for certain one-off abnormal items including costs associated with the Boral takeover, was 112.5%. This means that Tier 2 of the STI was reached, entitling the Managing Director and senior executives to a STI of 60% and 45% of their fixed remuneration respectively. The maximum amount of STI achievable in Tier 3, 80% and 60% of fixed remuneration for the Managing Director and senior executives respectively, as set out on Page 14 of this Report. As such, the performance conditions attaching to the 2004 STI were satisfied to 75% of the maximum achievable amount by the Managing Director and senior executives. Specific information relating to the percentage of the STI which was paid and the percentage that was forfeited for the Managing Director and relevant senior executives of the Group are set out in Table 11 below.

⁵ Ms Toppenberg commenced employment with the Company effective 2 May 2005.

Table 11 – Short-term incentives achieved for 2004 results

STI – 2004 ¹	Stretch STI as % of fixed remuneration	Actual STI as a % of fixed remuneration	Actual STI as a % of stretch	% of stretch payment not achieved ²	\$ value of STI earned
MP Chellew	80%	60%	75%	25%	420,000
AD Poulter	60%	45%	75%	25%	173,632
M Brydon	60%	45%	75%	25%	183,825
MA Finney	60%	45%	75%	25%	147,479
T Douglas	60%	45%	75%	25%	135,504
MRD Clayton	60%	45%	75%	25%	119,250
SJ Toppenberg ³	-	-	-	-	-
C Kupke	-	-	-	-	-
RW Eckert	60%	45%	75%	25%	138,438

¹ STI constitutes a cash bonus granted during FY'04, determined following close of FY'04 results and paid on 14 February 2005.

² Where the actual STI payment is less than maximum potential, the difference is forfeited and does not become payable in subsequent years.

³ Ms Toppenberg commenced employment with the Company effective 2 May 2005.

Corporate Governance Statement

This statement provides an outline of the main corporate governance practices that the Company had in place during the past financial year.

The Board is committed to conducting the Company's business ethically and in accordance with high standards of corporate governance. To this end, the Board (together with the Company's management) regularly reviews the Company's policies, practices and other arrangements governing and guiding the conduct of the Company and those acting on its behalf.

The Board believes that the Company's policies and practices have complied in all substantial respects with corporate governance best practice in Australia, including the ASX Corporate Governance Council Principles of Good Corporate Governance.

1 The Board of Directors

The Board operates in accordance with the general principles set out in its charter, which is available from the corporate governance section of the Company's website at www.adbri.com.au.

1.1 Role of the Board

The role of the Board of Directors is to protect and optimise the performance of the Group and accordingly the Board takes accountability for setting strategic direction, establishing policy, overseeing the financial position and monitoring the business and affairs of the Group on behalf of shareholders.

Responsibility for the day-to-day management of the Company is delegated to the Managing Director and senior management.

Responsibilities of the Board include:

- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning for the successor of, the Group Managing Director;
- reviewing procedures in place for appointment of senior management and monitoring of its performance, and reviewing executive development activities. This includes ratifying the appointment and the removal of the Chief Financial Officer (CFO) and the Company Secretary;
- input into and final approval of management's development of corporate strategy, including setting performance objectives and approving operating budgets;
- reviewing and guiding systems of risk management and internal control and ethical and legal compliance. This includes reviewing procedures in place to identify the main risks associated with the company's businesses and the implementation of appropriate systems to manage these risks;
- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestitures, cessation of any significant business activity and monitoring capital management;
- monitoring and reviewing management processes in place aimed at ensuring integrity of financial and other reporting;
- monitoring and reviewing policies and processes in place relating to occupational health and safety, compliance with laws, and the maintenance of high ethical standards; and
- performing such other functions as are prescribed by law or are assigned by the Board.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a director, employee or other person subject to ultimate responsibility of the directors under the Corporations Act.

Corporate Governance Statement (continued)

The respective roles and responsibilities of the Board and management are outlined further in the Board charter.

1.2 Composition of the Board

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

- the Board may, in accordance with the Constitution, comprise up to ten Directors; and
- the Chairman of the Board should be an independent non-executive Director.

The Board should comprise Directors with a broad range of experience reflecting the character of the Group's business. The Board is structured in such a way that it has proper understanding and competency in the current and emerging issues facing the Company; and can effectively review and challenge management's decisions. Details of the Directors as at the date of this report, including their qualifications, experience, expertise, terms of office, other past and present directorships, and special responsibilities are set out on pages 5 to 6 of the Directors' Report.

As at the end of the year, the Board had six non-executive Directors, five of whom are deemed independent under the principles set out below, and an executive Managing Director.

Directors' Independence

The Board has adopted the definition of independence set out in the IFSA Blue Book (a copy of which is available at www.ifsa.com.au). The Board has developed guidelines to determine materiality thresholds for the purposes of that definition. In general, these guidelines seek to determine whether the Director is generally free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Directors have concluded that the period of a Director's tenure will not automatically disqualify that Director from being regarded as independent. An assessment of whether the Director's ability to act in the best interests of the Company has been materially interfered with must be made on a case-by case basis with reference to the length of service of all members of the Board.

Having regard to these factors, the Directors are of the view that Mr Dave Barro is the only non-executive Director who is not considered "independent" by virtue of his position as a director, Executive Chairman, and shareholder of Barro Group Pty Ltd, which controls 50% of the Company's joint venture Independent Cement & Lime Pty Ltd. Independent Cement and Lime Pty Ltd has an ongoing trading relationship with the Barro Group of companies.

Mr Barro also has a shareholding in, but is not a director of, Barro Properties Pty Ltd, which is a substantial shareholder in the Company.

1.3 Term of Office and Re-election

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.

The Board considers it inappropriate for a Director to offer himself or herself for re-election unless a performance appraisal has been undertaken. The Nomination and Remuneration Committee is responsible for monitoring the length of service of current Board members (although a strict tenure policy has not been adopted), monitoring the skills and expertise of Board members, considering succession planning issues and identifying the likely order of retirement by rotation of non-executive Directors.

Corporate Governance Statement (continued)

1.4 The Roles of the Chairman and the Managing Director

The Chairman's responsibility is to lead the board, ensure directors are properly informed on all matters relevant to the discharge of their role and responsibilities, facilitate constructive board discussions and manage the board's relationship with the Company's senior executives.

The Managing Director is responsible for the management of the Company with powers delegated to him by the Board. He is also responsible for implementing the Company's strategies and policies set by the Board. To maintain independent oversight and an appropriate balance of power within the Company, these roles are undertaken by different individuals.

1.5 Commitment

Non-executive directors are expected to devote the necessary time to discharge their duties. This means that they will commit sufficient time required in the preparation for and attendance of board and committee meetings and associated activities.

The number of meetings of the Company's Board of Directors and each Board committee held during the year and the attendance at those meetings is set out on page 7 of the Directors' Report.

Prior to appointment, non-executive directors are required to provide the Nomination and Remuneration Committee with details of other commitments and an indication of time involved and to acknowledge that they will have adequate time to meet what is expected of them.

Non-executive directors are expected to consider their obligations to the Company and to consult with the Chairman before accepting appointments outside the Company which might conflict with or impact on the time a non-executive director is able to devote to the Company in the role of non-executive Director of the Company.

1.6 Conflicts of Interest

In order to ensure that any 'interests' of a Director in a particular matter to be considered by the Board are known by each other Director, the Company has developed protocols, consistent with obligations imposed by the Corporations Act, to require each Director to disclose any relationships, duties or interests held that may give rise to a potential conflict. Appropriate procedures have been adopted to ensure that, where the possibility of a material conflict arises, information is not provided to the Director, and, in accordance with the Corporations Act, the Director does not participate in, or vote at, the meeting where the matter is considered.

1.7 Performance Evaluation

The Board, Board committees, individual Directors and the Company's key executives are all required to participate in annual performance reviews.

Directors must provide written feedback in relation to the performance of the Board (and its committees) against a set of agreed criteria. Each committee of the Board is also required to provide feedback in terms of a review of its own performance.

Generally, feedback is collected by either the Chairman or an external facilitator and is discussed by the Board, which considers whether any steps should be taken to improve performance.

For the 2005 financial year, a performance evaluation was led by the Chairman to assess the performance of individual Directors, the Board as a whole and various aspects of the Board Committees such as their performance, membership, roles and charters.

The purpose of the review was to identify areas of weakness and scope for improvement. The findings of this performance review have been taken into account by the Board, individual Directors and the Board Committees seeking to enhance Board performance in 2006.

Executives and managers are also subject to an annual performance review in which performance is measured against agreed business objectives. The performance of the Managing Director is assessed by the Board against objectives related to the Company's strategy and business plans.

Corporate Governance Statement (continued)

A description of the Company's performance evaluation process is available in the corporate governance section of the Company's website.

1.8 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.

2 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.

Each committee has a specific charter. The charters for the Audit, Risk and Compliance Committee and the Nomination and Remuneration Committee are available on the corporate governance section of the Company's website (www.adbri.com.au). The Board periodically reviews each Board Committee's charter.

Minutes of committee meetings are tabled at the immediate subsequent Board meeting. Additional requirements for specific reporting by the committees are addressed in the charter of the individual committees.

2.1 Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee is made up of four independent non-executive Directors: LV Hosking (Chairman), CL Harris, GF Pettigrew, and MA Kinnaird. Mr Kinnaird was appointed during the 2005 financial year, on 29 November 2005.

Details of these directors' qualifications and attendance at Audit, Risk and Compliance Committee meetings are set out on pages 5 to 7 of the Directors' Report.

The Committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Company operates.

The main responsibilities of the committee include:

- to review, assess and approve the annual full and concise reports, the half-year financial report and the results of external audit of these reports; and all other financial information published by the company or released to the market;
- to review the appropriateness of accounting principles adopted by management in the composition and presentation of financial reports;
- to evaluate the independence of both the non-executive Directors and external auditors;
- to recommend to the Board the appointment, removal and remuneration of the external auditors, to review the terms of their engagement, the scope and quality of the audit and to assess performance;
- to determine the scope of the internal audit function and ensure that it has adequate resources to fulfil its role, and to assess its performance, including independence;
- to determine whether new policies or training should be implemented to safeguard against possible risks or non-compliance with applicable laws, regulations or Company policies;
- to monitor compliance with the Company's policies and procedures that recognise the Company's business, environmental and statutory responsibilities; and
- to report the results of the committee's review of risk management and internal compliance and control systems to the Board.

Corporate Governance Statement (continued)

Members of management may attend meetings of the committee at the invitation of the Committee Chairman. It is the practise of the Committee that the Chief Financial Officer and the Company Secretary attend all Audit, Risk and Compliance Committee meetings.

Further, in fulfilling its responsibilities, the Committee has rights of access to management and to auditors (external and internal) without management present and may seek explanations and additional information. The committee may, with the approval of the Board, engage any independent advisers in relation to any matter pertaining to the powers, duties and responsibilities of the committee.

2.2 *Nomination and Remuneration Committee*

The Nomination and Remuneration Committee is made up of three independent non-executive Directors: CL Harris (Chairman), MA Kinnaird and LV Hosking.

Details of these directors' attendance at Nomination and Remuneration Committee meetings are set out on page 7 of the Directors' Report.

The role of the Committee is to assist and advise the Board on matters relating to the appointment and remuneration of the non-executive Directors, Managing Director and other senior executives of the Company.

The Committee:

- reviews (and recommends to the Board) the fees paid to non-executive Directors, within the limits approved by shareholders;
- reviews (and recommends to the Board) the compensation arrangements for the Managing Director, including short-term and long-term incentives;
- reviews performance targets, and approves recommendations from the Managing Director on total levels of remuneration, for senior executives;
- assesses the appropriate mix of skills, experience and expertise required on the Board and assesses the extent to which these required skills are represented on the Board;
- establishes processes for the identification of suitable candidates for appointment to the Board, engages appropriate search firms to assist in identifying suitable candidates and makes a recommendation regarding the most appropriate candidates to the Board (which ultimately will appoint the new Directors);
- oversees or designs induction and ongoing training and education programs for the Board to ensure that non-executive Directors are provided with adequate information regarding the operations of the business, the industry and their legal responsibilities and duties;
- monitors the tenure of Board members, considering succession planning and identifying the likely order of retirement by rotation of non-executive directors; and
- establishes processes for the review of the performance of individual non-executive Directors, the Board as a whole and the operation of Board committees.

It has been the practice of the Nomination and Remuneration Committee on occasion to invite other Directors to attend Committee meetings. Members of management may also attend meetings of the Committee at the invitation of the Committee Chairman, whenever particular matters arise that require management participation.

New directors are provided with a letter of appointment setting out their term of appointment, powers, expectations of the Company and rights and obligations. The Company's induction process covers the operation of the Board and its committees, and the Company's financial, strategic, operational and risk management positions. All new Directors are required to become familiar with these matters through the induction process or otherwise by making enquiries of the Chairman, the Company Secretary or the Company's management.

Corporate Governance Statement (continued)

Further information on directors' and executives' remuneration is set out in the Remuneration Report and Note 33 to the Financial Statements.

2.3 Occupational Health & Safety Committee

The OH&S Committee was constituted on 24 August 2004. It currently comprises GF Pettigrew (Chairman), MA Kinnaird, JD McNerney and MP Chellew (Managing Director).

The Committee has a broad role in reviewing safety, health and environmental matters across the Group. The Group Manager, Safety Health & Environment attends the committee meetings. He has a reporting relationship to the Chairman of the committee and the ability to communicate directly with the Chairman of the committee if he considers it appropriate to do so. Committee meetings are also attended by the Company's Chief Financial Officer and its General Counsel.

Generally when an OH&S committee meeting is held, it normally meets prior to a Board meeting with the OH&S committee Chairman reporting at the Board meeting about the proceedings of the committee.

Details of members' attendance at Occupational Health & Safety Committee meetings in 2005 are set out on page 7 of the Directors' report.

2.4 Other Board Committees

The Corporate Governance Committee was constituted on 13 May 2003. It currently comprises LV Hosking (Chairman), MA Kinnaird and CL Harris. The role of the Committee is to oversee the Company's implementation and compliance with best practice in corporate governance applicable to the circumstances of the Company.

The Board established a permanent committee, the Independent Directors' Committee, on 27 October 2003. The role of the Committee is to investigate and consider corporate proposals made to the Company. The Committee comprises Directors who do not have any conflict of interest concerning the matters considered by the Committee. The present members of the Committee are MA Kinnaird (Chairman), CL Harris, LV Hosking, JD McNerney, GF Pettigrew and MP Chellew (Managing Director).

3 Director and Executive Remuneration

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced personnel. Performance, duties and responsibilities, market comparison and independent advice are all considered as part of the remuneration process.

The structure and details of the remuneration paid to the Directors and senior executives during the period are set out in the Remuneration Report on pages 10 to 24 of this Report and Note 33 to the Financial Statements.

