

# Financial statements

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# Directors' report

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

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 2004.

## 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 (appointed 27 August 2004)  
 JA Brooks (resigned 29 April 2004)  
 MP Chellew

## Principal activities

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

Changes to the nature of activities of the consolidated entity occurred during the year with cessation of the provision of specialised road construction, maintenance and rehabilitation services resulting from the sale of a controlled entity.

## Review of operations

A summary of the financial results for the year ended 31 December 2004 is set out below.

<i>(A\$ million)</i>	<b>2004</b>	<i>2003</i>
<b>Sales revenue</b>	<b>703.9</b>	637.1
Depreciation	(51.3)	(52.3)
Goodwill amortisation	(10.2)	(9.8)
<b>Earnings before interest and tax ("EBIT")</b>	<b>107.0</b>	97.0
Net interest	(12.1)	(12.6)
<b>Profit before tax</b>	<b>94.9</b>	84.4
Tax expense on profit before tax	(26.2)	(25.8)
<b>Net profit after tax before tax consolidation</b>	<b>68.7</b>	58.6
Minority interest	(1.2)	(0.9)
<b>Net profit attributable to members before tax consolidation</b>	<b>67.5</b>	57.7
Tax benefit on implementation of tax consolidation <sup>1</sup>	14.0	-
<b>Net profit attributable to members</b>	<b>81.5</b>	57.7
Basic earnings per share (cents)	15.0	10.7
Alternative basic earnings per share (cents)	12.5	10.7
Dividend per share (cents)	7.5	6.0
Franking (%) - interim	100%	60%
Franking (%) - final	100%	100%
Net debt (A\$ million)	195.1	217.1
Net debt/equity (%)	31.4%	37.7%

<sup>1</sup> Assessed adjustment to deferred tax balances on implementation of tax consolidation.

The Australian construction and resources sectors continued to be buoyant during 2004 allowing Adelaide Brighton to report a 16% increase in operating revenue to \$683.3 million. The underlying sales on a like for like basis increased by 8.7% as a result of the net effect of consolidation of the first full year of C&M Brick, which was acquired in July 2003, and the divestment of Pavement Technology effective 1 January 2004.

The continued growth in operating revenues and ongoing improvement in operational performance delivered a 12.4% increase in pre tax profit to \$94.9 million for the year (\$84.4 million in 2003). Adelaide Brighton reported a net profit after tax and minority interests ("NPAT") of \$81.5 million inclusive of a \$14.0 million income tax credit arising from the intention to elect to move to tax consolidation. Before this one off benefit, NPAT was a record \$67.5 million, a 17.0% increase over 2003.

This performance has been driven by the continued strength of its major markets and further improvements in its operating performance. The core cement manufacturing facilities at Birkenhead, Angaston and Munster produced record outputs despite gas supply interruptions in South Australia in early 2004 resulting from the Moomba fire.

Cash flow from operations for the period was \$115.7 million (\$127.9 million in 2003). An underlying improvement in cash flow was offset by the \$16.0 million increase in income tax payments. Adelaide Brighton returned to a full tax payment position following the final utilisation in 2003 of its carry forward tax losses. Net debt reduced significantly to \$195.1 million (\$217.1 million in 2003) as result of strong operational cash flows and tight control over capital expenditure. Gearing (debt to equity) reduced to 31.4% (37.7% in 2003).

The \$240 million short term financing facility was set in place in February 2004 under the assumption that no dividends would be paid having regard to the conditions of the now lapsed Boral takeover bid. The strong operating cash flows and management of capital expenditure has allowed Adelaide Brighton to pay both the final 2003 and interim 2004 dividends within this existing facility.

Adelaide Brighton is currently in the process of determining its long term financing requirements and will secure a replacement longer-term credit facility during 2005. ANZ, the provider of the existing short-term facility, has approved an extension of the short-term facility until 30 September 2005.

Net interest costs were \$0.5 million lower than the prior year as further reduction in debt was offset by higher interest rates following the increase in cash rates in late 2003. The increase in Company profitability has provided a significantly improved interest cover of 8.8 times (7.7 times in 2003).

The tax consolidation legislation gives wholly owned groups the option to be treated as a single tax entity from 1 July 2002. Adelaide Brighton intends to elect to consolidate for tax purposes for the year ended 31 December 2004.

The current assessment of the financial effect on the deferred tax balances of the Group has been recognised in the financial report, resulting in a tax benefit of \$14.0 million recorded in the year ended 31 December 2004. This tax benefit represents a \$46.6 million step up in the tax base of the Group's depreciable assets that will provide a future benefit of additional tax depreciation to reduce taxable profits. As a consequence of the complexity of the new legislation, the final impact of consolidation will not be fully known until tax returns are completed for the relevant period.

#### **Dividends paid or declared by the Company**

In respect to the 2004 financial year, the following dividends were paid or have been provided:

- A final dividend in respect of the year ended 31 December 2003 of 3.25 cents per share, fully franked was paid on 5 July 2004. This dividend totalled \$17,611,000.
- An interim dividend in respect of the year ended 31 December 2004 of 3.5 cents per share, fully franked was paid on 14 October 2004. This dividend totalled \$18,965,000.

In addition to the above dividends, since the end of the financial year, the Directors have approved the payment of a final dividend of 4.0 cents per share, fully franked to be paid on 30 March 2005.

#### **State of affairs**

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

- Effective 1 January 2004, the Group disposed of its controlling interest in Pavement Technology Ltd.
- On 30 January 2004, Boral Ltd sent shareholders its offer to acquire all of the issued shares in Adelaide Brighton Ltd. The offer closed in October 2004 following opposition by the Australian Competition and Consumer Commission.

*Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004*

### **Events subsequent to the end of the financial year**

No matter or circumstance has arisen since 31 December 2004 that has significantly affected, or may significantly affect:

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

### **Likely developments and expected results of operations**

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

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

### **Environmental performance**

The consolidated entity is subject to various Commonwealth, State and Territory laws concerning the environment. Management ensures that any licences or permits required for the Group's operations are obtained and observed. All operations have access to safety and environmental legislation summaries specific to their activities.

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

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

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

The Company monitors SH&E matters by site and business division, and information about the organisation's performance is regularly reviewed by the Company's senior management and the Board. Where specific reporting requirements are applicable (eg National Pollutant Inventory and Greenhouse Gas Reporting), those requirements are complied with.

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

During 2004, a number of specific events occurred which are being assessed against the relevant operating licences. No material adverse impact is expected. There were no prosecutions issued against the Company during 2004. 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.

As a demonstration of the Board's commitment to continuing improvement in environmental management and corporate governance, the Board has formed an OH&S Committee to monitor and review the effectiveness of the occupational health and safety practices of the Group.

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

### **Information on Directors and Directors' Meetings**

Information on Directors is on page 27 of the Annual Report and Directors' Meetings is on page 26 of the Annual Report

### **Remuneration report**

#### ***Principles used to determine the nature and amount of remuneration***

The Nomination and Remuneration Committee is responsible for making recommendations to the Board on the remuneration of non-executive Directors and the Managing Director and for reviewing and approving recommendations from the Managing Director about the remuneration of certain senior executives of the consolidated entity. Performance, duties and responsibilities, market comparison and independent advice are all considered as part of an annual review process.

#### ***Non-executive Directors***

A discussion of the remuneration policy for non-executive Directors, including details of how the fees paid to non-executive Directors are determined, is set out in the Corporate Governance Statement on pages 21 to 26 of this report.

### *Managing Director and senior executives*

A discussion of the remuneration policy for the Managing Director and senior executives of the consolidated entity, including details of how the fees paid are determined, is provided in Note 33 to the Financial Statements on page 60 of this report.

### **Details of remuneration and interests**

Details of the remuneration and interests in share capital and Awards of Directors of the Company and certain senior executives of the consolidated entity are disclosed in Note 33 to the Financial Statements on page 60 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:

	<i>Ordinary shares</i>
MA Kinnaird	74,286
CL Harris	110,001
D Barro	380,675
JD McNerney	101,000
LV Hosking	2,000
GF Pettigrew	5,000
MP Chellew	688,622

### **Indemnification and insurance of officers**

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

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

Additionally, the Company has entered into Deeds of Access, Indemnity and Insurance with all Directors of the Company and its wholly owned subsidiaries, its representatives on the Board of Directors of Independent Cement & Lime Pty Ltd and the Secretary of the Company. These Deeds provide for indemnification to the maximum extent permitted under the law. They do not indemnify for any liability involving a lack of good faith.

During the year, the Company paid a premium of \$291,863 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 consolidated entity, for the period 26 February 2004 to 31 December 2004. Due to confidentiality obligations under that policy, no further details in respect of the nature of the liabilities insured against can be disclosed. Prior to this period, the insurance cover was included under the global policy of the then ultimate parent company, RMC Group plc.

*Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004*

### **Proceedings on behalf of the Company**

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

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

### **Rounding off**

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

### **Auditor**

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

Dated at Adelaide this 8th day of March 2005.

Signed in accordance with a resolution of the Directors:



M Chellew  
Managing Director

# Statements of financial performance

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

The statements of financial performance should be read in conjunction with the notes to the financial statements set out on pages 37 to 74

	Notes	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<i>For the year ended 31 December 2004</i>					
<b>Revenues from sale of goods and services</b>	2	<b>696,438</b>	630,626	-	-
Cost of sales		<b>(457,705)</b>	(415,671)	-	-
Distribution costs		<b>(92,050)</b>	(77,882)	-	-
Gross profit		<b>146,683</b>	137,073	-	-
Other revenues from ordinary activities	2	<b>9,218</b>	7,917	<b>68,886</b>	66,500
Other expenses from ordinary activities					
Marketing		<b>(9,890)</b>	(8,620)	-	-
Administration		<b>(41,265)</b>	(39,826)	<b>(887)</b>	(918)
Borrowing costs	3	<b>(13,811)</b>	(14,058)	<b>(13,636)</b>	(13,746)
Other		<b>(11,835)</b>	(10,997)	<b>(34,271)</b>	(8,613)
Share of net profits of joint venture entities accounted for using the equity method	38(b) & (c)	<b>15,765</b>	12,930	-	-
<b>Profit from ordinary activities before income tax expense</b>		<b>94,865</b>	84,419	<b>20,092</b>	43,223
Income tax expense	4	<b>(12,203)</b>	(25,852)	<b>165</b>	(4,123)
<b>Net profit</b>		<b>82,662</b>	58,567	<b>20,257</b>	39,100
Net profit attributable to outside equity interests		<b>(1,170)</b>	(885)	-	-
<b>Net profit attributable to members of Adelaide Brighton Ltd</b>		<b>81,492</b>	57,682	<b>20,257</b>	39,100
Net exchange difference on translation of financial reports of foreign controlled entities	25(a)	<b>(15)</b>	(175)	-	-
Net movement in other reserves	25(a)	<b>61</b>	-	-	-
Adjustment resulting from change in accounting policy for employee benefits		-	(417)	-	-
<b>Total revenues, expenses and valuation adjustments attributable to members of Adelaide Brighton Ltd recognised directly in equity</b>		<b>46</b>	(592)	-	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	27	<b>81,538</b>	57,090	<b>20,257</b>	39,100
		<b>Cents</b>	Cents		
Basic earnings per share	40	<b>15.0</b>	10.7		
Alternative basic earnings per share	40	<b>12.5</b>	10.7		