4 Managing Director and CFO Certification

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

- that the Company's financial reports present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards; and
- that the statement given above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Corporate Governance Statement (continued)

5 Risk Management and Internal Controls

5.1 Managing Risks

The Board, through the Audit, Risk and Compliance Committee, is responsible for ensuring there are adequate policies in relation to risk management and internal compliance and control systems. It is part of the Board's oversight role to regularly review the effectiveness of the company's implementation of that system. Management is responsible for identifying and managing risks to the Company's businesses. The Board, through the Committee, monitors the management of these risks.

In brief, the Company's risk management framework is designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

5.2 Internal Controls Framework

A robust control environment is fundamental to the effectiveness of the Company's risk management framework. The Company has a clear organisation structure with clearly drawn lines of accountability and delegation of authority. Matters reserved for the Board are set out in the Board Charter which is available on the Company's website. All Directors, executives and employees are required to adhere to the Code of Conduct (described below) and the Board actively promotes a culture of quality and integrity.

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 Group 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 Group has identified a number of key areas which are subject to regular reporting to the Board, such as safety and environment, taxation, finance and administration.
- *Investment appraisal*: the Group has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of delegated authority and due diligence requirements where businesses are being acquired or divested.
- *Internal audit*: assists the Board in ensuring compliance with internal controls. The Audit, Risk and Compliance Committee reviews and approves the selection and engagement of internal auditors, the internal audit programme to be conducted each financial year, and the scope of the work to be performed at each location. The Committee receives and reviews the internal auditors' comments and recommendations about the identification of areas perceived to be of a greater level of risk than others, or areas for other reasons requiring particular scrutiny, and the committee receives and reviews the reports of the internal auditors.
- *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.

Corporate Governance Statement (continued)

6 External auditors

The Company and Audit, Risk and Compliance Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers remains the external auditor of the Company for the Group's financial report for the year ended 31 December 2005.

6.1 Non-audit services and Auditor independence

The Board has adopted a policy in relation to the provision of non-audit services by the Company's external auditor, which is based on the principle that work that may detract from the external auditor's independence and impartiality (or that may be perceived as doing so) should not be carried out by the external auditor.

During the year, the Company's external auditors carried out an audit of WorkCover declarations returns for Hy-Tec Industries Pty Ltd, C&M Masonry Products Pty Ltd and the Company's Morgan Ash business, and additionally a GST compliance review. The Board does not believe that the provision of these non-audit services compromises the external auditor's independence.

Details and the break-down of fees for non-audit services is included on page 8 of the Directors' Report and an analysis of fees paid to external auditors is provided in Note 34 to the Financial Statements.

A copy of the auditors' independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 98 of this Report.

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

7 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.

8 Code of conduct

The Company is committed to upholding the highest ethical standards of corporate behaviour. A Code of Conduct has been adopted, which requires that all Directors, senior management and employees act with the utmost integrity and honesty. It aims to further strengthen the Company's ethical climate by promoting practices that foster the Company's key values of:

- acting with fairness, honesty and integrity;
- being aware of and abiding by laws and regulations;
- individually and collectively contributing to the wellbeing of shareholders, customers, the economy and the community;
- maintaining the highest standards of professional behaviour;
- avoiding or managing conflicts of interest; and
- striving to be a good corporate citizen, and to achieve community respect.

The Code of Conduct is publicly available on the Company's website.

The Company has also adopted policies requiring compliance with (amongst others) occupational health and safety, environmental, privacy, fair treatment, equal employment opportunity and trade practices law. There are ongoing programmes for the audit of the Company's operations. Occupational health and safety, environmental, and other risks are covered by these audits.

Employees are encouraged to attend seminars presented by the Company or external service providers to ensure that they remain up-to-date with relevant legal and industry developments.

Corporate Governance Statement (continued)

The Code requires all officers, employees, contractors, agents or people associated with the Company to report any potential breaches to the Company Secretary under the whistleblower program. This may be done anonymously.

In the interest of investor confidence, the Company has a formal policy governing the trading of the Company's securities by directors, officers and employees. A summary of this policy is set out below.

9 Shareholdings of Directors and employees

All Directors presently in office were required to own at least 1,000 ordinary shares in Adelaide Brighton Ltd, and the details of Directors' shareholdings are disclosed on page 7 of the Directors' Report. This requirement of the Company's Constitution was removed when the Company adopted its present Constitution at the 2005 Annual General Meeting. Under the present Constitution a Director is not required to hold any shares to qualify for appointment.

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'.

A summary of the Share Trading Policy is available on the Company's website.

10 Continuous disclosure and communication with shareholders

The Company is committed to providing relevant and timely information to its shareholders and to the broader market, in accordance with its obligations under the ASX continuous disclosure regime.

The Company's Continuous Disclosure Policy is available on the Company's website and sets out guidelines and processes to be followed in order to ensure that the Company's continuous disclosure obligations are met. Material information must not be selectively disclosed prior to being announced to the ASX. These policies and procedures are supplemented by the Shareholder Communications Policy (also published on the Company's website) which includes arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company Secretary has been nominated as the person responsible for communicating with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the Listing Rules and overseeing and co-ordinating (with the Group Corporate Affairs Advisor) information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The Company's website contains copies of our annual reports, financial accounts, presentations, media releases and other investor relations publications. All relevant announcements made to the market, and any related information, are also posted on the Company's website as soon as they have been released to the ASX.

The Board encourages full participation of shareholders at the Annual General Meeting in order to promote a high level of accountability and discussion of the Company's strategy and goals.

Adelaide Brighton Ltd and controlled entities

Income Statements

For the year ended 31 December 2005

	Notes	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from continuing operations	2	717,336	683,350	90	-
Cost of sales		(464,360)	(444,727)	(11)	-
Freight and distribution costs		(94,885)	(92,050)	-	-
Gross profit		158,091	146,573	79	-
Other income	2	7,906	7,381	67,399	68,886
Marketing costs		(10,952)	(9,890)	-	-
Administration costs		(38,571)	(39,519)	(1,176)	(887)
Other expenses	3	-	-	(10,046)	(34,271)
Finance costs	3	(15,942)	(16,411)	(13,730)	(13,636)
Share of net profits of joint ventures accounted for using the equity method	38(b) & (c)	19,629	16,761	-	-
Profit before income tax		120,161	104,895	42,526	20,092
Income tax expense	4	(29,205)	(11,748)	(2,507)	165
Profit from continuing operations		90,956	93,147	40,019	20,257
Profit from discontinued operations		-	1,265	-	-
Net profit		90,956	94,412	40,019	20,257
Net profit attributable to minority interests	36(b)	(32)	(1,099)	-	-
Net profit attributable to members of Adelaide Brighton Ltd		90,924	93,313	40,019	20,257
		Cents	Cents		
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:					
Basic earnings per share	40	16.8	17.0		
Diluted earnings per share	40	16.7	17.0		
Earnings per share for profit attributable to the ordinary equity holders of the Company:					
Basic earnings per share	40	16.8	17.2		
Diluted earnings per share	40	16.7	17.2		

The income statements should be read in conjunction with the notes to the financial statements set out on pages 38 to 94.

Adelaide Brighton Ltd and controlled entities

Balance Sheets

As at 31 December 2005

	Notes	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current assets					
Cash and cash equivalents	5	24,603	21,646	55	759
Receivables	6	110,957	107,738	421,481	366,074
Inventories	7	75,391	66,706	-	-
Other	8	31	89	-	-
Total current assets		210,982	196,179	421,536	366,833
Non-current assets					
Receivables	9	23,365	19,108	159,375	148,816
Investments accounted for using the equity method	10	38,062	35,595	-	-
Other financial assets	11	32	32	349,675	349,675
Property, plant and equipment	12	665,619	613,420	4,765	-
Deferred tax assets	13	18,963	19,717	-	-
Intangible assets	14	164,995	165,498	-	-
Total non-current assets		911,036	853,370	513,815	498,491
Total assets		1,122,018	1,049,549	935,351	865,324
Current liabilities					
Payables	15	72,988	79,080	171,335	151,510
Interest bearing liabilities	16	250,425	215,501	253,479	215,000
Current tax liabilities	17	20,347	8,734	24,276	9,544
Provisions	18	24,146	24,171	-	-
Derivative financial instruments	29	31	105	-	-
Other	19	13,784	15,154	-	-
Total current liabilities		381,721	342,745	449,090	376,054
Non-current liabilities					
Interest bearing liabilities	20	971	1,094	-	-
Deferred tax liabilities	21	79,293	90,459	-	-
Provisions	22	24,537	25,372	-	-
Retirement benefit obligations	23	1,418	829	-	-
Other		102	102	-	-
Total non-current liabilities		106,321	117,856	-	-
Total liabilities		488,042	460,601	449,090	376,054
Net assets		633,976	588,948	486,261	489,270
Equity					
Contributed equity	24	513,255	512,775	506,126	505,646
Reserves	25(a)	14,034	12,769	1,562	355
Retained profits (losses)	25(b)	98,412	54,096	(21,428)	(16,731)
Parent entity interest		625,701	579,640	486,260	489,270
Minority interests	26	8,275	9,308	-	-
Total equity		633,976	588,948	486,260	489,270

The balance sheets should be read in conjunction with the notes to the financial statements set out on pages 38 to 94.

Adelaide Brighton Ltd and controlled entities

Statements of Recognised Income and Expense

As at 31 December 2005

	Notes	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Exchange differences taken to equity		58	(42)	-	-
Actuarial gain / (loss) on defined benefit plan	23(c)	(1,563)	2,657	-	-
Employee share options		836	257	-	-
Income tax on items taken directly to or transferred from equity	4(b)	43	98	-	-
Group transactions		-	-	1,207	355
		(626)	2,970	1,207	355
Net profit for the period		90,956	94,412	40,019	20,257
Total recognised income and expense for the period		90,330	97,382	41,226	20,612
Attributable to:					
Members of Adelaide Brighton Ltd		90,298	96,283	41,226	20,612
Minority interests		32	1,099	-	-

The above statements of Recognised Income and Expense should be read in conjunction with the notes to the financial statements set out on pages 38 to 94.

Adelaide Brighton Ltd and controlled entities

Statements of Cash Flows

For the year ended 31 December 2005

	Notes	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		784,407	744,144	51	-
Payments to suppliers and employees (inclusive of goods and services tax)		(643,239)	(615,804)	(3,028)	(1,630)
Dividends received		17,162	14,809	43,489	47,080
Interest received		1,930	1,610	13,865	12,504
Other revenue		4,997	5,699	-	-
Interest paid		(13,864)	(13,983)	(13,730)	(13,636)
Income taxes paid		(27,961)	(20,795)	(7,905)	(4,080)
Net cash inflow from operating activities	39	123,432	115,680	32,742	40,238
Cash flows from investing activities					
Payments for property, plant and equipment		(102,731)	(50,126)	(4,765)	-
Payments for controlled entities and operations		(6,000)	(5,820)	(6,000)	(6,000)
Proceeds from sale of property, plant and equipment		2,939	660	-	-
Proceeds from sale of controlled entities	36(b)	-	6,217	-	-
Loans to joint venture entities	35(c)(ii)	(3,937)	(4,581)	-	-
Loans to other related parties	35(c)(ii)	(320)	(2,338)	(320)	(2,338)
Loans to controlled entities	35(c)(ii)	-	-	(16,604)	(12,180)
Loans repayments from controlled entities		-	-	-	49,481
Net cash inflow (outflow) from investing activities		(110,049)	(55,988)	(27,689)	28,963
Cash flows from financing activities					
Proceeds from issue of shares	24(b)	480	-	480	-
Proceeds from borrowings	20	250,000	240,000	250,000	240,000
Repayment of borrowings		(215,199)	(254,606)	(215,000)	(254,207)
Dividends paid to company's shareholders	27	(44,716)	(36,575)	(44,716)	(36,575)
Dividends paid to minority interests in controlled entities		(1,064)	(889)	-	-
Net cash (outflow) from financing activities		(10,499)	(52,070)	(9,236)	(50,782)
Net increase in cash held					
Cash at the beginning of the financial year	5	21,646	14,167	759	(17,660)
Cash balances in controlled entities acquired or disposed	36(b)	-	(91)	-	-
Effects of exchange rate changes on cash and cash equivalents		73	(52)	-	-
Cash at the end of the financial year	5	24,603	21,646	(3,424)	759

The statements of Cash Flows should be read in conjunction with the notes to the financial statements set out on pages 38 to 94.

Notes to the financial statements (continued)

For the year ended 31 December 2005

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Adelaide Brighton Ltd as an individual entity and the Group consisting of Adelaide Brighton Ltd and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. The report is prepared on a going concern basis despite the working capital deficit at year-end which is a result of short-term status of the major credit facility (refer note 20(b)(ii)).

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Adelaide Brighton Ltd financial statements to be prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Adelaide Brighton Ltd until 31 December 2004 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Adelaide Brighton Ltd 2005 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. The comparative figures in respect of 2004 have been restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in note 43.

Early adoption of standard

The Group has elected to apply AASB 119 *Employee Benefits* (issued in December 2004) to the annual reporting period beginning on 1 January 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The other accounting standards issued or amended but not yet effective for the annual reporting period ended 31 December 2005 have not been adopted. The impact of these standards are not expected to be material.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for the circumstances when fair value method has been applied as detailed in the accounting policies below.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Adelaide Brighton Ltd ("the Company") as at 31 December 2005 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 Group".

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)). Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the financial statements (continued)

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(ii) Joint venture entities

The interest in joint ventures is accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of the post acquisition profits or losses of the joint venture is recognised in the income statement, and the share of movements in post acquisition reserves is recognised in consolidated reserves in the balance sheet. Profits or losses on transactions establishing the joint ventures and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint ventures on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Adelaide Brighton Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On disposal or partial disposal of a foreign entity, the balance of the foreign currency translation reserve relating to the entity, or to the part disposed of, is recognised in the income statement as a part of the gain or loss on disposal.

(e) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Sales revenue

Sales revenue comprises revenue earned from the provision of goods to entities outside the Group when goods are provided.

Notes to the financial statements (continued)

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(ii) Deferred income

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

(iii) Interest income

Interest income is recognised using the effective interest rate method.

(f) Debt defeasance

Net gains or losses on defeasances of debt are brought to account in the income statement 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.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidations

Adelaide Brighton Ltd and its wholly owned Australian subsidiaries decided to implement the tax consolidation legislation as of 1 January 2004. The Australian Taxation Office has been notified of this decision.

Adelaide Brighton Ltd, as the head entity in the tax consolidated group, recognises current tax liability and tax losses (subject to meeting the "probable test") relating to all transactions, events and balances of the tax consolidated group as if those transactions, events and balances were its own. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense.

Individual tax consolidated entities recognise tax expenses and revenues and current and deferred tax balances in relation to its own taxable income, temporary differences and tax losses using the separate taxpayer within the group method. Entities calculate their current and deferred tax balances on the basis that they are subject to tax as a part of the tax consolidated group. All current tax liabilities or any tax losses are transferred to the head entity as tax-related amounts receivable or payable.

Deferred tax balances relating to assets that had their tax values reset on joining the tax consolidated group have been remeasured based on the carrying amount of those assets in the tax consolidated group and their reset tax values. The adjustment to these deferred tax balances is recognised in the consolidated financial statements against income tax expense.

Notes to the financial statements (continued)

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(h) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(i) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(s)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Notes to the financial statements (continued)

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 to 45 days from the end of the month of invoice.

The collectibility of trade receivables is reviewed regularly. Debts, which are known to be uncollectible, are written off. A provision for doubtful receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(m) Inventories

Raw materials and stores, work in progress and finished goods

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 inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(ii) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(o) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. Derivative instruments entered into by ABL Group do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised in the income statement.

Notes to the financial statements (continued)

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(p) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(q) Property, plant and equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation and any recognised impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably (note 1(r)).

(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) Complex assets

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

(iii) 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.

(iv) Other fixed assets

Freehold land is not depreciated. Depreciation on other assets, including buildings and leasehold property, is calculated using the straight line method to allocate their cost or deemed cost amounts, over their estimated useful lives, as follows:

- Mineral reserves	40 - 50 years
- Buildings	40 years
- Plant and equipment	5 - 30 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)). Gains and losses on disposals are determined by comparing proceeds with carrying amount and included in the income statement.

Notes to the financial statements (continued)

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(r) Overhaul of complex assets

Significant items of plant that are overhauled during annual shutdowns are treated as complex assets and different depreciation rates applied to each major 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(q). All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(s) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units are consistent with the Group's primary reporting segment.

(ii) Licences and trademarks

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

(iii) Other intangible assets

Intangible assets, including lease rights acquired, are amortised on straight-line basis over the period of their estimated useful lives.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(u) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

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.

(v) Trade and other payables

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

Notes to the financial statements (continued)

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(w) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(i) Dividends

Provision is made for the amount of any dividend declared on or before the end of the period but not distributed at balance date.

(ii) 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.

(iii) Restructuring costs

Liabilities arising directly from undertaking a restructuring program, not in connection with the acquisition of an entity, are recognised when a detailed plan has been developed, implementation has commenced, by entering into binding sales agreement and making detailed public announcements such that the affected parties are in no doubt that the restructuring program will proceed. The cost of restructurings provided for is the estimated future cash flows from implementation of the plan.

(iv) Provisions for close down and restoration costs

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Provisions for close down and restoration costs do not include any additional obligations, which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are reviewed annually during the life of the operation, based on the net present value of estimated future costs.

Estimate changes resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a financing cost

(v) Contingent liabilities

Contingent liabilities are not recognised in the financial statements. A contingent liability is, however, disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements in the period in which the change in probability occurs.

Notes to the financial statements (continued)

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(w) Provisions (continued)

(vi) Contingent assets

Contingent assets are not recognised in the financial statements. A contingent asset is disclosed in the financial statements when an inflow of economic benefits is probable.

Contingent assets are assessed continually to determine whether an inflow of economic benefits has become virtually certain. If it becomes virtually certain that an inflow of economic benefits will arise the asset and related income are recognised in the financial statements in the period in which the change in probability occurs.

(x) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave, sick leave and other current employee entitlements are accrued in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability has been calculated at nominal amounts based on wage and salary rates expected when the obligations are settled and includes related on-costs.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

All employees of the Group are entitled to benefits on retirement, disability or death from the Group's superannuation plan. The Group has a defined benefit section and a defined contribution section within its plan. The defined benefit section provides defined lump sum benefits on retirement, death, disablement and withdrawal, based on years of service and final average salary. The defined benefit plan section of the plan is closed to new members. All new members receive accumulation only benefits. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments, which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. 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 with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to retained earnings.

Notes to the financial statements (continued)

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(x) Employee benefits (continued)

Past service costs are recognised immediately in income, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation (e.g. taxes on investment income and employer contributions) are taken into account in measuring the relevant components of the employer's defined benefit liability (asset).

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments

Share-based compensation benefits are provided to executives via the Adelaide Brighton Ltd Executive Performance Share Plan.

Shares options granted before 7 November 2002 and/or vested before 1 January 2005

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 at the assessed cost to the Company of acquisition or issue of the shares.

The amount included in Director and executive remuneration is based on the assessed fair value at grant date allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a pricing model that takes into account the term of the Award, the vesting and performance criteria, the non-tradeable nature of the option, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the Award.

Shares options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the Adelaide Brighton Ltd Executive Performance Share Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (e.g. earning per a share). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

On the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

Notes to the financial statements (continued)

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(x) Employee benefits (continued)

(v) Profit-sharing and bonus plans

The Group recognises a liability and an expense for short-term incentives available to certain employees on a formula that takes into consideration the agreed performance targets. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(y) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the purpose of acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(z) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(aa) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and 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, the nearest dollar.

(ab) Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures that the consolidated financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS.

(ac) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Notes to the financial statements (continued)

For the year ended 31 December 2005

2 Revenue and other income

	Consolidated		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Revenue from continuing operations				
Sale of goods	717,336	683,350	90	-
Other income				
Interest from controlled entities	-	-	23,735	21,806
Interest from joint ventures	1,073	768	-	-
Interest from other parties	918	922	175	-
Insurance claims	-	50	-	-
Dividends from controlled entities	-	-	43,489	47,080
Net gain on disposal of property, plant and equipment	917	-	-	-
Other income	4,998	5,641	-	-
	7,906	7,381	67,399	68,886
Revenue and other income from continuing operations (excluding shares of equity accounted net profits of joint ventures)	725,242	690,731	67,489	68,886

3 Expenses**Profit before income tax includes the following specific expenses:***Depreciation*

Buildings	1,815	2,204	-	-
Plant and equipment	43,897	48,039	-	-
Mineral reserves	1,284	1,204	-	-
Total depreciation	46,996	51,447	-	-

Amortisation

Other intangibles	503	489	-	-
Total amortisation	503	489	-	-

Other charges against assets

Write down of inventories	279	473	-	-
Bad and doubtful debts – trade debtors	906	329	10,046¹	34,271 ¹

Finance costs

Interest and finance charges paid / payable	13,864	13,811	13,730	13,636
Exchange gains on foreign currency forward contracts	(74)	(110)	-	-
Unwinding of the discount on restoration provisions and retirement benefit obligation	2,152	2,710	-	-
Total finance costs	15,942	16,411	13,730	13,636

Rental expense relating to operating leases	5,095	3,498	-	-
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Items requiring specific disclosure

Net profit includes the following items and their disclosure is relevant in explaining the financial performance of the Group:

Tax benefit resulting from adjustment to deferred tax balances on implementation of tax consolidation	3,091	13,969	-	-
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¹ The Company has made provision against debts of \$10,046,000 (2004: \$34,271,000) due by wholly owned entities. In the prior year \$24,969,000 relates to debts of an entity sold during the period.

Notes to the financial statements (continued)

For the year ended 31 December 2005

4 Income tax

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(a) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	120,161	104,895	42,526	20,092
Profit from discontinued operations before income tax expense	-	1,265	-	-
	120,161	106,160	42,526	20,092
Tax at the Australian tax rate of 30%	36,048	31,848	12,758	6,028
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Defined benefit obligations	(505)	1,025	-	-
Non allowable expenses	162	339	-	-
Rebateable dividends	(3,015)	(3,121)	(13,047)	(14,124)
Bad and doubtful debts	-	-	3,014	10,281
Research and development allowance	(30)	(47)	-	-
Sundry items	(216)	(1,060)	(61)	-
	32,444	28,984	2,664	2,185
Prior year tax losses not recognised now recouped	-	(2,350)	-	(2,350)
Overprovision in prior years	(148)	(917)	(157)	-
Income tax expense	32,296	25,717	2,507	(165)
Adjustments to deferred tax balances on implementation of tax consolidation	(3,091)	(13,969)	-	-
Aggregate income tax expense	29,205	11,748	2,507	(165)
Aggregate income tax expense comprises:				
Current taxation provision	39,720	24,703	2,664	2,107
Deferred tax liabilities (note 21)	(11,233)	(12,808)	-	-
Deferred tax assets (note 13)	866	3,120	-	78
Prior year tax losses not recognised now recouped overprovision in prior year	-	(2,350)	-	(2,350)
	(148)	(917)	(157)	-
	29,205	11,748	2,507	(165)
(b) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit and loss but directly debited to equity				
Current tax – credited directly to equity (note 25)	-	-	-	-
Net deferred tax – debited (credited) directly to equity (notes 13 and 21)	43	98	-	-
	43	98	-	-
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised:				
• Capital losses	22,405	22,710	22,405	22,710
• Tax losses carried forward	4,074	4,074	4,074	4,074

Notes to the financial statements (continued)

For the year ended 31 December 2005

4 Income tax (continued)

This benefit for tax losses will only be obtained if:

- (i) the Group 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,
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

(d) Tax consolidations

Adelaide Brighton Ltd and its wholly-owned Australian subsidiaries implemented the tax consolidation legislation as of 1 January 2004. The Australian Tax Office has been notified of this decision. The accounting policy on implementation of the legislation is set out in note 1(g). The impact on the income tax expense for the year is disclosed in the tax reconciliation above.

The entities have entered a tax sharing and funding agreement. Under the terms of this agreement the wholly-owned subsidiaries reimburse Adelaide Brighton Ltd for any current income tax payable arising in respect of their activities and have fully compensated Adelaide Brighton Ltd for deferred tax balances assumed.

The calculation of the financial effect on the deferred tax balances of the Group has been recognised resulting in a further one-off tax benefit of \$3.1 million in 2005. This tax credit is additional to the \$14.0 million tax benefit reported in the accounts for the year ended 31 December 2004.

This additional tax benefit has resulted from the step up of the detailed asset revaluations within the company asset registers. The re-calculation of the future tax depreciation charge has supported our 2004 assessment and given rise to the quantification of this additional deferred income tax benefit in 2005.

5 Current assets – cash and cash equivalents

	Consolidated		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	24,603	21,646	55	759

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	24,603	21,646	55	759
Less: Bank overdrafts and advances (note 16)	-	-	(3,479)	-
Balances per statements of cash flows	24,603	21,646	3,424	759

6 Current assets – receivables

Trade receivables	103,604	103,610	40	-
Less: Provision for doubtful receivables	(2,054)	(2,485)	-	-
	101,550	101,125	40	-
Amounts due by joint ventures	417	363	-	-
Loans to controlled entities	-	-	388,720	354,087
Tax amounts receivable from wholly-owned entities	-	-	30,859	11,382
Prepayments	5,171	4,650	1,862	605
Other receivables	3,819	1,600	-	-
	110,957	107,738	421,481	366,074

(a) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in the financial instruments note (note 29).

Adelaide Brighton Ltd and controlled entities

Notes to the financial statements (continued)

For the year ended 31 December 2005

7 Current assets – inventories

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Raw materials and stores – at cost	35,553	28,545	-	-
Work in progress – at cost	15,800	15,022	-	-
Finished goods – at cost	24,038	23,139	-	-
	75,391	66,706	-	-

8 Current assets – other

Other	31	89	-	-
	31	89	-	-

9 Non-current assets – receivables

Loans to controlled entities	-	-	156,717	146,478
Loans to joint ventures	20,707	16,770	-	-
Other debtors	2,658	2,338	2,658	2,338
	23,365	19,108	159,375	148,816

(a) Fair values

Details of the fair value of non-current assets are set out in note 29.

(b) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in note 29.

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

Interest in joint venture entities (note 38)	38,062	35,595	-	-
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Interests in joint ventures are accounted for in the Group's financial statements using the equity method and are carried at cost by the respective parent entity (see note 38).

11 Non-current assets – other financial assets

Other (non-traded) investments				
Shares in controlled entities – at cost	-	-	349,675	349,675
Listed at cost	2	2	-	-
Unlisted shares at cost	30	30	-	-
	32	32	349,675	349,675

Controlled entities are listed at note 36(a).

Notes to the financial statements (continued)

For the year ended 31 December 2005

12 Non-current assets – property, plant and equipment

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Land and buildings				
Freehold land				
At cost	86,557	69,746	-	-
	86,557	69,746	-	-
Buildings				
At cost	68,764	65,698	-	-
Less: Accumulated depreciation	(28,163)	(26,410)	-	-
	40,601	39,288	-	-
Mineral reserves				
At cost	94,627	94,627	-	-
Less: Accumulated depreciation	(7,376)	(6,092)	-	-
	87,251	88,535	-	-
Leasehold property				
At cost	2,840	2,885	-	-
Less: Accumulated amortisation	(1,529)	(1,332)	-	-
	1,311	1,553	-	-
Total land and buildings	215,720	199,122	-	-
Plant and equipment				
At cost	833,018	797,279	-	-
Less: Accumulated depreciation	(449,315)	(410,985)	-	-
	383,703	386,293	-	-
Leased plant and equipment				
At cost	792	763	-	-
Less: Accumulated depreciation	(501)	(363)	-	-
	291	401	-	-
Asset retirement cost				
At cost	3,153	2,717	-	-
Less: Accumulated depreciation	(1,321)	(1,254)	-	-
	1,832	1,463	-	-
Plant and equipment in the course of construction				
At cost	64,073	26,141	4,765	-
	64,073	26,141	4,765	-
Total plant and equipment	449,899	414,298	4,765	-
Total property, plant and equipment	665,619	613,420	4,765	-

Adelaide Brighton Ltd and controlled entities

Notes to the financial statements (continued)

For the year ended 31 December 2005

12 Non-current assets – property, plant and equipment (continued)

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	Buildings	Leasehold property	Plant & equipment	Leased assets	Mineral reserves	Asset retirement cost	In course of con- struction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated									
Carrying amount at 1 January 2005	69,746	39,288	1,553	386,294	400	88,535	1,463	26,141	613,420
Additions	16,860	3,568	-	24,544	-	-	500	57,759	103,231
Disposals	(360)	(145)	-	(3,531)	-	-	-	-	(4,036)
Disposed entities	-	-	-	-	-	-	-	-	-
Reclassification	311	(295)	11	19,812	(12)	-	-	(19,827)	-
Depreciation/ amortisation expense (note 3)	-	(1,815)	(253)	(43,416)	(97)	(1,284)	(131)	-	(46,996)
Carrying amount at 31 December 2005	86,557	40,601	1,311	383,703	291	87,251	1,832	64,073	665,619

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	Buildings	Leasehold property	Plant & equipment	Leased assets	Mineral reserves	Asset retirement cost	In course of con- struction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated									
Carrying amount at 1 January 2004	66,948	37,944	3,765	402,897	884	89,739	1,573	17,887	621,637
Additions	26	3,876	15	35,906	-	-	-	10,303	50,126
Disposals	(80)	-	-	(1,963)	-	-	-	-	(2,043)
Disposed entities	(275)	(253)	-	(4,325)	-	-	-	-	(4,853)
Reclassification	3,127	(75)	(1,879)	1,131	(255)	-	-	(2,049)	-
Depreciation/ amortisation expense (note 3)	-	(2,204)	(348)	(47,352)	(229)	(1,204)	(110)	-	(51,447)
Carrying amount at 31 December 2004	69,746	39,288	1,553	386,294	400	88,535	1,463	26,141	613,420

Notes to the financial statements (continued)

For the year ended 31 December 2005

13 Non-current assets – deferred tax assets

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Depreciation	398	2,570	-	-
Employee benefits	4,878	3,449	-	-
Share option reserve	328	77	-	-
Defined benefit obligations	753	-	-	-
Provisions	12,465	7,110	-	-
Other	-	6,413	-	-
	18,822	19,619	-	-
<i>Amounts recognised directly in equity</i>				
Share option reserve	469	98	-	-
Defined benefit obligations	(328)	-	-	-
	141	98	-	-
Movements:				
Opening balance at 1 January	19,717	23,643	-	78
Credited / (charged) to the income statement (note 4)	(866)	(3,120)	-	(78)
Credited / (charged) to equity (note 25)	43	98	-	-
Under / (over) provision in prior year	69	(904)	-	-
Closing balance at 31 December	18,963	19,717	-	-

14 Non-current assets – intangible assets

Goodwill	164,424	164,424	-	-
Patents, trademarks and brand names	17	34	-	-
Less: Accumulated amortisation	(17)	(34)	-	-
	-	-	-	-
Lease right	1,747	1,747	-	-
Less: Accumulated amortisation	(1,176)	(673)	-	-
	571	1,074	-	-
	164,995	165,498	-	-

The carrying amount movement from \$165,498,000 to \$164,995,000 is due to amortisation charge of lease rights.