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# Statements of financial position

As at 31 December 2004	Notes	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Current assets</b>					
Cash assets	5	21,646	14,167	759	-
Receivables	6	103,088	101,154	407,070	208,620
Inventories	7	66,706	56,241	-	-
Other	8	4,739	1,700	605	-
Total current assets		196,179	173,262	408,434	208,620
<b>Non-current assets</b>					
Receivables	9	19,108	12,189	148,816	302,860
Investments accounted for using the equity method	10	34,599	33,643	-	-
Other financial assets	11	32	32	349,675	349,675
Property, plant and equipment	12	611,957	620,064	-	-
Deferred tax assets	13	15,412	17,091	14,233	78
Intangible assets	14	156,024	166,442	-	-
Total non-current assets		837,132	849,461	512,724	652,613
<b>Total assets</b>		<b>1,033,311</b>	<b>1,022,723</b>	<b>921,158</b>	<b>861,233</b>
<b>Current liabilities</b>					
Payables	15	79,080	76,498	151,511	97,182
Interest bearing liabilities	16	215,501	229,840	215,000	246,866
Current tax liabilities	17	8,734	8,236	9,544	5,951
Provisions	18	26,661	30,421	-	-
Other	19	15,154	3,606	-	-
Total current liabilities		345,130	348,601	376,055	349,999
<b>Non-current liabilities</b>					
Payables		-	6,000	-	6,000
Interest bearing liabilities	20	1,094	1,360	-	-
Deferred tax liabilities	21	56,225	67,550	56,188	-
Provisions	22	9,977	11,177	-	-
Other	23	102	12,407	-	-
Total non-current liabilities		67,398	98,494	56,188	6,000
<b>Total liabilities</b>		<b>412,528</b>	<b>447,095</b>	<b>432,243</b>	<b>355,999</b>
<b>Net assets</b>		<b>620,783</b>	<b>575,628</b>	<b>488,915</b>	<b>505,234</b>
<b>Equity</b>					
Parent entity interest					
Contributed equity	24	512,775	512,775	505,646	505,646
Reserves	25(a)	30,499	30,453	-	-
Retained profits (losses)	25(b)	67,333	22,417	(16,731)	(412)
Total parent entity interest		610,607	565,645	488,915	505,234
Outside equity interest in controlled entities	26	10,176	9,983	-	-
<b>Total equity</b>	27	<b>620,783</b>	<b>575,628</b>	<b>488,915</b>	<b>505,234</b>

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

The statements of financial position should be read in conjunction with the notes to the financial statements set out on pages 37 to 74

# Statements of cash flows

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

The statements of cash flows should be read in conjunction with the notes to the financial statements set out on pages 37 to 74.

	Notes	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>For the year ended 31 December 2004</b>					
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of goods and services tax)		<b>758,540</b>	675,833	-	-
Payments to suppliers and employees (inclusive of goods and services tax)		<b>(630,200)</b>	(546,209)	<b>(1,631)</b>	(1,064)
Dividends received		<b>14,809</b>	10,093	<b>47,080</b>	39,924
Interest received		<b>1,610</b>	1,452	<b>12,504</b>	17,963
Other revenue		<b>5,699</b>	5,503	-	-
Borrowing costs		<b>(13,983)</b>	(14,017)	<b>(13,636)</b>	(13,844)
Income taxes paid		<b>(20,795)</b>	(4,749)	<b>(4,080)</b>	(515)
Income tax refunds		-	7	-	-
<b>Net cash inflow from operating activities</b>	39	<b>115,680</b>	127,913	<b>40,237</b>	42,464
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		<b>(50,126)</b>	(60,707)	-	-
Payments for controlled entities and operations		<b>(5,819)</b>	(63,088)	<b>(6,000)</b>	(27,986)
Loans to joint venture entities	35(c)(iii)	<b>(6,919)</b>	-	-	-
Loans to controlled entities	35(c)(iii)	-	-	<b>(12,180)</b>	(113,218)
Loans repayments from controlled entities	35(c)(iii)	-	-	<b>47,143</b>	109,530
Proceeds from sale of property, plant and equipment		<b>660</b>	995	-	-
Proceeds from sale of controlled entities	36(b)	<b>6,217</b>	-	-	-
<b>Net cash (outflow) from investing activities</b>		<b>(55,987)</b>	(122,800)	<b>28,963</b>	(31,674)
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares	27	-	671	-	671
Proceeds from borrowings	35(c)(iii)	<b>240,000</b>	73,696	<b>240,000</b>	73,696
Repayment of borrowings		<b>(254,606)</b>	(53,408)	<b>(254,206)</b>	(44,490)
Dividends paid	28	<b>(36,576)</b>	(29,789)	<b>(36,576)</b>	(29,789)
Dividends paid to outside equity interests in controlled entities		<b>(889)</b>	-	-	-
<b>Net cash inflow (outflow) from financing activities</b>		<b>(52,071)</b>	(8,830)	<b>(50,782)</b>	88
<b>Net increase (decrease) in cash held</b>					
Cash at the beginning of the financial year	5	<b>14,167</b>	19,514	<b>(17,660)</b>	(28,538)
Cash balances in controlled entities acquired / disposed	36(b)	<b>(91)</b>	(1,236)	-	-
Effects of exchange rate changes on cash		<b>(52)</b>	(394)	-	-
<b>Cash at the end of the financial year</b>	5	<b>21,646</b>	14,167	<b>758</b>	(17,660)

# Notes to the financial statements

## 1 Summary of significant accounting policies

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

The AASB is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 30 June 2005 and the year ending 31 December 2005. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in note 1(z).

### (a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Adelaide Brighton Ltd ("the Company") as at 31 December 2004 and the results of all controlled entities for the year then ended. The Company and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statements of financial performance and statements of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of financial performance from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed. Investments in joint ventures are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post acquisition profits or losses of joint ventures is recognised in the consolidated statements of financial performance, and its share of post acquisition movements in reserves is recognised in consolidated reserves. The cumulative post acquisition movements are adjusted against the cost of the investment. Details relating to the joint ventures are set out in note 38.

### (b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse. No provision is made for additional taxes which could become payable if certain reserves of the foreign controlled entity were to be distributed as it is not expected that any substantial amount will be distributed from those reserves in the foreseeable future.

#### *Tax consolidation legislation*

Adelaide Brighton Ltd and its wholly owned Australian subsidiaries has decided to implement the tax consolidation legislation as of 1 January 2004. The Australian Taxation Office has not yet been notified of this decision.

*Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004*

*Notes to and forming part of the financial statements for the year ended 31 December 2004*

Adelaide Brighton Ltd, as the head entity in the tax consolidated group, recognises current and deferred tax amounts 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. The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts in the tax consolidated group before joining, with the exception of deferred tax balances relating to assets that had their tax values reset on joining the tax consolidated group. These 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.

**(c) Foreign currency translation**

*(i) Transactions*

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

*(ii) Specific commitments*

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

*(iii) General commitments*

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

*(iv) Foreign controlled entity*

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

**(d) Acquisitions of assets**

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

**(e) Revenue recognition**

*(i) Sales revenue*

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of goods or services to entities outside the consolidated entity. Sales revenue is disclosed when the goods are provided, or when the fee in respect of services provided is receivable. Revenue from product swap arrangements represents the provision of goods to a customer on behalf of the Company by another supplier under a product swap arrangement. Revenue and associated cost of sales is recognised when the goods are provided.

*(ii) Deferred income*

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

*(iii) Interest income*

Interest income is recognised as it accrues.

**(f) Receivables**

All trade debtors are recognised at the amount receivable as they are due for settlement no more than 30 to 45 days from the end of the month of invoice. The ability to collect trade debtors is reviewed on an ongoing basis. Any debt which is deemed unable to be collected is written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(g) **Inventories**

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

(h) **Recoverable amount of non-current assets**

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

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

The expected net cash flows included in determining recoverable amounts of non current assets are discounted to their present value. The discount rate used ranged from 8.0% to 10.7%.

(i) **Investments**

(i) *Controlled entities*

Investments in controlled entities are carried in the Company's financial statements at cost or Directors' valuation having regard to recoverable amounts.

Dividends and distributions are brought to account in the statements of financial performance when they are receivable.

(ii) *Joint ventures*

In the consolidated financial statements, investments in joint ventures are accounted for using equity accounting principles. Investments in joint ventures are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's share of a joint venture's net profit or loss after tax is recognised in the consolidated statements of financial performance after adjustments for: amortisation of goodwill arising from notional adjustments made as at the date of acquisition; dissimilar accounting policies; and the elimination of unrealised profits and losses on transactions between the joint venture and any entities in the consolidated entity or another joint venture of the consolidated entity. Other movements in reserves are recognised directly in consolidated reserves.

(iii) *Other companies*

Investments in other companies are carried at cost or Directors' valuation having regard to recoverable amounts. Dividends are brought to account as they are received.

(j) **Depreciation and amortisation of property, plant and equipment**

(i) *Mineral reserves*

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

(ii) *Restoration and environmental rehabilitation*

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

(iii) *Complex assets*

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

(iv) *Leasehold improvements*

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

(v) *Other fixed assets*

Fixed assets, including buildings and leasehold property but excluding freehold land, are depreciated or amortised over their estimated useful lives. The straight line method is used. The average depreciation rates used for each class of asset are as follows:

Buildings	2.5%
Plant and equipment	3.3%

(k) **Leased non-current assets**

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A leased asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised leased assets are amortised on a straight line basis over the term of the relevant lease or, where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest component of the lease payments is charged to the statements of financial performance.

Operating lease costs are expensed as incurred.

*Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004*

*Notes to and forming part of the financial statements for the year ended 31 December 2004*

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

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

(m) **Intangible assets and  
expenditure carried forward**

(i) *Goodwill*

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

(ii) *Patents, trademarks and brand names*

Significant costs associated with patents, trademarks and brand names having a benefit or relationship to more than one accounting period are deferred and where applicable amortised on a straight line basis over the period of their expected life, not exceeding twenty years.