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segments.

A segment level of the goodwill allocation is presented below.

Construction and mining materials	163,361	163,361	-	-
Building products	1,063	1,063	-	-
	164,424	164,424	-	-

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on 2005 actual results and 2006 financial budgets approved by management. Cash flows beyond the financial year 2006 are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Notes to the financial statements (continued)

For the year ended 31 December 2005

14 Non-current assets – intangible assets (continued)

	Gross margin ⁽¹⁾		Growth rate ⁽²⁾		Discount rate ⁽³⁾	
	2005	2004	2005	2004	2005	2004
	%	%	%	%	%	%
Construction and mining materials	36.1	36.9	2.5	2.5	10.0	9.5
Building products	55.1	55.0	2.5	2.5	10.0	9.5

(1) Budgeted gross margin

(2) Weighted average growth rate used to extrapolate cash flows beyond the budget period

(3) Pre-tax discount rate applied to cash flow projections

The assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on the past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to relevant segments.

15 Current liabilities – payables

	Consolidated		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Trade payables	72,148	68,247	-	-
Loans to controlled entities	-	-	171,312	145,510
Other payables and accruals	840	10,833	23	6,000
	72,988	79,080	171,335	151,510

16 Current liabilities – interest bearing liabilities

Secured

Lease liabilities (note 31)	425	501	-	-
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Unsecured

Bank overdrafts and advances	-	-	3,479	-
Other loans (note 20(b))	250,000	215,000	250,000	215,000
	250,425	215,501	253,479	215,000

(a) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on interest bearing liabilities are set out in note 29.

(b) Fair value disclosures

Details of the fair value of interest bearing liabilities for the Group are set out in note 29.

17 Current liabilities – current tax liabilities

Income tax	20,347	8,734	24,276	9,544
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18 Current liabilities – provisions

Employee benefits	16,122	16,348	-	-
Workers' compensation (note 1(w)(ii))	1,462	1,681	-	-
Restructuring costs (note 1(w)(iii))	4,469	4,988	-	-
Restoration provisions (note 1(w)(iv))	1,621	830	-	-
Other provisions	472	324	-	-
	24,146	24,171	-	-

Adelaide Brighton Ltd and controlled entities

Notes to the financial statements (continued)

For the year ended 31 December 2005

18 Current liabilities – provisions (continued)

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

	Dividends \$'000	Workers' compensation \$'000	Restructuring \$'000	Restoration \$'000	Other \$'000
Carrying amount at 1 January	-	1,681	4,988	830	324
Additional provision recognised	44,716	209	-	-	148
Provisions reclassified from non-current	-	-	929	1,621	-
Payments	(44,716)	(428)	(1,448)	(830)	-
Carrying amount at 31 December	-	1,462	4,469	1,621	472

19 Current liabilities – other

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Deferred income	507	927	-	-
Limited recourse loan	12,305	12,305	-	-
Other	972	1,922	-	-
	13,784	15,154	-	-

A limited recourse loan of \$12,305,000 was owing to Rugby Holdings Ltd at 31 December 2005 (2004 - \$12,305,000) by Cockburn Cement Ltd, a subsidiary of Adelaide Brighton Ltd. This is in respect of real property belonging to Rugby Holdings Ltd on loan to Cockburn Cement Ltd. The loan is non-interest bearing. Rugby Holdings Ltd was direct parent company of Adelaide Brighton Ltd in the period from July 1999 to December 2003.

20 Non-current liabilities – interest bearing liabilities

(a) Secured

Lease liabilities (note 31)	971	1,094	-	-
Total non-current interest bearing liabilities	971	1,094	-	-

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 \$291,000 (2004 - \$400,000).

(b) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

(i) Credit standby arrangements

Total facilities				
Bank overdrafts (ii)	4,000	4,000	4,000	4,000
Bank facility – external parties (ii)	260,000	240,000	260,000	240,000
Lease liabilities	1,396	1,595	-	-
	265,396	245,595	264,000	244,000
Used at balance date				
Bank overdrafts (ii)	-	-	3,480	-
Bank facility – external parties (ii)	250,000	215,000	250,000	215,000
Lease liabilities	1,396	1,595	-	-
	251,396	216,595	253,480	215,000
Unused at balance date				
Bank overdrafts (ii)	4,000	4,000	520	4,000
Bank facility – external parties (ii)	10,000	25,000	10,000	25,000
	14,000	29,000	10,520	29,000

Notes to the financial statements (continued)

For the year ended 31 December 2005

20 Non-current liabilities – interest bearing liabilities (continued)**(ii) Bank arrangements – multi-option facilities**

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

The Group and the Company have available a short-term bank facility totalling \$260 million (2004 – \$240 million). At 31 December 2005, the total of the bank facility drawn down was \$250 million (2004: \$215 million). The facility is currently scheduled to expire on 31 March 2006. The Company is in the process of determining its long term financing requirements and it is expected that a replacement long-term credit facility will be secured by 31 March 2006.

(a) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on interest bearing liabilities are set out in note 29.

(b) Fair values

Details of the fair value of non-current interest bearing liabilities for the Group are set out in note 29.

21 Non-current liabilities – deferred tax liabilities

	Consolidated		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Depreciation	69,838	82,792	-	-
Inventories	3,383	5,110	-	-
Other	6,072	2,557	-	-
	79,293	90,459	-	-
Movements:				
Opening balance at 1 January	90,459	103,041	-	-
Credited / (charged) to the income statement (note 4)	(11,233)	(12,808)	-	-
Under / (over) provision in prior year	67	226	-	-
Closing balance at 31 December	79,293	90,459	-	-

22 Non-current liabilities – provisions

	Consolidated		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Employee benefits	2,920	1,777	-	-
Restoration provisions (note 1(w)(iv))	21,617	23,595	-	-
	24,537	25,372	-	-

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

	Restoration
	\$'000
Carrying amount at the start of the year	23,595
Additional capitalised provision (note 12)	500
Discount unwinding to finance costs	72
Provisions reclassified to current	(2,550)
Payments	-
Carrying amount at the end of the year	21,617

Notes to the financial statements (continued)

For the year ended 31 December 2005

23 Non-current liabilities – Retirement benefit obligations

(a) Superannuation plan

The majority of Adelaide Brighton Ltd employees are 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 31 December 2005, being:

Defined Benefit (including Hybrid members)	339
<u>Accumulation</u>	<u>550</u>
Total Membership	889

The following sets out details in respect of the defined benefit section only.

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section of the Plan is closed to new members. All new members receive accumulation only benefits.

(b) Balance sheet amounts

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Present value of the defined benefit obligation	52,803	44,948	-	-
Fair value of defined benefit plan assets	(51,385)	(44,119)	-	-
Net liability in the balance sheet	<u>1,418</u>	<u>829</u>	-	-

The Group has no legal obligation to settle this liability with an immediate contribution or additional one-off contributions. The Group intends to contribute to the defined benefit section of plan at a rate of 12% of salaries in line with the actuary’s latest recommendations.

(c) Reconciliations

Reconciliation of the present value of defined benefit obligation:

Balance at 1 January	44,948	46,038	-	-
Current service costs	2,087	2,287	-	-
Interest costs	2,081	2,184	-	-
Actuarial gains and losses	5,212	1,428	-	-
Contributions by plan participants	1,184	1,427	-	-
Benefits, expenses and insurance premiums paid	(2,846)	(5,653)	-	-
Transfers in	137	145	-	-
Curtailements	-	(88)	-	-
Settlements	-	(2,820)	-	-
Balance at 31 December	<u>52,803</u>	<u>44,948</u>	-	-

Reconciliation of the fair value of plan assets

Balance at 1 January	44,119	41,792	-	-
Expected return on plan assets	2,908	2,759	-	-
Actuarial gains and losses	3,648	4,085	-	-
Employer contributions	2,235	2,384	-	-
Contributions by plan participants	1,184	1,427	-	-
Benefits, expenses and insurance premiums paid	(2,846)	(5,653)	-	-
Transfers in	137	145	-	-
Settlements	-	(2,820)	-	-
Balance at 31 December	<u>51,385</u>	<u>44,119</u>	-	-

Notes to the financial statements (continued)

For the year ended 31 December 2005

23 Retirement benefit obligations (continued)

(d) Amounts recognised in income statement

The amounts recognised in the income statement are as follows:

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current service costs	2,087	2,287	-	-
Interest costs	2,081	2,184	-	-
Expected return on plan assets	(2,908)	(2,759)	-	-
Curtailments	-	(88)	-	-
Total included in employee benefits expense	1,260	1,624	-	-
Actual return on plan assets	6,556	6,844	-	-

(e) Categories of plan assets

The major categories of plan assets are as follows:

	2005	2004	2005	2004
Australian Equity	17,471	16,765	-	-
International Equity	15,416	11,030	-	-
Fixed income	7,708	7,500	-	-
Property	3,597	3,088	-	-
Cash	7,194	5,735	-	-
	51,385	44,119	-	-

(f) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2005	2004	2005	2004
	%	%	%	%
Discount rate	4.4	4.5	-	-
Expected return on plan assets	6.7	6.7	-	-
Future salary increases	4.0	4.0	-	-

The expected rate of return on assets is based on historical and future expectations of returns for each of the major categories of asset classes (equities, property, fixed interest and cash) as well as the expected actual allocation of plan assets to these major categories. This resulted in the selection of a 7.5% rate of return net of tax and expenses. (The discount rate is used to value the defined benefit obligation based on the 10 year government bond rate. The decrease by 0.1% of the discount rate in the current period is the key driver behind the increase in the net present value of the defined benefit obligation.

(g) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, and the last assessment was made as at 1 July 2004.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the Attained Age Normal method.

Under the Attained Age Normal method, a "normal cost" is calculated which is the estimated employer contribution rate required to provide benefits in respect of future service after the review date. The "normal cost" is then adjusted to take into account any surplus (or deficiency) of assets over the value of liabilities in respect of service prior to the review date. Any surplus or deficiency can be used to reduce or increase the "normal" employer contribution rate over a suitable period of time.

Using the funding method described above and particular actuarial assumptions as to the plan's future experience (as detailed below), the actuary recommended in the actuarial review as at 1 July 2004, the payment of employer contributions to the fund of 12% of salaries for employees who are members of the defined benefit section. These contribution rates have been adopted by the Group from 1 January 2006 and represent an increase of 2% of salaries in the Group's contributions from that previously used.

Adelaide Brighton Ltd and controlled entities

Notes to the financial statements (continued)

For the year ended 31 December 2005

23 Retirement benefit obligations (continued)

Total employer contributions expected to be paid by Group companies for the year ending 31 December 2006 are \$2,531,000 (parent entity: \$Nil).

The economic assumptions used by the actuary to make the funding recommendations were a long term investment earning rate of 11.1% pa in first year (6.7% pa thereafter) and a salary increase rate of 4% pa.

(h) Net financial position of plan

In accordance with AAS 25 Financial Reporting by Superannuation Plans the plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation fund (1 July 2004), and a deficit of \$89,000 was reported.

The surplus, as at 1 July 2004, under AAS 25 differs from the net liability of \$1,418,000 recognised in the balance sheet as at 31 December 2005 due to different measurement rules in the relevant accounting standards AAS 25 and AASB 119 *Employee Benefits* and different measurement dates.

(i) Historic summary

During the 12 months to 31 December 2005 all new employees 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 full actuarial investigation was completed as at 1 July 2004. The next actuarial valuation is due as at 1 July 2007.

	Adelaide Brighton Group Superannuation Plan	
	2005	2004
	\$'000	\$'000
Latest full actuarial investigation		
Fund assets at 1 July 2004	56,637	56,637
Accrued benefits at 1 July 2004	56,726	56,726
Net surplus / (deficit)	(89)	(89)
Latest financial statements		
Fund assets at 30 June	64,030	57,050
Vested benefits at 30 June	62,350	55,672
Employer contributions to the fund (1 July to 30 June)	6,286	4,601
Employer contributions payable to the Fund ¹	n/a	n/a

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

Notes to the financial statements (continued)

For the year ended 31 December 2005

24 Contributed equity

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(a) Share capital				
Issued and paid up capital				
542,153,567(2004: 541,861,007) ordinary shares, fully paid	513,255	512,775	506,126	505,646
(b) Movements in ordinary share capital				
Balance at the start of the year	512,775	512,775	505,646	504,646
Shares issued				
292,560 shares issued under Executive Performance Share Plan (2004: nil)	(i) 480	-	480	-
Balance at the end of the year	513,255	512,775	506,126	505,646
(c) Other equity securities				
Former share premium account included in equity	(ii) 82,522	82,522	75,393	75,393

(i) Ordinary shares issued under the Adelaide Brighton Ltd Executive Performance Share Plan (refer note 32).

(ii) 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 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.

Notes to the financial statements (continued)

For the year ended 31 December 2005

25 Reserves and retained profits

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(a) Reserves				
Asset revaluation reserve	12,429	12,429	-	-
Capital profits reserve	-	-	-	-
Foreign currency translation reserve	43	(15)	-	-
Share-based payment reserve	1,562	355	1,562	355
	<u>14,034</u>	<u>12,769</u>	<u>1,562</u>	<u>355</u>
Movements:				
Asset revaluation reserve				
Balance 1 January	12,429	12,429	-	-
Balance 31 December	<u>12,429</u>	<u>12,429</u>	-	-
Capital profits reserve				
Balance 1 January	-	-	-	25
Realised on sale of controlled entity	-	-	-	(25)
Balance 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign currency translation reserve				
Balance 1 January	(15)	(175)	-	-
Net exchange differences on translation of financial statements of foreign controlled entities	58	160	-	-
Balance 31 December	<u>43</u>	<u>(15)</u>	<u>-</u>	<u>-</u>
Share-based payment reserve				
Balance 1 January	355	-	355	-
Awards expense	836	257	-	-
Deferred tax (note 13)	371	98	-	-
Group transactions	-	-	1,207	355
Balance 31 December	<u>1,562</u>	<u>355</u>	<u>1,562</u>	<u>355</u>
(b) Retained profits				
Movements in retained profits were as follows:				
Balance 1 January	54,096	(5,299)	(16,731)	(413)
Net profit for the year	90,924	93,313	40,019	20,257
Actuarial gain / (loss) on defined benefit plan	(1,892)	2,657	-	-
Dividends	(44,716)	(36,575)	(44,716)	(36,575)
Balance 31 December	<u>98,412</u>	<u>54,096</u>	<u>(21,428)</u>	<u>(16,731)</u>

(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., Fuel and Combustion Technology Inc., and Fuel and Combustion Technology International Ltd) are taken to the foreign currency translation reserve, as described in note 1(d)(iii).

(iii) Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of Awards issued but not exercised.

Notes to the financial statements (continued)

For the year ended 31 December 2005

26 Minority interests

	Consolidated	
	2005	2004
	\$'000	\$'000
Interest in:		
Share capital	1,334	1,334
Reserves	2,296	2,296
Retained profit	4,645	5,678
Balance at the end of the financial year	8,275	9,308

27 Dividends

	The Company	
	2005	2004
	\$'000	\$'000
Dividends provided or paid during the year		
2005 interim dividend of 4.25 cents (2004 – 3.5 cents) per fully paid ordinary share, franked at 100% (2004 – 100%) paid on 6 October 2005	23,042	18,965
2004 final dividend of 4.0 cents (2003 – 3.25 cents) per fully paid ordinary share, franked at 100% (2003 – 100%) paid on 30 March 2005	21,674	17,610
Total dividends provided for or paid	44,716	36,575
Dividends paid in cash	44,716	36,575
Dividends not recognised at year end		
Since the end of the year the Directors have recommended the payment of a final dividend of 6.25 cents per fully paid share, fully franked. The aggregate amount of the proposed dividend expected to be paid on 5 April 2006, not recognised as a liability at year end, is	33,885	21,674

Franked dividends

The franked portions of the dividends proposed as at 31 December 2005 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 2006.

	Consolidated		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	16,457	6,450	16,457	6,450

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

- (a) franking credits that will arise from the payment of any current tax liability
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$14,522,000 (2004: 9,289,000).

Notes to the financial statements (continued)

For the year ended 31 December 2005

28 Financial risk

The Group's activities expose it to the following financial risks: foreign exchange risk, credit risk and interest rate risk. Derivative financial instruments such as foreign exchange contracts are used to hedge exposure to fluctuations in foreign exchange rates and to trade.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Directors.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Forward contracts, transacted with Group Treasury, are used to manage foreign exchange risk. Group Treasury is responsible for managing exposures by using external forward currency contracts.

(b) Credit risk

The Group has no significant concentration of credit risk. The Group has policies and procedures in place to ensure that sales are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality institutions.

(c) Interest rate risk

The Group's interest rate risk arises from long-term borrowings and interest bearing assets. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Loans to joint ventures and other related parties expose the Group's income and operating cash flow to changes in market interest rates.

29 Financial risk management

(a) Foreign exchange risk management

The Group 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.

Forward foreign currency contracts outstanding at balance date were as follows:

	Consolidated	
	2005	2004
	\$'000	\$'000
Derivative financial instruments – current liabilities	(31)	(105)
	<u>(31)</u>	<u>(105)</u>

These contracts are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity. Any changes in fair values are taken to the income statement immediately.

(b) Credit risk management

The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers.

Credit risk on derivative contracts is not significant and it is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

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 Group pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Group.

The full amount of the exposure is disclosed at note 29(a) above.

Notes to the financial statements (continued)

For the year ended 31 December 2005

29 Financial risk management (continued)**(c) Interest rate risk exposures**

The Group'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 Group intends to hold fixed rate assets and liabilities to maturity.

2005	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash and deposits – note 5	5.15%	21,475	3,085	-	-	43	24,603
Receivables – note 6 & 9	6.03%	23,365	-	-	-	110,957	134,322
Other financial investments – note 11	-	-	-	-	-	32	32
		<u>44,840</u>	<u>3,085</u>	<u>-</u>	<u>-</u>	<u>111,032</u>	<u>158,957</u>
Financial liabilities							
Borrowings – note 16	6.03%	250,000	-	-	-	102	250,102
Payables – note 15	-	-	-	-	-	72,988	72,988
Lease liabilities – note 16 & 20	7.16%	-	425	971	-	-	1,396
Limited recourse loan – note 19	-	-	-	-	-	12,305	12,305
		<u>250,000</u>	<u>425</u>	<u>971</u>	<u>-</u>	<u>85,395</u>	<u>336,791</u>
Net financial assets (liabilities)		<u>(205,160)</u>	<u>2,660</u>	<u>(971)</u>	<u>-</u>	<u>25,637</u>	<u>(177,834)</u>

2004	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash and cash equivalents – note 5	4.68%	18,571	3,035	-	-	40	21,646
Receivables – note 6 & 9	5.84%	19,108	-	-	-	107,738	126,846
Other financial investments – note 11	-	-	-	-	-	32	32
		<u>37,679</u>	<u>3,035</u>	<u>-</u>	<u>-</u>	<u>107,810</u>	<u>148,524</u>
Financial liabilities							
Borrowings – note 16	5.52%	215,000	-	-	-	102	215,102
Payables – note 15	-	-	-	-	-	79,080	79,080
Lease liabilities – note 16 & 20	7.10%	-	501	1,094	-	-	1,595
Limited recourse loan – note 19	-	-	-	-	-	12,305	12,305
		<u>215,000</u>	<u>501</u>	<u>1,094</u>	<u>-</u>	<u>91,487</u>	<u>308,082</u>
Net financial assets (liabilities)		<u>(177,321)</u>	<u>2,534</u>	<u>(1,094)</u>	<u>-</u>	<u>16,323</u>	<u>(159,558)</u>

Notes to the financial statements (continued)

For the year ended 31 December 2005

29 Financial risk management (continued)**(e) Net fair values of financial assets and liabilities***Valuation Approach*

Net fair values of financial assets and liabilities are determined by the Group on the following basis:

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, receivables, payables bank loans and other loans 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.

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

	Notes	Consolidated			
		2005		2004	
		Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
Financial assets					
Cash	5	24,603	24,603	21,646	21,646
Receivables	6	110,957	110,957	107,738	107,738
Other assets – current	8	31	31	89	89
Other debtors	9	2,658	2,658	2,338	2,338
Loans to joint ventures	9	20,707	20,707	16,770	16,770
Investments in other corporations	11	32	32	32	32
Non-traded financial assets		158,988	158,988	148,613	148,613
Financial liabilities					
Payables	15	72,988	72,988	79,080	79,080
Lease liabilities	16 & 20	1,396	1,396	1,595	1,595
Other loans – current	16	250,000	250,000	215,000	215,000
Forward exchange contracts – current		31	31	105	105
Other loans – non-current		102	102	102	102
Limited Recourse Loan	19	12,305	12,305	12,305	12,305
Non-traded financial liabilities		336,822	336,822	308,187	308,187

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.

Notes to the financial statements (continued)

For the year ended 31 December 2005

30 Contingent liabilities and contingent assets

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

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(a) Guarantees				
Bank guarantees	11,023	6,649	1,737	2,024

(b) Contingent payments

On 1 July 2003 the Group acquired control of C&M Brick Pty Ltd and the net operating assets of Rocla Pavers and Masonry. 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, cannot be reliably estimated. Should consideration be payable it will be brought to account as goodwill acquired.

(c) Litigation

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

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

31 Commitments for expenditure

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Capital commitments - Property, plant and equipment				
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:				
Within one year	8,665	732	-	-
Finance leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	623	656	-	-
Later than one year but not later than 5 years	777	926	-	-
Later than 5 years	-	37	-	-
Minimum lease payments	1,400	1,619	-	-
Less: Future finance charges	4	24	-	-
Recognised as a liability	1,396	1,595	-	-
Representing lease liabilities:				
Current (note 16)	425	501	-	-
Non current (note 20)	971	1,094	-	-
	1,396	1,595	-	-
Operating leases				
Commitments in relation to operating leases contracted for at the reporting date, but not recognised as liabilities, payable:				
Within one year	3,147	11,986	-	-
Later than one year but not later than 5 years	5,222	18,710	-	-
Later than 5 years	8,291	22,453	-	-
	16,660	53,149	-	-

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

Notes to the financial statements (continued)

For the year ended 31 December 2005

32 Employee benefits

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Employee benefit liabilities				
Provision for employee benefits				
Current (note 18)	16,122	16,348	-	-
Non-current (note 22)	2,920	1,777	-	-
Aggregate employee benefit liability	19,042	18,125	-	-
Employee numbers				
Average number of employees during the year	1,346	1,380	-	-

As explained in note 1(x)(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	
	2005	2004	2005	2004
Long service leave				
Weighted average rates of increase in annual employee benefits to settlement of the liabilities	2.6%	3.0%	-	-
Weighted average discount rates	5.2%	5.5%	-	-
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 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 (2004 - 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.

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 2005, the Managing Director and seven senior executives of the Company had accepted the Company's invitation under the Plan and are therefore Participants granted Awards under the Plan.

2002 Award

Under the Plan, Participants were 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 total number of Awards granted under the 2002 Award was 1,665,000. At 31 December 2005, a total of 1,665,000 shares had been provided to Participants on the exercise of Awards. The grant date of the 2002 Awards is set out in the Remuneration Report on page 19.

2004 Award

Under the Plan, Participants were 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 2006, 1 May 2007 and 1 May 2008 respectively. The total number of Awards granted under the 2004 Award was 2,705,000 with none exercised and 255,000 Awards lapsed at 31 December 2005.

Shareholders approved the issue of a 2004 Award to the Managing Director of 900,000 Awards at the Annual General Meeting held on 19 May 2005. The 2004 Award expires on 28 May 2008. The grant date of the 2002 Awards is set out in the Remuneration Report on page 19.

Notes to the financial statements (continued)

For the year ended 31 December 2005

32 Employee benefits (continued)

Performance conditions

Detailed discussion of the Awards performance conditions is set out in the Remuneration Report on pages 17 to 18.

Awards exercised to date

During 2005, 292,560 shares were issued under the Plan on the exercise of the remaining balance of Tranche 3 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 \$1.6409, being the volume weighted average price at which the Company's shares traded on the ASX during the five trading days (VWAP) immediately before the date of allotment, a cost to the Company of \$480,062.

During 2004 Boral Ltd 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 under the 2002 Award 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.

A further 98,958 shares were transferred to the Managing Director and senior executives in 2004 under the normal operation of the Plan on the exercise of the remaining balance of Tranche 2 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 acquired on market by the Plan Trustee at \$1.54 per share with funds provided by the Company, a cost to the Company of \$152,000.

Balance of Awards

As at 31 December 2005, if the exercise conditions are satisfied and the remaining balance of all currently approved Awards are exercised, the Company would be obliged to transfer 2,450,000 shares to the Participants, under the 2004 Award (2004 – 292,560 shares under the 2002 Award and 1,635,000 shares under the 2004 Award).

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(x)(iv), with \$1,315,746 (2004 - \$1,091,660) recognised as an expense during the year.

33 Directors and executive disclosures

The Remuneration Report prepared in accordance with Section 300A of the *Corporations Act* is set out on pages 10 to 24 of this report, including discussion on the Group performance.

Details of Key Management Personnel

(a) Directors

The following persons were Directors of the Company during the financial year:

Chairman – non-executive

MA Kinnaird AO

Non-executive Directors

CL Harris

D Barro AO

JD McNerney

LV Hosking

GF Pettigrew

Executive Director

MP Chellew, Managing Director

Notes to the financial statements (continued)

For the year ended 31 December 2005

33 Directors and executive disclosures (continued)

(b) Executives

The following eight persons were the executives (other than Directors) with the greatest authority and responsibility for planning, directing, and controlling the activities of the Group ("senior executives") during the year:

Name	Position
Current executives	
AD Poulter	Chief Financial Officer
M Brydon	General Manager Cement & Lime
MA Finney	General Manager Aggregates and Recycling (until 24 February 2005) General Manager Concrete and Quarries (from 24 February 2005)
T Douglas	General Manager Strategy & Business Development
MRD Clayton	General Counsel & Company Secretary
SJ Toppenberg	General Manager Human Resources (from 2 May 2005)
C Kupke	Managing Director C&M Brick Pty Ltd
Former executives	
RW Eckert	General Manager Concrete (until 24 February 2005)

All of the above persons, except Ms Toppenberg were also executives during the year ended 31 December 2004.

Mr Eckert ceased acting as General Manager Concrete on 24 February 2005 and ceased employment with the Company on 1 July 2005.

(c) Compensation of Key Management Personnel

Principles used to determine the nature and amount of compensation

Non-executive Directors

A discussion of the compensation policy for non-executive Directors, including details of how the fees paid to non-executive Directors are determined, is set out in the Remuneration Report on pages 11 to 12 of this report.

Managing Director and senior executives

A discussion of the compensation policy for the Managing Director and senior executives is set out in the Remuneration Report on pages 12 to 18 of this report and in note 33.

Service Agreements

Service agreements with the Managing Director and other members of the senior executive team are detailed in the Remuneration Report on pages 22 to 23 of this report.

Effect of the takeover offer by Boral Limited

On 30 January 2004, Boral Limited sent shareholders its offer to acquire all the issued shares in the Company. As discussed in note 32, the Executive Performance Share Plan (Plan) permitted early exercise of part of the 2002 Award. As a result 798,482 shares were transferred to the Managing Director and senior executives at a total cost to the Company of \$1,230,000.

In addition, in order to ensure the services of senior executives were retained during the takeover bid period and in recognition of the additional workload they were required to manage during this period of uncertainty, retention payments of between 1 and 4 months' annual salary were made by the Company to the Managing Director and other senior executives of the Company, as approved by the Board on 28 October 2004. The total amount of these retention payments paid during the year was \$639,318.

Notes to the financial statements (continued)

For the year ended 31 December 2005

33 Directors and executive disclosures (continued)**Compensation of Key Management Personnel for the year ended 31 December 2005**

	Short-term benefits			Post-employment benefits	Termination benefits	Share-based payments	Total
	Fixed salary and fees	Short term incentive	Non-monetary	Super contributions		Long term incentive ^{1,2}	
	\$	\$	\$	\$	\$	\$	\$
Directors							
MA Kinnaird	190,483	-	-	-	-	-	190,483
CL Harris	74,157	-	-	7,416	-	-	81,573
D Barro	53,317	-	-	-	-	-	53,317
JD McNerney	51,135	-	-	-	-	-	51,135
LV Hosking	69,553	-	-	6,955	-	-	76,508
GF Pettigrew	63,733	-	-	6,373	-	-	70,106
Executive Director							
MP Chellew	731,321	292,480	-	11,862	-	383,459	1,419,122
Senior Executives							
AD Poulter	375,334	115,755	-	11,862	-	85,198	588,149
M Brydon	398,180	122,550	-	11,862	-	84,086	616,678
MA Finney	318,766	105,000	32,177	28,689	-	83,878	568,510
T Douglas	266,176	90,336	-	35,934	-	82,818	475,264
MRD Clayton	255,221	79,500	-	11,862	-	83,450	430,033
SJ Toppenberg ³	138,762	45,000	-	12,489	-	9,419	205,670
R Eckert ⁴	142,639	-	-	12,701	330,730	-	486,070
TOTAL FOR THE COMPANY	3,128,777	850,621	32,177	158,005	330,730	812,308	5,312,618
C Kupke ⁵	275,969	-	5,784	24,770	-	-	306,523
TOTAL FOR THE GROUP	3,404,746	850,621	37,961	182,775	330,730	812,308	5,619,141

¹ In accordance with the requirements of the Accounting Standards, compensation includes a proportion of the notional value of equity compensation granted or outstanding during the year. The notional value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. Fair values at grant date are independently determined using a pricing model in accordance with accounting policy note 1(x)(iv).