(iii) *Other intangible assets*

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

(n) **Trade and other creditors**

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

(o) **Interest bearing liabilities**

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

(p) **Derivative financial instruments**

The consolidated entity is exposed to changes in interest rates and foreign exchange rates. The consolidated entity's policy is to utilise derivative financial instruments to reduce these risks and not to enter, hold or issue derivative financial instruments for trading purposes. Derivative financial instruments that are designated and effective as hedges of underlying exposures are accounted for on the same basis as the underlying exposure.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the hedge prior to its termination continue to be deferred and are accounted for on the same basis as the underlying exposure. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur, deferred gains and losses that arose on the hedge prior to its termination are included in the statement of financial performance for the financial year.

(q) **Overhaul of complex assets**

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

(r) **Employee benefits**

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

The provisions for employee benefits to wages, salaries, annual leave and sick leave represent the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated at nominal amounts based on wage and salary rates expected when the obligations are settled and includes related on-costs.

(ii) *Long service leave*

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds.

(iii) *Employee share plans*

Certain employees are entitled to participate in share ownership schemes (refer note 32). 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 (refer note 33) 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.

(s) **Provisions**

(i) *Dividends*

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial period 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 and implementation has commenced, either by entering contracts or making detailed 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.

(t) **Superannuation funds**

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

(u) **Borrowing costs**

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year. No interest was capitalised in 2004 (2003: Nil).

Borrowing costs include:

- interest on bank overdrafts and on the principal balance drawn on funding arrangements
- interest arising from swap arrangements.

(v) **Debt defeasance**

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

(w) **Cash**

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

(x) **Earnings per share**

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

(y) **Rounding of amounts**

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

*Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004*

*Notes to and forming part of the financial statements for the year ended 31 December 2004*

(z) **International Financial Reporting Standards (IFRS)**

The AASB is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, which will be first reflected in the consolidated entity's financial statements for the half-year ending 30 June 2005 and the year ending 31 December 2005.

Compliance with IFRS for the first time will require restatement of comparative financial statements to reflect the application of IFRS. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 January 2004.

The consolidated entity has appointed staff to manage the transition to IFRS. To date most of the Australian equivalents to IFRS have been analysed to identify accounting policy changes that will be required.

In some cases choices of accounting policies are available, including elective exemptions under Pending Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

(i) *Intangible assets - goodwill*

Under the Australian equivalent to IFRS 3 Business Combinations, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit. This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

(ii) *Income tax*

Under the Australian equivalent to IAS 12 Income Taxes, deferred tax balances are determined using the 'balance sheet' method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(iii) *Financial instruments*

Under the Australian equivalent to IAS 39 Financial Instruments: Recognition and Measurement, there may be major impacts as a result of foreign exchange contracts held for hedging purposes being accounted for as cash flow hedges. Changes in the fair value of those contracts will be recognised directly in equity until the hedged transaction occurs, in which case the amounts recognised in equity will be included in the initial cost of the assets acquired. Currently, the costs or gains arising under contracts together with any realised or unrealised gains from re-measurement are included in assets or liabilities as deferred losses or deferred gains.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to IFRS, as not all standards have been analysed and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to IFRS on the consolidated entity's financial position and reported results.

	<i>Consolidated</i>		<i>The Company</i>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>2 Revenue</b>				
<b>Revenue from operating activities</b>				
Sale of goods	<b>683,350</b>	589,164	-	-
Product swap arrangements	<b>13,088</b>	11,024	-	-
Services (construction contract revenue)	-	30,438	-	-
	<b>696,438</b>	630,626	-	-
<b>Revenue from outside the operating activities</b>				
Interest from controlled entities	-	-	<b>21,806</b>	26,576
Interest from related parties	<b>768</b>	569	-	-
Interest from other parties	<b>922</b>	841	-	-
Proceeds from sale of non-current assets	<b>660</b>	1,003	-	-
Profit from sale of controlled entities	<b>1,177</b>	-	-	-
Insurance claims	<b>50</b>	2,179	-	-
Dividends - related parties	-	-	<b>47,080</b>	39,924
Other income	<b>5,641</b>	3,325	-	-
	<b>9,218</b>	7,917	<b>68,886</b>	66,500
Revenue from ordinary activities (excluding shares of equity accounted net profits of joint ventures)	<b>705,656</b>	638,543	<b>68,886</b>	66,500
<b>3 Profit from ordinary activities</b>				
<b>Net gains and expenses</b>				
<b>Expenses</b>				
Depreciation				
Buildings	<b>2,204</b>	1,459	-	-
Plant and equipment	<b>47,928</b>	49,770	-	-
Mineral reserves	<b>1,204</b>	1,103	-	-
Total depreciation	<b>51,336</b>	52,332	-	-
Amortisation				
Goodwill	<b>10,226</b>	9,803	-	-
Other intangibles	<b>498</b>	276	-	-
Total amortisation	<b>10,724</b>	10,079	-	-
Other charges against assets				
Write down of inventories	<b>473</b>	-	-	-
Bad and doubtful debts - trade debtors	<b>329</b>	1,313	<b>34,271<sup>1</sup></b>	8,613 <sup>1</sup>
Borrowing costs				
Interest expense				
Interest and finance charges paid to direct parent	-	176	-	176
Interest and finance charges paid to ultimate parent	-	11,994	-	11,994
Interest and finance charges paid to other parties	<b>13,811</b>	1,888	<b>13,636</b>	1,576
Borrowing costs expensed	<b>13,811</b>	14,058	<b>13,636</b>	13,746
Rental expense relating to operating leases	<b>3,498</b>	4,190	-	-
<b>Net gains</b>				
Net gain (loss) on disposal				
Property, plant and equipment	<b>(1,383)</b>	(408)	-	-

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

<sup>1</sup> The Company has made provision against debts of \$34,271,000 (2003: \$8,613,000) due by wholly owned entities. In the current year \$24,969,000 relates to debts of an entity sold during the period.

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

	Consolidated		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>4 Income tax</b>				
(a) The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	<b>94,865</b>	84,419	<b>20,092</b>	43,223
Income tax calculated @ 30% (2003 - 30%)	<b>28,459</b>	25,326	<b>6,028</b>	12,967
Tax effect of permanent differences:				
Non-deductible depreciation and amortisation	<b>3,767</b>	3,747	-	-
Non allowable expenses	<b>339</b>	49	-	1
Share of net profits of joint ventures	-	169	-	-
Rebateable dividends	<b>(2,822)</b>	(2,153)	<b>(14,124)</b>	(11,977)
Bad and doubtful debts	-	-	<b>10,281</b>	2,584
Research and development allowance	<b>(47)</b>	(133)	-	-
Sundry items	<b>(258)</b>	(208)	-	-
Income tax adjusted for permanent differences	<b>29,438</b>	26,797	<b>2,185</b>	3,575
Benefit of tax losses of prior years recouped	<b>(2,350)</b>	-	<b>(2,350)</b>	-
Under (over) provision in previous year	<b>(917)</b>	(945)	-	548
<b>Income tax expense attributable to profit from ordinary activities before impact of tax consolidation</b>	<b>26,171</b>	25,852	<b>(165)</b>	4,123
Adjustments to deferred tax balances on implementation of tax consolidation	<b>(13,969)</b>	-	-	-
<b>Aggregate income tax expense</b>	<b>12,203</b>	25,852	<b>(165)</b>	4,123
Aggregate income tax expense comprises:				
Current taxation provision	<b>24,702</b>	20,759	<b>2,107</b>	3,447
Deferred income tax provision	<b>(11,551)</b>	3,505	-	-
Future income tax benefit	<b>(32)</b>	2,533	<b>78</b>	128
Under (over) provision in prior year	<b>(917)</b>	(945)	<b>(2,350)</b>	548
	<b>12,203</b>	25,852	<b>(165)</b>	4,123
(b) The Directors estimate that the potential future income tax benefit at 31 December 2004 in respect of tax losses not brought to account is:				
Capital losses	<b>22,710</b>	22,613	<b>10,997</b>	10,997
Tax losses carried forward	<b>4,074</b>	5,377	-	-

This benefit for tax losses will only be obtained if:

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

Adelaide Brighton Ltd and its wholly-owned Australian subsidiaries have decided to implement the tax consolidation legislation as of 1 January 2004. The Australian Tax Office has not yet been notified of this decision. The accounting policy on implementation of the legislation is set out in note 1(b). 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.

	<i>Consolidated</i>		<i>The Company</i>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>5 Current assets - cash assets</b>				
Cash at bank and on hand	<b>21,646</b>	14,167	<b>759</b>	-
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	<b>21,646</b>	14,167	<b>759</b>	-
Less: Bank overdrafts and advances (note 16)	-	-	-	(17,660)
Balances per statements of cash flows	<b>21,646</b>	14,167	<b>759</b>	(17,660)
<b>6 Current assets - receivables</b>				
Trade debtors	<b>103,610</b>	102,657	-	-
Less: Provision for doubtful debts	<b>(2,485)</b>	(3,573)	-	-
	<b>101,124</b>	99,084	-	-
Amounts due by joint venture entity	<b>363</b>	284	-	-
Loans to controlled entities	-	-	<b>353,733</b>	208,620
Tax amounts receivable from wholly-owned entities (note 4)	-	-	<b>53,337</b>	-
Other debtors	<b>1,600</b>	1,786	-	-
	<b>103,088</b>	101,154	<b>407,070</b>	208,620
<b>7 Current assets - inventories</b>				
Raw materials and stores - at cost	<b>28,545</b>	26,728	-	-
Work in progress - at cost	<b>15,022</b>	10,971	-	-
Finished goods - at cost	<b>23,139</b>	18,542	-	-
	<b>66,706</b>	56,241	-	-
<b>8 Current assets - other</b>				
Prepayments	<b>4,650</b>	1,589	<b>605</b>	-
Other	<b>89</b>	111	-	-
	<b>4,739</b>	1,700	<b>605</b>	-
<b>9 Non-current assets - receivables</b>				
Loans to controlled entities	-	-	<b>146,477</b>	302,860
Loans to joint venture entity	<b>16,769</b>	12,189	-	-
Other debtors	<b>2,339</b>	-	<b>2,339</b>	-
	<b>19,108</b>	12,189	<b>148,816</b>	302,860
<b>10 Non-current assets - investments accounted for using the equity method</b>				
Interest in joint venture entities (note 38)	<b>34,599</b>	33,643	-	-
Interests in joint ventures are accounted for in the consolidated entity's financial statements using the equity method and are carried at cost by the respective parent entity (note 38).				
<b>11 Non-current assets - other financial assets</b>				
<b>Other (non-traded) investments</b>				
Shares in controlled entities - at cost	-	-	<b>281,213</b>	281,213
Shares in controlled entities - at Directors' valuation (1999)	-	-	<b>68,462</b>	68,462
Listed at cost	<b>2</b>	2	-	-
Unlisted shares at cost	<b>30</b>	30	-	-
	<b>32</b>	32	<b>349,675</b>	349,675
Controlled entities are listed at note 36(a).				