² 27% of Executive Director's and 0% - 20% of senior executives compensation for the financial year consists of Awards.

³ Ms Toppenberg commenced employment effective 2 May 2005.

⁴ Mr Eckert ceased employment effective 1 July 2005.

⁵ Mr Kupke does not participate in short term and long term incentive schemes. Mr Kupke is the only Group senior executive that is not employed by the Company

Notes to the financial statements (continued)

For the year ended 31 December 2005

33 Directors and executive disclosures (continued)**Compensation of key management personnel for the year ended 31 December 2004**

	Short-term benefits				Post-employment benefits	Share-based payments	Total
	Fixed salary and fees	Short term incentive	Non-monetary	Other (Retention payments)	Super contributions	Long term incentive ^{1,2}	
	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors							
MA Kinnaird	184,292	-	-	-	-	-	184,292
CL Harris	76,843	-	-	-	7,684	-	84,527
D Barro	49,683	-	-	-	-	-	49,683
JD McNerney	34,353	-	-	-	-	-	34,353
LV Hosking	68,888	-	-	-	6,889	-	75,777
GF Pettigrew	22,443	-	-	-	2,227	-	24,670
Executive Director							
MP Chellew	652,221	420,000	-	208,333	11,293	62,793	1,354,640
Senior Executives							
AD Poulter	354,528	173,633	-	121,333	11,293	81,158	741,944
M Brydon	356,748	183,825	-	126,667	11,293	69,913	748,447
MA Finney	315,200	147,479	-	26,261	26,980	70,492	586,411
T Douglas	255,960	135,504	-	48,258	34,555	71,328	545,604
MRD Clayton	239,957	119,250	-	83,333	11,293	61,457	515,290
SJ Toppenberg ³	-	-	-	-	-	-	-
RW Eckert ⁴	277,373	138,438	-	25,133	24,944	32,724	498,612
TOTAL FOR THE COMPANY	2,888,489	1,318,129	-	639,318	148,451	449,865	5,444,252
C Kupke ⁵	238,283	-	10,969	-	20,944	-	270,196
TOTAL FOR THE GROUP	3,126,772	1,318,129	10,969	639,318	169,395	449,865	5,714,448

¹ In accordance with the requirements of the Accounting Standards, compensation includes a proportion of the notional value of equity compensation granted or outstanding during the year. The notional value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. Fair values at grant date are independently determined using a pricing model in accordance with accounting policy note 1x(iv).

² 5% of Executive Director's and 0% - 13% of senior executives compensation for the financial year consists of Awards.

³ Ms Toppenberg commenced employment effective 2 May 2005.

⁴ Mr Eckert ceased employment effective 1 July 2005.

⁵ Mr Kupke does not participate in Short term and long term incentive schemes. Mr Kupke is the only Group senior executive that is not employed by the Company.

Notes to the financial statements (continued)

For the year ended 31 December 2005

33 Directors and executive disclosures (continued)**(d) Awards holdings of key management personnel**

The number of Awards granted as compensation and details of Awards vested, exercised or lapsed during the year 2005 are disclosed in the Remuneration Report on page 19.

The exercise price of awards is based on the closing published share price at grant date. The assessed fair value at grant date of Awards granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the tables above. Fair values at the grant date are independently determined using Black Scholes option pricing model that takes into account the exercise price, the term of the Awards, the lack of marketability, the impact of TSR vesting condition (applicable to 50% of Awards), the expected future dividends and the risk free interest rate for the term of the Award.

2004 Awards grant – pricing model inputs

	Number of Awards	Grant date	Exercise price	Value per Award at grant date	Expected annual dividends	Risk-free interest rate	Lack of marketability discount	TSR condition discount
			\$	\$	\$	%	%	%
MP Chellew								
Tranche 1	300,000	19,	1	1.125	0.08	5.22	3.0	40.0
Tranche 2	300,000	19,	1	0.945	0.08	5.22	6.0	45.0
Tranche 3	300,000	19,	1	0.785	0.08	5.22	9.0	50.0
AD Poulter								
Tranche 1	85,000	30,	1	0.865	0.08	5.28	3.0	40.0
Tranche 2	85,000	30,	1	0.72	0.08	5.28	6.0	45.0
Tranche 3	85,000	30/8/04	1	0.58	0.08	5.28	9.0	50.0
M Brydon								
Tranche 1	85,000	4,	1	0.865	0.08	5.21	3.0	40.0
Tranche 2	85,000	4,	1	0.715	0.08	5.21	6.0	45.0
Tranche 3	85,000	4,	1	0.58	0.08	5.21	9.0	50.0
MA Finney								
Tranche 1	85,000	2,	1	0.865	0.08	5.18	3.0	40.0
Tranche 2	85,000	2,	1	0.715	0.08	5.18	6.0	45.0
Tranche 3	85,000	2,	1	0.58	0.08	5.18	9.0	50.0
T Douglas								
Tranche 1	85,000	1,	1	0.855	0.08	5.21	3.0	40.0
Tranche 2	85,000	1,	1	0.705	0.08	5.21	6.0	45.0
Tranche 3	85,000	1,	1	0.57	0.08	5.21	9.0	50.0
MRD Clayton								
Tranche 1	85,000	2,	1	0.865	0.08	5.18	3.0	40.0
Tranche 2	85,000	2,	1	0.715	0.08	5.18	6.0	45.0
Tranche 3	85,000	2,	1	0.58	0.08	5.18	9.0	50.0
SJ Toppenberg								
Tranche 2	85,000	1,	1	1.28	0.08	5.36	6.0	45.0
Tranche 3	85,000	1,	1	1.07	0.08	5.36	9.0	50.0
RW Eckert								
Tranche 1	85,000	7,	1	0.88	0.08	5.35	3.0	40.0
Tranche 2	85,000	7,	1	0.73	0.08	5.35	6.0	45.0
Tranche 3	85,000	7,	1	0.585	0.08	5.35	9.0	50.0

Notes to the financial statements (continued)

For the year ended 31 December 2005

33 Directors and executive disclosures (continued)**(e) Shareholdings of key management personnel****Number of shares held in Adelaide Brighton Limited at 31 December 2005**

	Balance at start of year	Received on exercise of EPSP	Other changes	Balance at end of year
Non-executive Directors				
MA Kinnaird	74,286	-	-	74,286
CL Harris	110,001	-	-	110,001
D Barro	107,886,274	-	16,714,317	124,600,591
JD McNerney	101,000	-	-	101,000
LV Hosking	2,000	-	-	2,000
GF Pettigrew	5,000	-	-	5,000
Executive Director				
MP Chellew	688,622	110,521	-	799,143
Specified Executives				
AD Poulter	156,131	43,869	(50,000)	150,000
M Brydon	12,500	37,215	-	49,715
MA Finney	187,825	37,175	(125,000)	100,000
T Douglas	112,541	37,459	-	150,000
MRD Clayton	10,679	26,321	(37,000)	-
SJ Toppenberg	-	-	-	-
C Kupke	-	-	-	-
RW Eckert	-	-	-	-
Total	109,346,859	292,560	16,502,317	126,141,736

Number of shares held in Adelaide Brighton Limited at 31 December 2004

	Balance at start of year	Received on exercise of EPSP	Other changes	Balance at end of year
Non-executive Directors				
MA Kinnaird	74,286	-	-	74,286
CL Harris	110,001	-	-	110,001
D Barro	55,760,560	-	52,125,714	107,886,274
JD McNerney	1,000	-	100,000	101,000
LV Hosking	2,000	-	-	2,000
GF Pettigrew	-	-	5,000	5,000
Executive Director				
MP Chellew	299,143	389,479	-	688,622
Specified Executives				
AD Poulter	-	106,131	50,000	156,131
M Brydon	85,120	112,785	(185,405)	12,500
MA Finney	75,000	112,825	-	187,825
T Douglas	-	112,541	-	112,541
MRD Clayton	-	63,679	(53,000)	10,679
SJ Toppenberg	-	-	-	-
C Kupke	-	-	-	-
RW Eckert	-	-	-	-
Total	56,407,110	897,440	52,042,309	109,346,859

Notes to the financial statements (continued)

For the year ended 31 December 2005

33 Directors and executive disclosures (continued)**(e) Other transactions with Directors and executives**

Mr D Barro AO, a Director of Adelaide Brighton Ltd, is Executive Chairman 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.

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 Group has a 50% share.

Mr MP Chellew, a Director of Adelaide Brighton Ltd, is also a Director of Sunstate Cement Ltd. During the year, the Group 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, 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 Group. These purchases are on the same terms and conditions as those entered into by other Group 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	
	2005	2004	2005	2004
	\$	\$	\$	\$
Sales to Director-related entities	30,653,950	24,443,768	-	-
Purchases from Director-related entities	5,709,181	4,711,079	-	-

34 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practises and non-related audit firms:

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
(a) Assurance services				
<i>Audit services</i>				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	446,250	425,500	48,950	37,000
Total remuneration for audit services	446,250	425,500	48,950	37,000
<i>Other assurance services</i>				
PricewaterhouseCoopers Australian firm				
Audit of the transition to AIFRS	140,000	-	-	-
Audit of tax consolidation compliance	64,200	-	-	-
Due diligence services	-	299,390	-	-
Other	52,787	-	-	-
	256,987	299,390	-	-
(b) Taxation services				
PricewaterhouseCoopers Australian firm				
Tax compliance services	48,000	-	-	-

Notes to the financial statements (continued)

For the year ended 31 December 2005

35 Related parties

(a) Directors and key management personnel

Disclosures relating to Key Management Personnel are set out in note 33.

(b) Wholly-owned group

Details of interests in wholly owned controlled entities are set out in note 36(a). Details of the Company's dealings with these wholly owned entities are set out below.

(i) Aggregate amounts included in the determination of profit from ordinary activities before income tax expense that resulted from transactions with entities in the wholly owned group.

	The Company	
	2005	2004
	\$'000	\$'000
Interest revenue	19,318	18,372
Dividend income	41,000	45,357
Bad and doubtful debts	(10,046)	(34,271)

(ii) Aggregate amounts receivable from, and payable to, entities in the wholly owned controlled group at balance date.

Receivables		
Other loans – current	419,580	365,469
Other loans - non-current	82,860	82,860
Payables		
Other loans – current	(171,312)	(145,510)

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.

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

(c) Other related parties

Details of interests in controlled entities are set out in note 36(a). Details of interests in joint ventures are set out in note 38(a). The Company's dealings with these entities are set out below.

(i) 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	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Interest revenue				
- Controlled entity	-	-	4,417	3,434
- Joint venture entity	1,073	768	-	-
- Other related parties	175	-	175	-
Dividend income				
- Controlled entity	-	-	2,489	1,723

Notes to the financial statements (continued)

For the year ended 31 December 2005

35 Related parties (continued)

(ii) Aggregate amounts brought to account in relation to other transactions with other related parties.

- Adelaide Brighton Cement Ltd and Morgan Cement International Ltd supplied finished products and raw materials to Sunstate Cement Ltd and Independent Cement and Lime Pty Ltd; and
- Hy-Tec Industries (Victoria) Pty Ltd, Hy-tec Industries (Queensland) Pty Ltd, C&M Brick Pty Ltd and Adelaide Brighton Cement Ltd purchased raw materials from Sunstate Cement Ltd and Independent Cement and Lime Pty Ltd.
- C&M Brick Pty Ltd purchased raw materials from Adelaide Brighton Cement Ltd and Morgan Cement International 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.

	Consolidated		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Sales to:				
- Controlled entity	3,605	2,464		
- Joint venture entity	122,249	100,973		
Purchases from:				
- Joint venture entity	28,247	20,734		
Loans advanced to:				
- Controlled entity	-	-	16,604	12,180
- Joint venture	3,937	4,581	-	-
- Other related parties	320	2,338	320	2,338

(iii) Balances with other related parties

The aggregate amounts receivable from and payable to other related parties at balance date.

	Consolidated		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Current receivables				
- Joint venture entity (interest)	417	363	-	-
- Joint venture entity (trade)	11,186	13,082	-	-
Non-current receivables				
- Controlled entity (loan)	-	-	73,856	63,617
- Joint venture entity (loan)	20,707	16,770	-	-
- Other related parties (loan)	2,658	2,338	2,658	2,338
Current payables				
- Joint venture entity (trade)	4,773	3,825	-	-

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

(d) Loans to other related parties

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 Group during the reporting year on this loan was \$794,000 (2004: \$706,000).

A loan to C&M Brick Pty Ltd has interest charged at the ruling commercial rates on the outstanding balance. Interest revenue brought to account by the Company during the reporting year on this loan was \$4,417,000 (2004: \$3,434,000).

A loan to Alternative Fuel Company Pty Ltd has interest charged at the ruling commercial rates on the outstanding balance. Interest revenue brought to account by the Group during the reporting year on this loan was \$279,000 (2004: \$62,000).

Adelaide Brighton Ltd and controlled entities

Notes to the financial statements (continued)

For the year ended 31 December 2005

36 Investments in controlled entities

(a) Particulars in relation to controlled entities

Name of entity	Place of incorporation	Class of shares	Equity holding	
			2005 %	2004 %
Adelaide Brighton Ltd				
Adelaide Brighton Cement Ltd	South Aust ³	Ord	100	100
Adelaide Brighton Cement Inc	Washington USA ²	Ord	80	80
Adelaide Brighton Cement Investments Pty Ltd	South Aust ³	Ord	100	100
Adelaide Brighton Management Ltd	South Aust ³	Ord	100	100
Adelaide Brighton Cement International Pty Ltd	South Aust ¹	Ord	100	100
Adelaide Brighton 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 ³	Ord	100	100
C & M Brick Pty Ltd	Victoria	Ord	70	70
Hy-Tec Industries (Queensland) Pty Ltd	South Aust ³	Ord	100	100
Northern Cement Ltd	Northern Territory ³	Ord	100	100
Premier Resources Ltd	NSW ³	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				
Accendo Pty Ltd	South Aust ¹	Ord	100	100
Adba Pty Ltd	NSW ¹	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	Ord	100	100
Fuel & Combustion Technology International Ltd				
Fuel & Combustion Technology International Inc	USA ²	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	Ord	100	100
Hydrated Lime Pty Ltd	Western Aust ¹	Ord	100	100
Chemical Unit Trust	Western Aust ¹	Units	100	100
Kalgoorlie Lime & Chemical Company Pty Ltd	Western Aust ¹	Ord	100	100
Premier Resources Ltd				
Hy-Tec Industries Pty Ltd	NSW ³	Ord	100	100
Hy-Tec Industries (Victoria) Pty Ltd	NSW ³	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 ³	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
C&M Brick Pty Ltd				
C&M Masonry Products Pty Ltd	South Aust	Ord	100	100
Betta Brick Pty Ltd	Vic ¹	Ord	100	100
C&M Brick (Bendigo) Pty Ltd	Vic ¹	Ord	100	100
C&M Design/Construct Pty Ltd	Vic ¹	Ord	100	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 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.