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

	Consolidated		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>12 Non-current assets - property, plant and equipment</b>				
<b>Land and buildings</b>				
Freehold land				
At cost	<b>69,746</b>	66,948	-	-
	<b>69,746</b>	66,948	-	-
Buildings				
At cost	<b>65,698</b>	62,637	-	-
Less: Accumulated depreciation	<b>(26,410)</b>	(24,693)	-	-
	<b>39,288</b>	37,944	-	-
Mineral reserves				
At cost	<b>94,627</b>	94,627	-	-
Less: Accumulated depreciation	<b>(6,092)</b>	(4,888)	-	-
	<b>88,535</b>	89,739	-	-
Leasehold property				
At cost	<b>2,885</b>	4,761	-	-
Less: Accumulated amortisation	<b>(1,332)</b>	(996)	-	-
	<b>1,553</b>	3,765	-	-
<b>Total land and buildings</b>	<b>199,122</b>	198,396	-	-
<b>Plant and equipment</b>				
At cost	<b>797,278</b>	802,271	-	-
Less: Accumulated depreciation	<b>(410,985)</b>	(399,374)	-	-
	<b>386,293</b>	402,897	-	-
Leased plant and equipment				
At cost	<b>764</b>	1,689	-	-
Less: Accumulated depreciation	<b>(363)</b>	(805)	-	-
	<b>401</b>	884	-	-
Plant and equipment in the course of construction				
At cost	<b>26,141</b>	17,887	-	-
	<b>26,141</b>	17,887	-	-
<b>Total plant and equipment</b>	<b>412,835</b>	421,668	-	-
<b>Total property, plant and equipment</b>	<b>611,957</b>	620,064	-	-

#### Valuation of land and buildings measured on the cost basis

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

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

At independent valuation 2003 142,978

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

## 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 \$'000	Buildings \$'000	Leasehold property \$'000	Plant and equipment \$'000	Leased assets \$'000	Mineral reserves \$'000	In course of con- struction \$'000	Total \$'000
<b>Consolidated</b>								
Carrying amount at								
1 January 2004	66,948	37,944	3,765	402,897	884	89,739	17,887	620,064
Additions	26	3,876	15	35,906	-	-	10,303	50,126
Disposals	(80)	-	-	(1,964)	-	-	-	(2,044)
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)	(47,351)	(229)	(1,204)	-	(51,336)
Carrying amount at								
31 December 2004	69,746	39,288	1,553	386,293	401	88,535	26,141	611,957

Adelaide Brighton Ltd and its  
controlled entities for the year  
ended 31 December 2004

Notes to and forming part  
of the financial statements  
for the year ended  
31 December 2004

	Consolidated		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>13 Non-current assets - deferred tax assets</b>				
Future income tax benefit	<b>15,412</b>	17,091	<b>14,233</b>	78
<b>14 Non-current assets - intangible assets</b>				
Goodwill	<b>204,619</b>	205,065	-	-
Less: Accumulated amortisation	<b>(50,321)</b>	(40,861)	-	-
	<b>154,298</b>	164,204	-	-
Patents, trademarks and brand names	<b>1,017</b>	1,032	-	-
Less: Accumulated amortisation	<b>(304)</b>	(256)	-	-
	<b>713</b>	776	-	-
Lease right	<b>1,645</b>	1,645	-	-
Less: Accumulated amortisation	<b>(632)</b>	(183)	-	-
	<b>1,013</b>	1,462	-	-
	<b>156,024</b>	166,442	-	-
<b>15 Current liabilities - payables</b>				
Trade creditors	<b>68,247</b>	43,559	-	-
Loans to controlled entities	-	-	<b>145,510</b>	90,438
Other creditors and accruals	<b>10,833</b>	32,939	<b>6,001</b>	6,744
	<b>79,080</b>	76,498	<b>151,511</b>	97,182

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

	<i>Consolidated</i>		<i>The Company</i>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>16 Current liabilities - interest bearing liabilities</b>				
<b>Secured</b>				
Lease liabilities (note 31)	<b>501</b>	634	-	-
<b>Unsecured</b>				
Bank overdrafts and advances	-	-	-	17,660
Other loans (note 20(b))	<b>215,000</b>	229,206	<b>215,000</b>	229,206
	<b>215,501</b>	229,840	<b>215,000</b>	246,866
<b>17 Current liabilities - current tax liabilities</b>				
Income tax	<b>8,734</b>	8,236	<b>9,544</b>	5,951
<b>18 Current liabilities - provisions</b>				
Employee benefits	<b>9,148</b>	9,272	-	-
Workers' compensation (note 1(s)(ii))	<b>1,681</b>	2,287	-	-
Restructuring costs (note 1(s)(iii))	<b>15,831</b>	18,862	-	-
	<b>26,661</b>	30,421	-	-

Movement in each class of provision during the financial year, other than employee benefits, are set out below:	<i>Dividends</i>	<i>Workers' compensation</i>	<i>Restructuring</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Carrying amount at the start of the year	-	2,287	18,862
Additional provision recognised	36,576	336	60
Provisions transferred	-	-	770
Payments	(36,576)	(992)	(3,861)
Carrying amount at the end of the year	-	1,681	15,831

	<i>Consolidated</i>		<i>The Company</i>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>19 Current liabilities - other</b>				
Deferred income	<b>927</b>	1,347	-	-
Limited recourse loan - (note 35(e)(i))	<b>12,305</b>	-	-	-
Other	<b>1,922</b>	2,259	-	-
	<b>15,154</b>	3,606	-	-
<b>20 Non-current liabilities - interest bearing liabilities</b>				
(a) <b>Secured</b>				
Lease liabilities (note 31)	<b>1,094</b>	1,360	-	-
<b>Total non-current interest bearing liabilities</b>	<b>1,094</b>	1,360	-	-

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 and equipment under finance lease is \$401,000 (2003 - \$884,000).

ADELAIDE BRIGHTON LTD ANNUAL REPORT 2004

	<i>Consolidated</i>		<i>The Company</i>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>20 Non-current liabilities - interest bearing liabilities</b> <i>(continued)</i>				
<b>(b) Financing arrangements</b>				
Unrestricted access was available at balance date to the following lines of credit:				
<b>(i) Credit standby arrangements</b>				
Total facilities				
Bank overdrafts (ii)	<b>4,000</b>	4,000	<b>4,000</b>	4,000
Bill facility (ii)	-	15,000	-	15,000
Bank facility - external parties (ii)	<b>240,000</b>	-	<b>240,000</b>	-
Advance facility - external parties (iii)	-	350,000	-	350,000
Other loans	<b>1,595</b>	1,994	-	-
	<b>245,595</b>	370,994	<b>244,000</b>	369,000
Used at balance date				
Bank facility - external parties (ii)	<b>215,000</b>	-	<b>215,000</b>	-
Advance facility - external parties (iii)	-	220,000	-	220,000
Bill facility (ii)	-	15,000	-	15,000
Other loans	<b>1,595</b>	1,994	-	-
	<b>216,595</b>	236,994	<b>215,000</b>	235,000
Unused at balance date				
Bank overdrafts (ii)	<b>4,000</b>	4,000	<b>4,000</b>	4,000
Bank facility - external parties (ii)	<b>25,000</b>	-	<b>25,000</b>	-
Advance facility - external parties (iii)	-	130,000	-	130,000
	<b>29,000</b>	134,000	<b>29,000</b>	134,000

*Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004*

*Notes to and forming part of the financial statements for the year ended 31 December 2004*

**(ii) Bank arrangements - multi-option facilities**

The consolidated entity has access to net bank overdraft facilities of \$4 million. Interest on bank overdrafts is charged at variable rates. The consolidated entity and the Company have available a short-term bank facility totalling \$240 million (2003 - nil). The bank facility was entered in February 2004 to replace the advance facility provided by RMC Group plc (20(b)(iii)). At 31 December 2004, the total of the bank facility drawn down was \$215 million (2003: nil). The facility is currently scheduled to expire on 30 September 2005. 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 during 2005.

At 31 December 2003 the consolidated entity had drawn down \$15 million of available bill facilities. The Company repaid this facility in full in February 2004.

**(iii) Advance facility**

In June 2000, the Company entered into an arrangement with its then ultimate parent company RMC Group plc for the provision of credit facilities to \$350 million. Following the sale of its interest in Adelaide Brighton Ltd (note 35(e)) RMC Group plc served notice for the cancellation of this credit facility. In February 2004, the Company repaid the RMC facility in full (refer 20(b)(ii)).

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

	<i>Consolidated</i>		<i>The Company</i>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>21 Non-current liabilities - deferred tax liabilities</b>				
Provision for deferred income tax	<b>56,225</b>	67,550	<b>56,188</b>	-
<b>22 Non-current liabilities - provisions</b>				
Employee benefits	<b>8,977</b>	9,407	-	-
Reinstatement of operational quarries (note 1(j)(ii))	<b>1,000</b>	1,770	-	-
	<b>9,977</b>	11,177	-	-

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

*Reinstatement*  
\$'000

Carrying amount at the start of the year	1,770
Additional provision recognised	-
Provisions transferred	(770)
Payments	-
Carrying amount at the end of the year	1,000

	<i>Consolidated</i>		<i>The Company</i>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>23 Non-current liabilities - other</b>				
Limited recourse loan - (note 35(e)(i))	-	12,305	-	-
Other loans	<b>102</b>	102	-	-
	<b>102</b>	12,407	-	-
<b>24 Contributed equity</b>				
<b>(a) Share capital</b>				
Issued and paid up capital				
541,861,007 (2003: 541,861,007) ordinary shares, fully paid	<b>512,775</b>	512,775	<b>505,646</b>	505,646
<b>(b) Movements in ordinary share capital</b>				
Balance at the start of the year	<b>512,775</b>	512,104	<b>504,646</b>	504,975
Shares issued				
475,000 shares issued under Executive Performance Share Plan (i)	-	671	-	671
Balance at the end of the year (ii)	<b>512,775</b>	512,775	<b>505,646</b>	505,646
<b>(c) Other equity securities</b>				
Former share premium account included in equity (ii)	<b>82,522</b>	82,522	<b>75,393</b>	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.