Notes to the financial statements (continued)

For the year ended 31 December 2005

36 Investments in controlled entities (continued)**(b) Discontinued operation**

The consolidated group divested its interest in Pavement Technology Ltd, a controlled entity, effective 1 January 2004, resulting in the discontinuation of operations in specialised road construction, maintenance and rehabilitation services. The consolidated group divested its interest in Adelaide Brighton Cement (Netherlands) B.V. effective 1 July 2004. Financial information relating to the discontinued operations is set out below. For segment reporting purposes both entities operated in the other segment as neither constituted a separately reportable segment.

	2005 \$'000	2004 \$'000
(a) Financial performance information		
Revenue	-	-
Expenses	-	-
Gain on sale of controlled entities	-	1,265
Profit before income tax	-	1,265
Income tax expense	-	-
Profit from discontinued operations	-	1,265
(b) Carrying amount of assets and liabilities		
Cash	-	91
Receivables	-	5,185
Inventories	-	27
Property, plant & equipment	-	4,780
Deferred tax assets	-	513
Total assets	-	10,596
Payables	-	3,847
Provisions	-	1,018
Deferred tax liabilities	-	779
Total liabilities	-	5,644
Net assets	-	4,952
(c) Cash flow information		
Net cash inflow from ordinary activities	-	-
Net cash inflow from investing activities	-	6,217
Net cash inflow from financing activities	-	-
Net increase in cash generated by the discontinued operations	-	6,217
Details of the sale of the entities		
Cash consideration	-	6,217
Carrying amount of net assets sold	-	(4,952)
Gain on sale before related income tax	-	1,265
Income tax expense	-	-
Gain on sale after related income tax	-	1,265

37 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, 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".

Adelaide Brighton Ltd and controlled entities

Notes to the financial statements (continued)

For the year ended 31 December 2005

37 Deed of cross guarantee (continued)

Set out below is a condensed consolidated income statement and a summary of movements in consolidated retained profits for the year ended 31 December 2005 of the Closed Group.

	2005	2004
	\$'000	\$'000
Profit before income tax expense	124,068	102,304
Income tax expense	(32,587)	(12,956)
Profit for the year	91,481	89,348
Retained profits at the beginning of the financial year	6,803	(48,626)
Profit for the year	91,481	89,348
Transactions recognised directly in retained earnings	(1,892)	2,657
Dividends provided for or paid	(44,716)	(36,576)
Retained profits at the end of the financial year	51,676	6,803

Set out below is a consolidated balance sheet as at 31 December 2005 of the Closed Group.

	2005	2004
	\$'000	\$'000
Current assets		
Cash and cash equivalents	19,698	16,423
Receivables	113,294	94,502
Inventories	53,664	48,787
Other current assets	31	89
Total current assets	186,687	159,801
Non-current assets		
Receivables	97,418	82,969
Investments accounted for using the equity method	34,101	31,634
Other financial assets	32,497	32,497
Property, plant and equipment	516,781	497,748
Deferred tax assets	12,205	15,669
Intangible assets	155,853	156,355
Total non-current assets	848,855	816,872
Total assets	1,035,542	976,673
Current liabilities		
Payables	53,833	77,314
Interest bearing liabilities	250,139	215,167
Current tax liabilities	24,383	9,481
Provisions	22,361	22,659
Derivative financial instruments	31	105
Other	13,632	14,955
Total current liabilities	364,379	339,681
Non-current liabilities		
Interest bearing liabilities	-	133
Deferred tax liabilities	66,867	78,400
Provisions	22,855	23,741
Retirement benefit obligations	1,418	829
Other	102	102
Total non-current liabilities	91,242	103,205
Total liabilities	455,621	442,886
Net assets	579,921	533,787
Equity		
Contributed equity	513,255	512,775
Reserves	14,990	14,209
Retained profits (losses)	51,676	6,803
Total equity	579,921	533,787

Notes to the financial statements (continued)

For the year ended 31 December 2005

38 Investments in joint ventures**(a) Carrying amounts**

Investments in joint ventures 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 the company	Principal activity	Ownership interest		Consolidated		Parent entity	
		2005 %	2004 %	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Sunstate Cement Ltd	Cement manufacture	50	50	14,798	13,912	-	-
Independent Cement and Lime Pty Ltd	Cement distribution	50	50	23,264	21,683	-	-
Alternative Fuel Company Pty Ltd	Processing waste materials	50	50	-	-	-	-
				38,062	35,595	-	-

Each of above joint ventures is incorporated in Australia. The annual balance date of the above joint venture entities is 30 June.

(b) Movements in carrying amounts	2005	2004
	\$'000	\$'000
Carrying amount at 1 January	35,595	33,643
Share of net profits	19,629	16,761
Dividends received	(17,162)	(14,809)
Carrying amount at 31 December	38,062	35,595
(c) Share of joint ventures' profits		
Revenues	169,807	162,749
Expenses	(144,837)	(141,730)
Profit before income tax	24,970	21,019
Income tax expense	(5,295)	(4,456)
Profit after income tax – as disclosed by joint ventures	19,675	16,563
Adjustments:		
Unrealised profit in inventory	(46)	198
Share of net profit – equity accounted	19,629	16,761
Retained profits at 1 January	1,614	(338)
Dividends and distributions	(17,162)	(14,809)
Share of retained profits at 31 December	4,081	1,614
(d) Summarised financial information of joint ventures		
Total assets	130,418	118,698
Total liabilities	(68,869)	(62,174)
Group's share of joint ventures net assets	30,775	28,262
Adjustments arising from equity accounting:		
Goodwill	7,437	7,437
Unrealised profit in inventory	(150)	(104)
Net assets – equity adjusted	38,062	35,595

Notes to the financial statements (continued)

For the year ended 31 December 2005

39 Notes to the statements of cash flows

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Profit after tax for the year	90,956	94,412	40,019	20,257
Doubtful debts	(432)	(717)	10,046	34,271
Depreciation and amortisation	47,499	51,936	-	-
(Gain) loss on sale of non-current assets	(916)	1,384	-	-
(Gain) loss on sale of controlled entities	-	(1,265)	-	-
Share of joint venture entities' net profit	(2,467)	(1,952)	-	-
Other	277	(541)	(5,303)	(5,836)
Net cash provided by operating activities before change in assets and liabilities	134,917	143,257	44,762	48,692
Changes in operating assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:				
(Increase)/decrease in inventories	(8,686)	(10,788)	-	-
(Increase)/decrease in prepayments	(521)	(3,080)	-	-
(Increase)/decrease in trade/term debtors	(2,209)	(6,409)	(20,774)	-
Increase/(decrease) in trade creditors	455	5,942	(5,978)	(743)
Increase/(decrease) in provisions	(2,214)	(4,628)	-	-
Increase/(decrease) in taxes payable	11,975	534	14,732	(7,788)
Increase in deferred taxes payable	(10,285)	(9,148)	-	78
Net cash inflow from operating activities	123,432	115,680	32,742	40,238

40 Earnings per share

	Consolidated	
	2005 Cents	2004 Cents
Basic earnings per share	16.8	17.2
Diluted earnings per share	16.7	17.2
Alternative basic earnings per share	16.2	14.6

The alternative basic earnings per share has been calculated to exclude the tax benefit on implementation of tax consolidation.

	The Company	
	2005 Number	2004 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	542,063,795	541,861,007
Adjustments for calculation of diluted earnings per share		
Awards	2,450,000	292,560
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	544,513,795	542,153,567

Notes to the financial statements (continued)

For the year ended 31 December 2005

40 Earnings per share (continued)

	Consolidated	
	2005	2004
	\$'000	\$'000
Reconciliations of earnings used in calculating earnings per share		
<i>Basic earnings per share</i>		
Profit from continuing operations	90,956	93,147
Profit from continuing operations attributable to minority interests	(32)	(1,099)
Profit from continuing operations attributable to ordinary equity holders of the company used in calculating basic earnings per share	90,924	92,048
Profit from discontinued operations	-	1,265
Profit attributable to ordinary equity holders of the company used in calculating basic earnings per share	90,924	93,313
Tax benefit on implementation of tax consolidation	(3,091)	(13,969)
Profit attributable to ordinary equity holders of the company used in calculating alternative basic earnings per share	87,833	79,344

Notes to the financial statements (continued)

For the year ended 31 December 2005

41 Segment information

Business segments

The Group 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 supplementary cementitious materials. The major end-users of these products are the Australian residential and non-residential construction, engineering construction and mining markets.

Building products

Production and sale of buildings products including concrete masonry products. The major end-users of these products are the Australian residential and non-residential construction markets.

Other

Group holding companies and management activities. None of these activities constitutes a separately reportable segment.

**Primary reporting
– business segments**

	2005 \$'000					
	Construction & mining materials	Building products	Other	Elimination / unallocated	Discontinued operations	Consolidated
External sales revenue	626,167	91,169		-	-	717,336
Inter-segment sales	3,605	-		(3,605)	-	-
Share of net profit of joint ventures	19,629	-		-	-	19,629
Other revenue	5,016	726	17	-	-	5,915
Total segment revenue / income	654,417	91,896	17	(3,605)	-	742,880
Segment result	141,449	2,951	(10,28)	-	-	134,112
Net interest expense						(13,951)
Profit before income tax						120,161
Income tax expense						(29,205)
Net profit for the year						90,956
Segment assets	618,741	104,784	768,08	(369,564)	-	1,122,018
Segment liabilities	413,353	88,064	392,64	(406,023)	-	488,042
Investments in joint venture entities	38,062	-		-	-	38,062
Payments for non-current assets	88,903	8,217	5,61	-	-	102,731
Depreciation and amortisation	41,533	4,349	1,48	121	-	47,499

Notes to the financial statements (continued)

For the year ended 31 December 2005

41 Segment information (continued)

Primary reporting – business segments	2004 \$'000					
	Construction & mining materials	Building products	Other	Elimination / unallocated	Discontinued operations	Consolidated
External sales revenue	591,366	91,984		-	-	683,350
Inter-segment sales	2,464	-		(2,464)	-	-
Share of net profit of joint ventures	16,761	-		-	-	16,761
Other revenue	4,583	488	62	-	1,265	6,958
Total segment revenue / income	615,174	92,472	62	(2,464)	1,265	707,069
Segment result	124,524	8,666	(13,47)	-	1,265	120,881
Net interest expense						(14,721)
Profit before income tax						106,160
Income tax expense						(11,748)
Net profit for the year						94,412
Segment assets	645,568	100,733	735,74	(432,497)	-	1,049,549
Segment liabilities	450,900	76,871	361,18	(428,358)	-	460,601
Investments in joint venture entities	35,595	-		-	-	35,595
Payments for non-current assets	33,957	15,372	79	-	-	50,126
Depreciation and amortisation	46,270	3,906	1,66	99	-	51,936

Geographical segments

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

Secondary reporting – geographical segments

	Segment revenues - external		Segment assets		Acquisitions of fixed assets	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Australia	717,336	683,350	1,120,620	1,048,203	102,731	50,126
Other countries	-	-	1,398	1,346	-	-
	717,336	683,350	1,122,018	1,049,549	102,731	50,126

42 Events occurring after the balance sheet date

As at the date of this report, no matter or circumstance has arisen since 31 December 2005 that has significantly affected, or may significantly affect:

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

Notes to the financial statements (continued)

For the year ended 31 December 2005

43 Explanation of transition to Australian equivalents to IFRS

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

(a) At the date of transition to AIFRS: 1 January 2004	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
Current assets				
Cash and cash equivalents		14,167	-	14,167
Receivables		101,154	1,589	102,743
Inventories		56,241	-	56,241
Other		1,700	(1,589)	111
Total current assets		173,262	-	173,262
Non-current assets				
Receivables		12,189	-	12,189
Investments accounted for using the equity method		33,643	-	33,643
Other financial assets		32	-	32
Property, plant and equipment	(j)	620,064	1,573	621,637
Deferred tax assets	(i)	17,091	5,008	22,099
Intangible assets	(d)	166,442	(762)	165,680
Total non-current assets		849,461	5,819	855,280
Total assets		1,022,723	5,819	1,028,542
LIABILITIES				
Current liabilities				
Payables		76,498	-	76,498
Interest bearing liabilities		229,840	-	229,840
Current tax liabilities		8,236	-	8,236
Provisions	(j), (m)	30,421	(3,455)	26,966
Derivative financial instruments	(k)	-	215	215
Other		3,606	-	3,606
Total current liabilities		348,601	(3,240)	345,361
Non-current liabilities				
Payables		6,000	-	6,000
Interest bearing liabilities		1,360	-	1,360
Deferred tax liabilities	(i)	67,550	35,491	103,041
Provisions	(j), (m)	11,177	15,834	27,011
Retirement benefit obligations	(e)	-	4,246	4,246
Other		12,407	-	12,407
Total non-current liabilities		98,494	55,571	154,065
Total liabilities		447,095	52,331	499,426
Net assets		575,628	(46,512)	529,116
EQUITY				
Contributed equity		512,775	-	512,775
Reserves	(a)	30,453	(17,997)	12,456
Retained earnings	(l)	22,417	(27,717)	(5,299)
Parent entity interest		565,645	(45,714)	519,931
Minority interest		9,983	(798)	9,185
Total equity		575,628	(46,512)	529,116

Notes to the financial statements (continued)

For the year ended 31 December 2005

43 Explanation of transition to Australian equivalents to IFRS (continued)

(b) At the end of the last reporting period under previous AGAAP: 31 December 2004