ADELAIDE BRIGHTON LTD ANNUAL REPORT 2004

	<i>Consolidated</i>		<i>The Company</i>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>25 Reserves and retained profits</b>				
<b>(a) Reserves</b>				
Asset revaluation reserve	<b>33,074</b>	33,074	-	-
Capital profits	-	25	-	-
Foreign currency translation reserve	<b>(2,575)</b>	(2,646)	-	-
	<b>30,499</b>	30,453	-	-
<b>Movements:</b>				
Asset revaluation reserve				
Balance at the start of the year	<b>33,074</b>	33,074	-	-
Balance at the end of the year	<b>33,074</b>	33,074	-	-
Capital profits reserve				
Balance at the start of the year	<b>25</b>	25	-	-
Realised on sale of controlled entity	<b>(25)</b>	-	-	-
Balance at the end of the year	-	25	-	-
Foreign currency translation reserve				
Balance at the start of the year	<b>(2,646)</b>	(2,471)	-	-
Net exchange differences on translation of financial statements of foreign controlled entities	<b>(15)</b>	(175)	-	-
Realised on sale of controlled entity	<b>86</b>	-	-	-
Balance at the end of the year	<b>(2,575)</b>	(2,646)	-	-
<b>(b) Retained profit (loss)</b>				
Retained profit (loss) at the start of the year	<b>22,417</b>	(19,947)	<b>(412)</b>	(24,611)
Net profit attributable to members of Adelaide Brighton Ltd	<b>81,492</b>	57,682	<b>20,257</b>	39,100
Dividends provided for or paid	<b>(36,576)</b>	(29,789)	<b>(36,576)</b>	(29,789)
Net effect on initial adoption of AASB 1028 Employee Benefits	-	(417)	-	-
Net effect on initial adoption of AASB 1044 Provisions, Contingent Liabilities and Contingent Assets	-	14,888	-	14,888
Retained profit (loss) at the end of the year	<b>67,333</b>	22,417	<b>(16,731)</b>	(412)

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

**(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 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 accounting policy note 1(c)(iv).

*Consolidated*

**2004**  
**\$'000**

2003  
\$'000

**26 Outside equity interests in controlled entities**

Interest in:

Share capital

**6,214** 6,214

Reserves

**2,296** 2,296

Retained profit

**1,666** 1,473

Balance at the end of the financial year

**10,176** 9,983

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

	Consolidated		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>27 Equity</b>				
Total equity at the start of the year	<b>575,628</b>	525,790	<b>505,234</b>	480,364
Net effect on initial adoption of AASB 1044 Provisions, Contingent Liabilities and Contingent Assets	-	14,888	-	14,888
Total changes in equity recognised in the statements of financial performance	<b>81,538</b>	57,090	<b>20,257</b>	39,100
Transactions with owners as owners:				
Share issue under Executive Performance Share Plan	-	671	-	671
Dividends provided for or paid	<b>(36,576)</b>	(29,789)	<b>(36,576)</b>	(29,789)
Total changes in outside equity interest	<b>193</b>	6,978	-	-
Total equity at the end of the year	<b>620,783</b>	575,628	<b>488,915</b>	505,234

	The Company	
	2004 \$'000	2003 \$'000
<b>28 Dividends</b>		
<b>Dividends provided or paid during the year</b>		
2004 interim dividend of 3.5 cents (2003 - 2.75 cents) per fully paid share paid 14 October 2004 (2003 - 8 October 2003)		
Franked @ 100% - 3.5 cents per share (2003 - 1.65 cents per share)	<b>18,965</b>	8,941
Unfranked - nil cents per share (2003 - 1.1 cents per share)	-	5,960
	<b>18,965</b>	14,901
2003 final dividend of 3.25 cents (2002 - 2.75 cents) per fully paid share paid 5 July 2004 (2002 - 16 April 2003)		
Franked @ 100% - 3.25 cents per share (2002 - 0.9625 cents per share)	<b>17,611</b>	5,211
Unfranked - nil cents per share (2002 - 1.7875 cents per share)	-	9,677
	<b>17,611</b>	14,888
Total dividends provided for or paid	<b>36,576</b>	29,789
Dividends paid in cash	<b>36,576</b>	29,789
<b>Dividends not recognised at year end</b>		
Since the end of the year the Directors have recommended the payment of a final dividend of 4.0 cents per fully paid share, fully franked. The aggregate amount of the proposed dividend expected to be paid on 30 March 2005, not recognised as a liability at year end, is	<b>21,674</b>	-

#### Franked dividends

The franked portions of the dividends proposed as at 31 December 2004 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 2005.

	Consolidated		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2003 - 30%).	<b>6,450</b>	(42)	<b>6,450</b>	(42)

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

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

## 29 Financial instruments

### Off-balance sheet derivative instruments

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

#### (a) Interest rate risk management

The consolidated entity may enter into interest rate swaps, forward rate agreements and futures interest rate options to manage funding costs.

##### *Interest rate swaps and forward rate agreements*

Interest rate swaps allow the consolidated entity to raise long term borrowings at floating rates and swap them into fixed rates. Maturity of swap contracts is principally between 1 and 3 years. Each contract involves quarterly payment or receipt of the net amount of interest. No interest rate swaps were contracted at 31 December 2004. At 31 December 2003 the fixed rates varied from 5.45% to 5.81% and the floating rates were at bank bill rates.

No forward rate agreements were contracted at 31 December 2004 (2003: Nil).

##### *Interest rate options*

From time to time, the consolidated entity enters into interest rate options to reduce the impact of changes in interest rates on floating rate long-term debt. The option contracts have repricing terms up to five years.

No interest rate options were contracted at 31 December 2004 (2003: Nil).

#### (b) Foreign exchange risk

The consolidated entity enters into forward exchange contracts and futures options to hedge certain firm purchase and sale commitments denominated in foreign currencies. The term of these derivatives and commitments is rarely more than 1 year. The Group's policy is to enter into forward foreign exchange contracts to hedge foreign currency purchases and sales in excess of \$50,000.

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity.

At balance date, the details of outstanding contracts are:

#### *Consolidated*

	<i>Sell Australian dollars</i>		<i>Average exchange rate</i>	
	<b>2004</b>	<i>2003</i>	<b>2004</b>	<i>2003</i>
	<b>\$'000</b>	<i>\$'000</i>		
<b>Buy US dollars</b>				
Maturity: 0 - 12 months	<b>1,445</b>	1,369	<b>0.72</b>	0.70
<b>Buy GBP</b>				
Maturity: 0 - 12 months	<b>265</b>	-	<b>0.41</b>	-
<b>Buy Euros</b>				
Maturity: 0 - 12 months	-	289	-	0.58
<b>Buy JPY</b>				
Maturity: 0 - 12 months	-	1,953	-	0.76

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

The following gains, losses and costs have been deferred at 31 December 2004:

#### *Consolidated*

	<b>2004</b>	<i>2003</i>
	<b>\$'000</b>	<i>\$'000</i>
Unrealised losses	<b>(105)</b>	(201)
Total losses and costs	<b>(105)</b>	(201)
Net losses and costs	<b>(105)</b>	(201)

*Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004*

*Notes to and forming part of the financial statements for the year ended 31 December 2004*

## 29 Financial instruments (continued)

### (c) Credit risk exposures

Credit risk represents the accounting loss that would be recognised if counterparties failed to perform as contracted.

#### On-balance sheet financial instruments

The credit risk on financial assets recognised on the balance sheet of the consolidated entity, excluding investments, is the carrying amount, net of any provision for doubtful debts.

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

The consolidated entity is not materially exposed to any individual overseas country or individual customer. Concentrations of credit risk on trade debtors due from customers are: Manufacturing, Building and Construction - 69% (2003: 70%), Retail - 16% (2003: 16%) and Mining - 15% (2003: 14%).

#### Off-balance sheet financial instruments

Credit risk on off-balance sheet derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Swap and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the consolidated entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the consolidated entity. The full amount of the exposure is disclosed at note 29(b) above.

The credit risk on swap contracts is limited to the next amount to be received from counterparties on contracts that are favourable to the consolidated entity. No amounts are due to the consolidated entity at 31 December 2004 (2003: Nil) as the consolidated entity is in a net payable position. The accrued liability to counterparties has been included in accounts payable at balance date.

### (d) Interest rate risk exposures

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

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		
<b>Financial assets</b>							
Cash and deposits - note 5	4.68%	18,571	3,035	-	-	40	21,646
Receivables - note 6 and 9	5.84%	19,108	-	-	-	103,088	122,196
Other financial investments - note 11	-	-	-	-	-	32	32
		37,679	3,035	-	-	103,160	143,874
<b>Financial liabilities</b>							
Borrowings - note 16 and 23	5.52%	215,000	-	-	-	102	215,102
Trade and other creditors - note 15	-	-	-	-	-	79,080	79,080
Lease liabilities - note 16 and 20	7.10%	-	501	1,094	-	-	1,595
Limited recourse loan - note 19	-	-	-	-	-	12,305	12,305
		215,000	501	1,094	-	91,487	308,082
Net financial assets (liabilities)		(177,321)	2,534	(1,094)	-	11,673	(164,208)

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

## 29 Financial instruments (continued)

2003	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
<b>Financial assets</b>							
Cash and deposits - note 5	4.76%	11,138	2,986	-	-	43	14,167
Receivables - note 6 and 9	4.62%	12,189	-	-	-	101,154	113,343
Other debtors - note 8	-	-	-	-	-	1,700	1,700
Other financial investments - note 11	-	-	-	-	-	32	32
		23,327	2,986	-	-	102,929	129,242
<b>Financial liabilities</b>							
Borrowings - note 20 and 23	5.45%	199,206	30,000	-	-	102	229,308
Trade and other creditors - note 15	-	-	-	-	-	76,498	76,498
Lease liabilities - note 16 and 20	6.50%	-	634	1,360	-	-	1,994
Limited recourse loan - note 23	-	-	-	-	-	12,305	12,305
Interest rate swaps	5.71%	(55,000)	55,000	-	-	-	-
		144,206	85,634	1,360	-	88,905	320,105
Net financial assets (liabilities)		(120,879)	(82,648)	(1,360)	-	14,024	(190,863)

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

### (e) Net fair values of financial assets and liabilities

#### Valuation Approach

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

#### (i) On-balance sheet financial instruments

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using the standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank term deposits, accounts receivable, accounts payable, employee benefits, bank loans and dividends payable approximate net fair value.

The net fair value of investments in unlisted shares in other corporations is determined by reference to underlying net assets of the respective corporations.

#### (ii) Off-balance sheet financial instruments

The valuation of off-balance sheet financial instruments detailed in this note reflects the estimated amounts which the consolidated entity expects to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates as at the reporting date. This is based on independent market quotations and determined using standard valuation techniques.

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**29 Financial instruments (continued)**

Consolidated

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

	Notes	2004		2003	
		Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Cash	5	21,646	21,646	14,167	14,167
Trade debtors	6	103,088	103,088	101,154	101,154
Other debtors	8	4,739	4,739	1,700	1,700
Loans to joint venture entity	9	19,108	19,108	12,189	12,189
Shares in other corporations	11	32	32	32	32
<b>Non-traded financial assets</b>		<b>148,613</b>	<b>148,613</b>	129,242	129,242
<b>Financial liabilities</b>					
Trade creditors	15	79,080	79,080	76,498	76,498
Lease liabilities	16 & 20	1,595	1,595	1,994	1,994
Other loans - current	16	215,000	215,000	229,206	229,206
Other loans - non-current	23	102	102	102	102
Limited Recourse Loan	19 & 23	12,305	12,305	12,305	12,305
Non-traded financial liabilities		<b>308,082</b>	<b>308,082</b>	320,105	320,105
<b>Off-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Forward exchange contracts		-	(105)	-	(201)
Interest rate swaps		-	-	-	(14)
		-	<b>(105)</b>	-	(215)

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.

	Consolidated		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>30 Contingent liabilities and contingent assets</b>				
Details and estimates of maximum amounts of contingent liabilities are as follows:				
<b>(a) Guarantees</b>				
Bank guarantees	6,649	11,040	-	-

**(b) Contingent payments**

On 1 July 2003 the consolidated entity acquired control of C&M Brick Pty Ltd and the net operating assets of Rocla Pavers and Masonry. In the event that certain pre-determined performance measures are achieved by the controlled entity, additional consideration may be payable in cash. At the date of this report the amount of any additional payments, if any, can not be reliably estimated. Should consideration be payable it will be brought to account as goodwill acquired.

**(c) Litigation**

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

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

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

	<i>Consolidated</i>		<i>The Company</i>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>31 Commitments for expenditure</b>				
<b>Capital commitments</b>				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	<b>732</b>	6,233	-	-
<b>Finance leases</b>				
Commitments in relation to finance leases payable:				
Within one year	<b>656</b>	910	-	-
Later than one year but not later than 5 years	<b>926</b>	1,028	-	-
Later than 5 years	<b>37</b>	143	-	-
Minimum lease payments	<b>1,619</b>	2,081	-	-
Less: Future finance charges	<b>24</b>	87	-	-
Recognised as a liability	<b>1,595</b>	1,994	-	-
Representing lease liabilities:				
Current (note 16)	<b>501</b>	634	-	-
Non current (note 20)	<b>1,094</b>	1,360	-	-
	<b>1,595</b>	1,994	-	-
<b>Operating leases</b>				
Commitments in relation to operating leases contracted for at the reporting date, but not recognised as liabilities, payable:				
Within one year	<b>11,986</b>	11,369	-	-
Later than one year but not later than 5 years	<b>18,710</b>	27,282	-	-
Later than 5 years	<b>22,453</b>	32,383	-	-
	<b>53,149</b>	71,034	-	-
Commitments for operating lease payments relate mainly to rental leases on property.				
<b>32 Employee benefits</b>				
<b>Employee benefit liabilities</b>				
Provision for employee benefits				
Current (note 18)	<b>9,148</b>	9,272	-	-
Non-current (note 22)	<b>8,977</b>	9,407	-	-
Aggregate employee benefit liability	<b>18,125</b>	18,679	-	-
<b>Employee numbers</b>				
Average number of employees during the year	<b>1,380</b>	<b>1,153</b>	-	-

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

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

	<i>Consolidated</i>		<i>The Company</i>	
	<b>2004</b>	2003	<b>2004</b>	2003
Long service leave				
Weighted average rates of increase in annual employee benefits to settlement of the liabilities	<b>3.0%</b>	3.0%	-	-
Weighted average discount rates	<b>5.5%</b>	5.9%	-	-
Weighted average years to settlement of the liabilities	<b>10</b>	10	-	-

## 32 Employee benefits (continued)

### Employee Share Plan

The establishment of the Adelaide Brighton Ltd Employee Share Plan was approved by special resolution at the Annual General Meeting of the Company held on 19 November 1997. All full time employees (including executive Directors) of the Company and its controlled entities who have been continuously employed by the Company or a controlled entity for a period of one year are eligible to participate in the plan. Casual employees and contractors are not eligible to participate in the Plan. No shares were issued under the Employee Share Plan during the year (2003 - 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 2004, 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 2004, a total of 1,372,440 shares had been provided to Participants on the exercise of Awards. The 2002 Award expires on 28 May 2005. The grant date of the 2002 Awards is set out in Note 33 of this report.

#### 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 1,635,000, with none exercised at 31 December 2004. Shareholder approval is being sought at the Annual General Meeting to be held on 19 May 2005 for the issue of a 2004 Award to the Managing Director of 900,000 shares on similar terms. The 2004 Award expires on 28 May 2008. The grant date of the 2004 Award is set out in Note 33 of this report.

### Exercise conditions

A tranche may be exercised only if the performance conditions prescribed in the Plan rules are achieved. These performance conditions relate to a Total Shareholder Return hurdle and/or an Earnings per Share hurdle. The Board determines which hurdle or hurdles apply. The achievement of the performance conditions is evaluated by the Board. If the performance conditions are met for a particular tranche, or part of a tranche, and the Board approves the issue of notices of exercise, then a Participant may exercise the Participant's Award to the extent permitted and the relevant number of shares will be provided to the Participant for no payment. For the 2002 Award, the Plan rules provide for early exercise of an Award in certain circumstances, which include if a takeover bid is made and/or if pursuant to a takeover bid more than 20% of the Company's issued shares have or will become vested in the offeror and related and associated parties. This provision of the Plan rules was amended on 24 August 2004 so that for the 2004 Award the Board must, when certain circumstances occur (including a Takeover Bid being made for the Company's shares and other change of control events) determine whether Awards vest or whether they lapse.

### Awards exercised to date

During 2003, 475,000 shares were issued under the Plan on the exercise of Tranche 1 under the 2002 Award, following the Board's determination that the Total Shareholder Return exercise condition should apply and had been satisfied for that tranche. The shares were issued at an allotment price of \$1.41, being the volume weighted average price at which the Company's shares traded on the ASX during the five trading days (VWAP) immediately before the date of allotment, a cost to the Company of \$671,000.

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.

*Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004*

*Notes to and forming part of the financial statements for the year ended 31 December 2004*

### 32 Employee benefits (continued)

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 2004, if the exercise conditions are satisfied and the remaining balance of all currently approved Awards are exercised, the Company would be obliged to transfer 1,927,560 shares to the Participants, comprising 292,560 shares under the 2002 Award and 1,635,000 shares under the 2004 Award (2003 - 1,190,000 shares under the 2002 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(r)(iii), with \$835,000 (2003 - \$1,096,000) recognised as an expense during the year.

#### Superannuation

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 2004, being:

Defined Benefit (including Hybrid members)	361
Accumulation	522
<b>Total Membership</b>	<b>883</b>

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An actuarial update as at June 2004 concluded that the value of Fund assets were sufficient to meet the liabilities of the Fund with respect to vested and accrued liabilities in the event of the Fund's termination, or the voluntary or compulsory termination of employment of each Defined Benefit member of the Fund. Current employer contribution rates for Defined Benefit members are in accordance with actuarial recommendations. During the 12 months to 31 December 2004 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 financial statements for the Fund are as at 30 June 2004, with the latest full actuarial investigation completed as at 1 August 2001.

The next actuarial valuation is due as at 1 July 2004. This review has commenced and will be completed prior to 30 June 2005.

#### Adelaide Brighton Group Superannuation Plan

	2004	2003
	\$'000	\$'000

#### Latest full actuarial investigation

Fund assets at 1 August 2001	<b>36,946</b>	36,946
Accrued benefits at 1 August 2001	<b>35,560</b>	35,560
Excess of fund assets over accrued benefits	<b>1,386</b>	1,386

#### Latest financial statements

Fund assets at 30 June 2004	<b>57,050</b>	43,711
Vested benefits at 30 June 2004	<b>55,672</b>	43,250
Employer contributions to the fund (1 July 2003 to 30 June 2004)	<b>4,601</b>	4,561
Employer contributions payable to the Fund <sup>1</sup>	<b>n/a</b>	n/a

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

### 33 Directors and executive disclosures

#### (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 (appointed 27 August 2004)

JA Brooks (resigned 29 April 2004)

##### **Executive Directors**

MP Chellew, Managing Director

#### (b) Specified executives

The following persons were the five executives (other than Directors) with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the year;

<i>Name</i>	<i>Position</i>	<i>Employer</i>
AD Poulter	Chief Financial Officer	Adelaide Brighton Management Ltd
M Brydon	General Manager Cement and Lime	Adelaide Brighton Management Ltd
MA Finney	General Manager Concrete and Quarries	Adelaide Brighton Management Ltd
T Douglas	General Manager Strategy and Business Development	Adelaide Brighton Management Ltd
MRD Clayton	General Counsel and Company Secretary	Adelaide Brighton Management Ltd

All of the above persons were also specified executives during the year ended 31 December 2003.

#### (c) Remuneration of Directors and executives

##### ***Principles used to determine the nature and amount of remuneration***

###### *Non-executive Directors*

A discussion of the remuneration policy for non-executive Directors, including details of how the fees paid to non-executive Directors are determined, is set out in the Corporate Governance Statement on pages 21 to 26 of this report.

###### *Managing Director and senior executives*

Remuneration levels for the Managing Director and senior executives are competitively set to attract, retain and motivate appropriately qualified and experienced senior executives capable of discharging their respective responsibilities. Performance, duties and responsibilities, market comparison and independent advice are all considered as part the remuneration process. Remuneration packages of senior executives incorporate a fixed component, as well as short and long-term performance-based components.

###### *Fixed remuneration*

The terms of employment of all senior executives contain a fixed remuneration component. In general, this is expressed as a total amount that the executive may take in a form agreed with the Company. This component of remuneration is not dependent upon performance.

###### *Short term incentive*

An annual bonus program has been implemented to reward individual performance against agreed performance targets. The performance criteria are set by the Board and agreed with the executive during the first half of the year. These targets are set with respect to organisational goals.

Pursuant to this program, in general, a bonus equal to 30% (40% in the case of the Managing Director) of an executive's fixed remuneration may be awarded for performance that meets these targets. This bonus payment can increase to a maximum of 60% (80% in the case of the Managing Director) of fixed remuneration for performance well exceeding the agreed targets.

In general, the performance targets are based upon the Company's performance against the Company's budget for the relevant year. The Board considers these 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 Company for the relevant year.

In assessing the extent to which these performance hurdles were satisfied, the Board reviews the budgeted targets for the year and assesses the degree to which the Company has met those targets. Where applicable, abnormal, extraordinary or unanticipated factors which may have affected the Company's performance during the year will be considered and where necessary, the Company's performance will be adjusted.

In general, the performance conditions attaching to the short term incentive for the 2004 financial year were satisfied triggering bonus payments equal to 45% (60% in the case of the Managing Director) of fixed remuneration (2003 - 45% for senior executives, 60% for the Managing Director). Performance against these targets was determined as at the first Board meeting subsequent to the balance date. Further details regarding the bonus payments made to senior executives are set out below.

#### *Long term incentive*

The Managing Director and other senior executives have been granted Awards pursuant to the Adelaide Brighton Ltd Executive Performance Share Plan. These rights, which entitle their holder to a fully paid ordinary share upon satisfaction of performance hurdles, are longer term incentives linked to Company performance. Issue of Awards is made to members of the senior executive team to ensure that the team is appropriately incentivised over the next 3 year period.