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
Current assets				
Cash and cash equivalents		21,646	-	21,646
Receivables		103,088	4,650	107,738
Inventories		66,706	-	66,706
Other		4,739	(4,650)	89
Total current assets		196,179	-	196,179
Non-current assets				
Receivables		19,108	-	19,108
Investments accounted for using the equity method	(c)	34,599	996	35,595
Other financial assets		32	-	32
Property, plant and equipment	(j)	611,957	1,463	613,420
Deferred tax assets	(i)	15,412	4,305	19,717
Intangible assets	(b),(d)	156,024	9,474	165,498
Total non-current assets		837,132	16,238	853,370
Total assets		1,033,311	16,238	1,049,549
LIABILITIES				
Current liabilities				
Payables		79,080	-	79,080
Interest bearing liabilities		215,501	-	215,501
Current tax liabilities		8,734	-	8,734
Provisions	(j), (m)	26,661	(2,490)	24,171
Derivative financial instruments	(k)		105	105
Other		15,154	-	15,154
Total current liabilities		345,130	(2,385)	342,745
Non-current liabilities				
Interest bearing liabilities		1,094	-	1,094
Deferred tax liabilities	(i)	56,225	34,234	90,459
Provisions	(j), (m)	9,977	15,395	25,372
Retirement benefit obligations	(e)		829	829
Other		102	-	102
Total non-current liabilities		67,398	50,458	117,856
Total liabilities		412,528	48,073	460,601
Net assets		620,783	(31,835)	588,948
EQUITY				
Contributed equity		512,775	-	512,775
Reserves	(a), (f)	30,499	(17,730)	12,769
Retained earnings	(l)	67,333	(13,237)	54,096
Parent entity interest		610,607	(30,967)	579,640
Minority interest	(l)	10,176	(868)	9,308
Total equity		620,783	(31,835)	588,948

Notes to the financial statements (continued)

For the year ended 31 December 2005

43 Explanation of transition to Australian equivalents to IFRS (continued)**(2) Reconciliation of profit under previous AGAAP to profit under AIFRS****(a) Reconciliation of profit for the year ended 31 December 2004**

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
Revenue	(h)	696,438	(13,088)	683,350
Cost of sales	(h)	(457,705)	12,978	(444,727)
Freight and distribution costs		(92,050)	-	(92,050)
Gross profit		146,683	(110)	146,573
Other income	(a),(g)	9,218	(1,837)	7,381
Marketing costs		(9,890)	-	(9,890)
Administration costs	(e),(f)	(41,265)	2,686	(38,579)
Other expenses	(b),(d)	(11,835)	10,895	(940)
Finance costs	(j),(k)	(13,811)	(2,600)	(16,411)
Share of profit (loss) from joint venture entities accounted for using the equity method	(c)	15,765	996	16,761
Profit before income tax		94,865	10,030	104,895
Income tax expense	(i)	(12,203)	455	(11,748)
Profit from continuing operations		82,662	10,485	93,147
Profit from discontinued operations	(g)	-	1,265	1,265
Profit for the year		82,662	11,750	94,412
Profit attributable to minority interest	(l)	(1,170)	71	(1,099)
Profit attributable to members of Adelaide Brighton Ltd		81,492	11,821	93,313

(3) Reconciliation of cash flow statement for the year ended 31 December 2004

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

(4) Notes to the reconciliations**(a) Foreign currency translation reserve: cumulative translation differences**

The Group has elected to apply the exemption in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve are deemed to be zero at the date of transition to AIFRS. The effect is:

(i) At 1 January 2004

For the Group the balance of the \$2,646,382 credit in the foreign currency translation reserve is reduced to zero. Retained earnings are increased by this amount.

(ii) At 31 December 2004

For the Group the balance of the foreign currency translation reserve is reduced by \$2,558,404. Retained earnings are increased by this amount.

(iii) For the year ended 31 December 2004

The other income for the year has increased by \$87,978.

Notes to the financial statements (continued)

For the year ended 31 December 2005

43 Explanation of transition to Australian equivalents to IFRS (continued)

(b) Goodwill amortisation

Goodwill, an intangible asset with indefinite useful life, is no longer amortised, but is tested annually for impairment. The amortisation charge recorded under previous AGAAP since 1 January 2004 is reversed out to retained earnings. The effect is:

(ii) *At 31 December 2004*

For the Group the balance in the intangibles is increased by \$10,185,684. Retained earnings are increased by the same amount.

(ii) *For the year ended 31 December 2004*

The other expense for the year has decreased by \$10,185,684.

(c) Investment in Joint Ventures accounting for using the equity method

Goodwill recognised by the group, at the time of acquisition of joint venture entities, was amortised over 20 years period under previous AGAAP. Amortisation expense offset against the value of the investment after 1 January 2004 is reversed out to retained earnings. The effect is:

(i) *At 1 January 2004*

There is no effect on the Group.

(ii) *At 31 December 2004*

For the Group the balance in the investments is increased by \$996,000. Retained earnings are increased by this amount.

(iii) *For the year ended 31 December 2004*

The share of profit from joint venture entities accounted for using the equity method for the year has increased by \$996,000.

(d) Impairment

All intangible assets were tested for impairment at transition date and the assessment of recoverable amount resulted into write-off of Geelong brand name. The effect of this is:

(i) *At 1 January 2004*

For the Group there has been a decrease in intangibles of \$761,627. Retained earnings has decreased by \$761,627.

(ii) *At 31 December 2004*

For the Group there has been a decrease in intangibles of \$712,487. Retained earnings has decreased by \$712,487.

(iii) *For the year ended 31 December 2004*

The other expense for the year has decreased by \$49,140.

(e) Retirement benefit obligations

Adelaide Brighton Ltd is the sponsor of a superannuation plan with a defined benefit section and a defined contribution section. Under previous AGAAP, cumulative actuarial gains and losses on the defined benefit section were not recognised on the balance sheet. At the date of transition a liability is recognised in the provision for employee benefits. It is measured as the difference between the present value of the employees' accrued benefits at that date and the net market value of the superannuation fund's assets at that date. The effect of this is:

(i) *At 1 January 2004*

For the Group there has been an increase of \$4,246,000 in retirement benefit obligations and a decrease in retained earnings of \$2,972,200. Deferred tax assets have increased by \$1,273,800.

(ii) *At 31 December 2004*

For the Group there has been an increase of \$829,000 in retirement benefit obligations and a decrease in retained earnings of \$580,300. Deferred tax assets have increased by \$248,700.

(iii) *For the year ended 31 December 2004*

For the Group employee benefits expense for the year has decreased by \$2,944,000, finance costs increased by \$2,184,000 and the income tax expense increased by \$1,025,000.

Notes to the financial statements (continued)

For the year ended 31 December 2005

43 Explanation of transition to Australian equivalents to IFRS (continued)

(f) Share-based payments

Under AASB 2 *Share-based Payment* from 1 January 2004 the Group is required to recognise an expense for those options that were issued to employees under the Adelaide Brighton Ltd Executive Performance Share Plan after 7 November 2002 but that had not vested by 1 January 2005. The effect of this is:

(i) At 1 January 2004

There is no effect on the Group.

(ii) At 31 December 2004

For the Group there has been an increase in reserves of \$355,045, decrease in retained earnings of \$179,620 and an increase in deferred tax asset balance of \$175,425.

(ii) For the year ended 31 December 2004

For the Group there has been an increase in employee benefits expense of \$256,600 and income tax revenue of \$76,980.

(g) Discontinued operations

On 1 January 2004 the Group divested its interest in Pavement Technology Ltd, a controlled entity. Under previous AGAAP the gain on sale of the division was classified in the income statement as the other income. AIFRS requires these gains to be re-classified and separately identified in the income statement as profit from discontinued operations. The effect of this is:

(i) At 1 January 2004

There is no effect on the Group.

(ii) At 31 December 2004

There is no effect on the Group.

(iii) For the year ended 31 December 2004

For the Group the other income for the year has decreased by \$1,265,111 and profit from discontinued operation has increased by the same amount.

(h) Product swap arrangements

Under previous AGAAP, revenue from product swap arrangements was recognised in the income statement. Under AIFRS, an exchange or swap of goods or services should not be treated as a transaction, giving rise to revenue when goods or services exchanged or swapped are of similar nature and value. The effect of this is:

(i) At 1 January 2004

There is no effect on the Group.

(ii) At 31 December 2004

There is no effect on the Group.

(iii) For the year ended 31 December 2004

The revenue and the cost of sales for the year have been decreased by \$13,088,000.

(i) Income tax

Under previous AGAAP income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of AIFRS has resulted in a change in accounting policy. The application of AASB 112 *Income Taxes* has resulted in the recognition of deferred tax liabilities on prior revaluations of non-current assets. The effects are as follows:

Notes to the financial statements (continued)

For the year ended 31 December 2005

43 Explanation of transition to Australian equivalents to IFRS (continued)

(i) *At 1 January 2004 and at 31 December 2004*

The combined effects on the deferred tax asset and deferred liability of the adoption of AIFRS are as follows (tax rate of 30%):

	Notes	1 January 2004 \$'000	31 December 2004 \$'000
Adjustments arising from adoption of AASB 112 booked to:			
Retained earnings		14,354	13,142
Asset Revaluation Reserve		20,644	20,644
Application of AASB 112 to adjustments arising from			
Provision for restoration costs	(j)	(3,241)	(3,433)
Retirement benefit obligations	(e)	(1,274)	(249)
Share based payments	(f)		(175)
Net increase in deferred tax liability		30,483	29,929

(ii) *For the year ended 31 December 2004*

For the Group this has decreased income tax expense by \$455,000.

(j) Provision for close down and restoration costs

Group extracts limestone and shell -sand from several operational quarries. The disturbance occurring from the quarry development, throughout the extraction phase and up to the quarry closure creates an obligation that have to be annually re-assessed and provided for. Under previous AGAAP, restorations costs were expenses as incurred and a general restoration provision of \$1,000,000 was carried at the balance sheet at transition date.

Under AIFRS, close down and restoration provisions are provided for in the accounting period when the obligation arising from the related disturbance occurs, based on the net present value of estimated future costs. Provision additionally includes the dismantling and demolition of infrastructure and the removal of residual materials as well as remediation of disturbed areas.

ABL Group has taken the exemption under AASB 1 and:

- (a) Measured the liability as at the date of transition to AIFRS in accordance with AASB 137 Provisions, Contingent liabilities and Contingent assets.
- (b) Cost of the related asset when the liability first arose was calculated by discounting the liability to that date using historical risk adjusted discount rate that would have applied for that liability over the intervening period.
- (c) Accumulated depreciation of the asset established as at the date of transition to AIFRS was calculated on the basis of the current estimate of the useful life of the asset.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement as a financing cost. Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate. The effects are as follows:

(i) *At 1 January 2004*

For the Group there has been an increase in provisions by \$12,379,000 and increase in property, plant and equipment by \$1,573,000. Retained earnings decreased by \$7,564,300 and net deferred tax assets increased by \$3,241,700.

(ii) *At 31 December 2004*

For the Group there has been an increase in provisions by \$12,905,000 and increase in property, plant and equipment by \$1,463,000. Retained earnings decreased by \$8,009,000 and net deferred tax asset increased by 3,433,000.

(iii) *For the year ended 31 December 2004*

The depreciation expense for the year has increased by \$110,094 and finance costs increased by \$525,650.

Notes to the financial statements (continued)

For the year ended 31 December 2005

43 Explanation of transition to Australian equivalents to IFRS (continued)

(k) Derivative financial instruments

Forward foreign exchange contracts are entered into for the significant purchases raw materials that are denominated in foreign currencies, to protect against exchange rates movements. Under previous AGAAP, these derivative financial instruments were off-balance sheet. Under AIFRS, forward foreign exchange contracts are classified as held for trading, with immediate recognition of changes in the fair value in the income statement.

(i) At 1 January 2004

For the Group there has been an increase in derivative financial instruments liability by \$214,802 and retained earnings has decreased by the same amount.

(ii) At 31 December 2004

For the Group there has been an increase in derivative financial instruments liability by \$105,152 and retained earnings has decreased by the same amount.

(iii) For the year ended 31 December 2004

The finance costs for the year has decreased by \$109,650.

(l) Retained earnings

The effect on retained earnings of the changes set out above are as follows:

	Notes	1 January 2004 \$'000	31 December 2004 \$'000
Foreign currency translation reserve	(a)	(2,647)	(2,558)
Goodwill amortisation	(b)	-	10,185
Investments in Joint venture entities	(c)	-	996
Impairment	(d)	(762)	(712)
Retirement benefit obligations	(e)	(2,972)	(3,237)
Retirement benefit obligations – actuarial gains and losses	(e)	-	2,657
Share-based payments	(f)	-	(180)
Income tax	(i)	(14,354)	(13,142)
Provision for close down and restoration costs	(j)	(7,565)	(8,009)
Derivative financial instruments	(k)	(215)	(105)
Total adjustment		(28,515)	(14,105)
Attributable to:			
Equity holders of the parent		(29,313)	(14,973)
Minority interest		(798)	(868)
		(28,515)	(14,105)

(m) Annual leave and long service leave provisions

Under previous AGAAP, liabilities for annual leave and long service leave expected to be settled later than 12 months of the reporting date were classified as non-current. Under AIFRS, all annual leave provisions are classified as current and only the non-vested portion of long service leave liability remains classified as non-current.

(i) At 1 January 2004

For the Group there has been an increase in current provisions by \$7,200,000 and non-current provisions retained decreased by the same amount.

(ii) At 31 December 2004

For the Group there has been an increase in current provisions by \$7,200,000 and non-current provisions retained decreased by the same amount.

(5) Impact of AIFRS transition on parent entity

No detail disclosures are provided on the Company's transition to AIFRS due to their immaterial nature.

Notes to the financial statements (continued)

For the year ended 31 December 2005

44 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that are significant to the carrying amounts of assets and liabilities in the next financial year are discussed below.

(a) Provisions for close down and restoration costs

Restoration provisions are based on estimates of the cost to rehabilitate currently disturbed areas based on current costs and legislative requirements. The Group progressively rehabilitates as part of the mining process. Cost estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The detailed accounting treatment is set out in note 1(r)(iv).

(b) Impairment of assets

The Group tests annually whether goodwill and other non-current assets have suffered any impairment, in accordance with the accounting policies stated in notes 1(j) and 1(s). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. For detailed assumptions refer to note 14.

Directors' declaration

In the Directors' opinion

- (a) the financial statements and notes set out on pages 34 to 94 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's and Group's financial position as at 31 December 2005 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; 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) the audited remuneration disclosures set out on pages 10 to 24 of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures and Class Order 06/50 issued by the Australian Securities and Investments Commission; and
- (d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 37 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 37.

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



M Chellew
Director

Dated at Adelaide on the 8th day of March 2005.

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 and remuneration disclosures of Adelaide Brighton Ltd (the company) and the Adelaide Brighton Ltd Group (defined below) for the financial year ended 31 December 2005 included on Adelaide Brighton Ltd'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 and remuneration disclosures identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration disclosures. 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 and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Audit Opinion

In our opinion:

1. 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 2005, 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*, and
2. the remuneration disclosures that are contained in pages 11 to 24 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and Class Order 06/50 issued by the Australian Securities and Investments Commission.

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

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of recognised income and expense, 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 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 11 to 24 of the directors' report, as permitted by Class Order 06/50.

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

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. The directors are also responsible for the remuneration disclosures contained in the directors' report.

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 and the remuneration disclosures comply with AASB 124 and Class Order 06/50. 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. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and Class Order 06/50.

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 remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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.

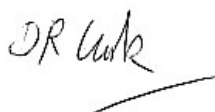
Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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
8 March 2006

Auditor's Independence Declaration

As lead auditor for the audit of Adelaide Brighton Ltd for the year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Adelaide Brighton Ltd and the entities it controlled during the period.



DR Clark
Partner
PricewaterhouseCoopers

Adelaide
8 March 2006