In general, the performance targets relating to each tranche of Awards comprises two performance hurdles - one based on total shareholder return (TSR), the other on earnings per share (EPS). The Board considers these performance targets to be appropriate because it ensures that a proportion of each executive's remuneration is linked to the generation of profits and shareholder value. The Board may apply and evaluate both or either of these performance targets (as it decides) to determine whether the performance of the Company entitles the executive to exercise any or all of the tranche. In assessing the extent to which these performance hurdles were satisfied, the Board will take into account all relevant factors relating to the Company, including the impact of any takeover bid. Assessment for the 2004 year was directly related to satisfaction of the TSR hurdle.

Further details regarding the terms of the Plan and Awards issued is set out below and in Note 32.

#### *Service Agreements*

The Company entered into new Service Agreements with the Managing Director and other members of the senior executive team during early 2003. 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.

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 9 months' notice. The Company may make a payment in lieu of notice. In general, the Managing Director and other senior executives must give the Company at least 3 months' notice of resignation. In certain circumstances, such as a substantial diminution of responsibility, the Company may be deemed to have terminated the employment of key executives and will be liable to make compensation payments.

As the potential for liability is dependent upon the circumstances in which an executive ceases employment, it is not possible to quantify the potential future impact of these agreements on the Company's financial position. However, the Company's policy in relation to these potential obligations is to make provision 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 and long term incentives on the occurrence of certain specified events, including a change of control.

#### *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 \$636,336.

*Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004*

*Notes to and forming part of the financial statements for the year ended 31 December 2004*

### 33 Directors and executive disclosures (continued)

#### Details of remuneration

Details of the remuneration of each Director of the Company and each of the five named specified executives of the consolidated entity, including their personally related entities, is set out below.

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

2004	Primary		Post-employment		Equity	Other	Total	
	Fixed remuneration	Short term incentive	Non-monetary benefits	Super contributions	Retirement benefits	Long term incentive <sup>1</sup>		Retention payments
	\$	\$	\$	\$	\$	\$	\$	
<b>Directors</b>								
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
JA Brooks	-	-	-	-	-	-	-	-
MP Chellew	652,221	375,000	-	11,293	-	62,793	208,333	1,309,640
<b>Total</b>	<b>1,088,723</b>	<b>375,000</b>	<b>-</b>	<b>28,093</b>	<b>-</b>	<b>62,793</b>	<b>208,333</b>	<b>1,762,942</b>
<b>Specified Executives</b>								
AD Poulter	354,528	163,800	-	11,293	-	81,158	121,333	732,112
M Brydon	356,748	151,650	-	11,293	-	69,913	126,667	716,271
MA Finney	315,200	141,809	-	26,980	-	70,492	26,261	580,742
T Douglas	255,960	130,298	-	34,555	-	71,328	48,258	540,399
MRD Clayton	239,957	112,500	-	11,293	-	61,457	83,333	508,540
<b>TOTAL</b>	<b>1,522,393</b>	<b>700,057</b>	<b>-</b>	<b>95,414</b>	<b>-</b>	<b>354,348</b>	<b>405,852</b>	<b>3,078,064</b>

<sup>1</sup> The amount included in remuneration for Awards granted under the Plan 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 in accordance with accounting policy note 1 r(iii).

#### (d) Equity instrument disclosures relating to Directors and executives

##### Share holdings

The number of shares in the Company held during the year by each Director of the Company and each of the specified executives of the consolidated entity, including their personally-related entities, is set out below.

	Balance at start of year	Received on exercise of the Plan	Other changes	Balance at end of year
<b>Directors</b>				
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
MP Chellew	299,143	389,479	-	688,622
<b>Specified Executives</b>				
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

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### 33 Directors and executive disclosures (continued)

#### (d) Equity instrument disclosures relating to Directors and executives

##### Awards

The number of shares in the Company subject to Awards under the Executive Performance Share Plan, held during the year by each Director of the Company and each of the specified executives of the consolidated entity, including their personally-related entities, is set out below. The Awards entitle their holder to a fully paid ordinary share for no payment upon satisfaction of performance hurdles (refer note 32).

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

	Grant Date	Balance at start of year	Granted during the year <sup>1</sup>	Vested and exercised	Balance at end of year	Vested at end of year	Value at grant date <sup>2</sup>	Value in remuneration for year <sup>2</sup>
		Number	Number	Number	Number	Number	\$	\$
<b>Directors</b>								
M Chellew	1-Jul-02	500,000	-	(389,479)	110,521	-	223,517	62,793
<b>Specified Executives</b>								
AD Poulter	11-Mar-03	150,000	-	(106,131)	43,869	-	117,817	47,098
	30-Aug-04	-	255,000	-	255,000	-	232,108	34,060
M Brydon	22-Oct-02	150,000	-	(112,785)	37,215	-	113,762	37,222
	4-Sep-04	-	255,000	-	255,000	-	230,725	32,692
MA Finney	21-Oct-02	150,000	-	(112,825)	37,175	-	114,086	37,294
	2-Sep-04	-	255,000	-	255,000	-	231,044	33,198
T Douglas	28-Oct-02	150,000	-	(112,541)	37,459	-	115,817	38,224
	1-Sep-04	-	255,000	-	255,000	-	228,701	33,104
MRD Clayton	11-Mar-03	90,000	-	(63,679)	26,321	-	70,690	28,259
	2-Sep-04	-	255,000	-	255,000	-	231,044	33,198

1 An issue of Awards was made to members of the senior executive team during 2004. Shareholder approval is being sought at the Annual General Meeting to be held on 19 May 2005 for the issue of a 2004 Award to the Managing Director of 900,000 shares (refer note 32).

2 The amount included in remuneration for shares granted under the EPSP 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 in accordance with accounting policy note 1 r(iii).

#### (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 consolidated entity 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 consolidated entity traded significantly with both Independent Cement and Lime Pty Ltd and Sunstate Cement Ltd.

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

From time to time Directors of the Company or its controlled entities, or their Director-related entities, may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees. These transactions are conducted on standard commercial terms.

	Consolidated		The Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Aggregate amounts of the above transactions with the Directors and their Director-related entities:				
Sales to Director-related entities	24,443,768	21,558,440	-	-
Purchases from Director-related entities	4,711,079	3,575,269	-	-

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

	Consolidated		The Company	
	2004 \$	2003 \$	2004 \$	2003 \$
<b>34 Remuneration of auditors</b>				
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:				
Auditor of the parent entity - PricewaterhouseCoopers Australian firm	<b>425,500</b>	351,568	<b>37,000</b>	33,000
Other auditors of controlled entities	-	13,290	-	-
	<b>425,500</b>	364,858	<b>37,000</b>	33,000
Remuneration for other services:				
Auditor of the parent entity - PricewaterhouseCoopers Australian firm	<b>299,390</b>	79,243	-	-

### 35 Related parties

#### (a) Directors and specified executives

Disclosures relating to Directors and specified executives 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	
	2004 \$'000	2003 \$'000
Interest revenue	<b>18,372</b>	25,359
Dividend income	<b>45,357</b>	39,924
(ii) Aggregate amounts receivable from, and payable to, entities in the wholly owned controlled group at balance date.		
Receivables		
Other loans - current	<b>353,733</b>	208,620
Other loans - non-current	<b>82,860</b>	252,332
Payables		
Other loans - current	<b>(145,510)</b>	(90,438)

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.

#### (iii) Other transactions

Tax losses are transferred between companies within the consolidated entity at cost, in accordance with Division 170 of the Income Tax Assessment Act 1997.

### 35 Related parties (continued)

#### (c) Other related parties

Details of interests in controlled entities are set out in note 36(a). Details of interests in joint ventures and associates 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	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Interest revenue				
Controlled entity	-	-	<b>3,434</b>	1,217
Joint venture entity	<b>768</b>	569	-	-
Interest expense				
Ultimate parent entity (note 35(e)(iii))	-	11,994	-	11,994
Direct parent entity (note 35(e)(ii))	-	176	-	176
Dividend income				
Controlled entity	-	-	<b>1,723</b>	-

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

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

- Adelaide Brighton Cement Ltd and Cockburn Cement Ltd supplied finished products and raw materials to Sunstate Cement Ltd and Independent Cement and Lime Pty Ltd; and
- Pavement Technology Limited and Hy-Tec Industries (Victoria) Pty Ltd purchased raw materials from Independent Cement and Lime Pty Ltd; and
- 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	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Sales to:				
Controlled entity	<b>2,464</b>	533	-	-
Joint venture entity	<b>100,973</b>	85,373	-	-
Purchases from:				
Joint venture entity	<b>20,734</b>	17,395	-	-
Loans advanced to:				
Joint venture	<b>6,919</b>	-	-	-
Controlled entity	-	-	<b>13,089</b>	21,528
Loans advanced from:				
Ultimate parent entity (note 35(e)(iii))	-	61,000	-	61,000
Direct parent entity (note 35(e)(ii))	-	12,696	-	12,696
Loan repayments to:				
Ultimate parent entity (note 35(e)(iii))	-	41,000	-	41,000
Direct parent entity (note 35(e)(ii))	-	3,490	-	3,490

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	<i>Consolidated</i>		<i>The Company</i>		
	<b>2004</b>	<i>2003</i>	<b>2004</b>	<i>2003</i>	
	<b>\$'000</b>	<i>\$'000</i>	<b>\$'000</b>	<i>\$'000</i>	
<b>35 Related parties</b> <i>(continued)</i>					
(iii) Balances with other related parties					
<i>Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004</i>	The aggregate amounts receivable from and payable to other related parties at balance date.				
	<b>Current receivables</b>				
<i>Notes to and forming part of the financial statements for the year ended 31 December 2004</i>	Joint venture entity (interest)	<b>363</b>	284	-	-
	Joint venture entity (trade)	<b>13,082</b>	8,028	-	-
	<b>Non-current receivables</b>				
	Controlled entity (loan)	-	-	<b>63,617</b>	50,528
	Joint venture entity (loan)	<b>16,769</b>	12,189	-	-

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 consolidated entity during the reporting year on this loan was \$706,000 (2003: \$569,000).  
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 \$3,434,000 (2003: 1,217,000).  
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 consolidated entity during the reporting year on this loan was \$62,000 (2003: nil).

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

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

On 16 December 2003, Rugby Holdings Ltd sold 107.8 million shares in the Company and ceased to have a controlling interest in Adelaide Brighton Ltd. From this date no entity has held a controlling interest in Adelaide Brighton Ltd. Prior to the sale by Rugby Holdings Ltd, the ultimate parent entity was RMC Group plc Rugby Holdings Ltd has subsequently sold all of its remaining interest in the Company.

*Transactions with controlling entity and ultimate parent entity*

- (i) A limited recourse loan of \$12,305,000 was owing to Rugby Holdings Ltd at 31 December 2004 (2003 - \$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.
- (ii) Advances from Rugby Holdings Ltd to Adelaide Brighton Ltd were repaid in full during the year ended 31 December 2004.
- (iii) The Company had access to a \$350 million advance facility with RMC Group plc (refer note 20(b)(iii)). All advances under this facility were repaid in full during the year ended 31 December 2004.

### 36 Investments in controlled entities

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

Name of entity	Place of incorporation	Class of shares	Equity holding	
			2004 %	2003 %
<b>Adelaide Brighton Ltd</b>				
Adelaide Brighton Cement Ltd	South Aust <sup>3</sup>	Ord	100	100
Adelaide Brighton Cement Inc	Washington USA <sup>2</sup>	Ord	80	80
Adelaide Brighton Cement Investments Pty Ltd	South Aust <sup>3</sup>	Ord	100	100
Adelaide Brighton Management Ltd	South Aust <sup>3</sup>	Ord	100	100
Adelaide Brighton Cement International Pty Ltd	South Aust <sup>1</sup>	Ord	100	100
Adelaide Brighton Intellectual Property Pty Ltd	South Aust <sup>1</sup>	Ord	100	100
Cement Resources Consolidated Pty Ltd	South Aust <sup>1</sup>	Ord	100	100
Cockburn Cement Ltd	Western Aust <sup>3</sup>	Ord	100	100
C & M Brick Pty Ltd	Victoria	Ord	70	70
Hy-Tec Industries (Queensland) Pty Ltd	South Aust <sup>3</sup>	Ord	100	100
Northern Cement Ltd	Northern Territory <sup>3</sup>	Ord	100	100
Premier Resources Ltd	NSW <sup>3</sup>	Ord	100	100
<b>Adelaide Brighton Cement Ltd</b>				
Exmouth Limestone Pty Ltd	Western Aust <sup>1</sup>	Ord	51	51
<b>Adelaide Brighton Cement Inc</b>				
Adelaide Brighton Cement (Florida) Inc	Florida USA <sup>2</sup>	Ord	100	100
Adelaide Brighton Cement (Hawaii) Inc	Hawaii USA <sup>2</sup>	Ord	100	100
Hileah (Florida) Management Inc	Florida USA <sup>2</sup>	Ord	100	100
<b>Adelaide Brighton Management Ltd</b>				
Pavement Technology Ltd	South Aust	Ord	-	100
Adelaide Brighton Cement (Netherlands) BV	Netherlands <sup>2</sup>	Ord	-	100
Accendo Pty Ltd	South Aust <sup>1</sup>	Ord	100	50
Adba Pty Ltd	NSW <sup>1</sup>	Ord	100	100
<b>Pavement Technology Ltd</b>				
Accendo Pty Ltd	South Aust <sup>1</sup>	Ord	-	50
<b>Adelaide Brighton Cement International Pty Ltd</b>				
Adelaide Brighton Cement Inc	Wash. State USA <sup>2</sup>	Ord	20	20
Fuel & Combustion Technology International Ltd	United Kingdom <sup>2</sup>	Ord	100	100
<b>Fuel &amp; Combustion Technology International Ltd</b>				
Fuel & Combustion Technology International Inc	USA <sup>2</sup>	Ord	100	100
<b>Northern Cement Ltd</b>				
Mataranka Lime Pty Ltd	South Aust <sup>1</sup>	Ord	100	100
<b>Cockburn Cement Ltd</b>				
Cockburn Waters Pty Ltd	Western Aust <sup>1</sup>	Ord	100	100
Hydrated Lime Pty Ltd	Western Aust <sup>1</sup>	Ord	100	100
Chemical Unit Trust	Western Aust <sup>1</sup>	Units	100	100
Kalgoorlie Lime & Chemical Company Pty Ltd	Western Aust <sup>1</sup>	Ord	100	100
<b>Premier Resources Ltd</b>				
Hy-Tec Industries Pty Ltd	NSW <sup>3</sup>	Ord	100	100
Hy-Tec Industries (Victoria) Pty Ltd	NSW <sup>3</sup>	Ord	100	100
Bonfoal Pty Ltd	NSW <sup>1</sup>	Ord	100	100
Aus-10 Rhyolite Pty Ltd	NSW <sup>1</sup>	Ord	100	100
Morgan Cement International Pty Ltd	NSW <sup>3</sup>	Ord	100	100
<b>Hy-Tec Industries (Victoria) Pty Ltd</b>				
Hy-Tec Industries (Victoria) No 1 Pty Ltd	NSW <sup>1</sup>	Ord	100	100
Hy-Tec Industries (Victoria) No 2 Pty Ltd	NSW <sup>1</sup>	Ord	100	100
Sheltacrete Pty Ltd	NSW <sup>1</sup>	Ord	100	100
<b>C&amp;M Brick Pty Ltd</b>				
C&M Masonry Products Pty Ltd	South Aust	Ord	100	100
Betta Brick Pty Ltd	Vic <sup>1</sup>	Ord	100	100
C&M Brick (Bendigo) Pty Ltd	Vic <sup>1</sup>	Ord	100	100
C&M Design/Construct Pty Ltd	Vic <sup>1</sup>	Ord	100	100

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

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

<sup>2</sup> Controlled entities of which PricewaterhouseCoopers has not acted as auditor

<sup>3</sup> 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 and Investments Commission. For further information see note 38.

### 36 Investments in controlled entities (continued)

#### (b) Discontinuing 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.

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial performance information</b>		
Revenue from ordinary activities	-	30,438
Expenses from ordinary activities	-	(32,274)
Gain on sale of controlled entities	<b>1,177</b>	-
Profit from ordinary activities before income tax	<b>1,177</b>	(1,836)
Income tax expense	-	549
Net profit	<b>1,177</b>	(1,287)
<b>Carrying amount of assets and liabilities prior to sale and at end of previous financial year</b>		
Cash	<b>91</b>	91
Receivables	<b>5,156</b>	5,156
Inventories	<b>27</b>	27
Property, plant and equipment	<b>4,853</b>	4,853
Deferred tax assets	<b>416</b>	416
<b>Total assets</b>	<b>10,543</b>	10,543
Payables	<b>3,781</b>	3,781
Provisions	<b>671</b>	671
Deferred tax liabilities	<b>779</b>	779
<b>Total liabilities</b>	<b>5,231</b>	5,231
<b>Net assets</b>	<b>5,312</b>	5,312
<b>Cash flow information</b>		
Net cash inflow from ordinary activities	-	2,350
Net cash inflow from investing activities	<b>6,217</b>	(309)
Net cash inflow from financing activities	-	(9,331)
<b>Net increase in cash</b>	<b>6,217</b>	(7,290)
<b>Details of the sale of the entities</b>		
Cash consideration	<b>6,217</b>	-
Carrying amount of net assets sold	<b>(5,312)</b>	-
Release of reserves	<b>272</b>	-
<b>Gain on sale before related income tax</b>	<b>1,177</b>	-
Income tax expense	-	-
<b>Gain on sale after related income tax</b>	<b>1,177</b>	-

### 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 and 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".

Pavement Technology Ltd was removed from the Deed and the Closed Group during 2004 following the sale of this entity.

Set out below is a condensed consolidated statement of financial performance and a summary of movements consolidated retained profits for the year ended 31 December 2004 of the Closed Group.

*Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004*

*Notes to and forming part of the financial statements for the year ended 31 December 2004*

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit from ordinary activities before income tax expense</b>	<b>89,217</b>	80,068
Income tax expense	<b>(13,410)</b>	(27,062)
<b>Profit from ordinary activities after income tax expense</b>	<b>75,806</b>	53,006
Retained profits at the beginning of the financial year	<b>(31,871)</b>	(54,669)
Profit from ordinary activities after income tax expense	<b>75,806</b>	53,006
Net movement in reserves (including removal of controlled entity from the Deed)	<b>2,354</b>	(419)
Dividends paid	<b>(36,576)</b>	(29,789)
<b>Retained profits at the end of the financial year</b>	<b>9,713</b>	(31,871)

Set out below is a consolidated statement of financial position as at 31 December 2004 of the Closed Group.

#### Current assets

Cash assets	<b>16,423</b>	4,785
Receivables	<b>110,633</b>	175,619
Inventories	<b>48,787</b>	41,510
Other	<b>4,739</b>	1,657
<b>Total current assets</b>	<b>180,582</b>	223,571

#### Non-current assets

Receivables	<b>16,871</b>	12,434
Investments accounted for using the equity method	<b>34,599</b>	33,643
Property, plant and equipment	<b>496,284</b>	515,120
Deferred tax assets	<b>11,364</b>	9,730
Intangible assets	<b>146,880</b>	157,265
Other	<b>28,537</b>	28,742
<b>Total non-current assets</b>	<b>734,535</b>	756,934
<b>Total assets</b>	<b>915,117</b>	980,505

2004  
\$'000

2003  
\$'000

### 37 Deed of cross guarantee (continued)

#### Current liabilities

Payables	31,790	103,038
Interest bearing liabilities	215,167	229,497
Current tax liabilities	9,481	7,579
Provisions	25,149	28,675
Other	14,955	3,695
<b>Total current liabilities</b>	<b>296,542</b>	<b>372,484</b>

#### Non-current liabilities

Payables	-	6,000
Interest bearing liabilities	133	320
Deferred tax liabilities	55,566	66,731
Provisions	8,346	22,273
Other	102	102
<b>Total non-current liabilities</b>	<b>64,147</b>	<b>95,426</b>

**Total liabilities** 360,689 467,910

**Net assets** 554,428 512,595

#### Equity

Contributed equity	512,775	512,775
Reserves	31,940	31,691
Retained profits (losses)	9,713	(31,871)

**Total equity** 554,428 512,595

### 38 Investments in joint ventures and associates

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

Name of joint venture company	Principal activity	Ownership interest		Consolidated carrying amount		The Company carrying amount	
		2004 %	2003 %	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Sunstate Cement Ltd	Cement manufacture	50	50	13,602	13,235	-	-
Independent Cement and Lime Pty Ltd	Cement distribution	50	50	20,997	20,408	-	-
Alternative Fuel Company Pty Ltd	Processing waste materials	50	-	-	-	-	-
				<b>34,599</b>	<b>33,643</b>	<b>-</b>	<b>-</b>

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

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

Consolidated

**2004**      2003  
**\$'000**      \$'000

**38 Investments in joint ventures and associates** *(continued)*

**(b) Movements in carrying amount of investments**

Carrying amount of investments in joint ventures and associates at the beginning of the financial year	<b>33,643</b>	30,806
Share of joint ventures net profit	<b>15,765</b>	12,930
Dividends received from joint ventures	<b>(14,809)</b>	(10,093)
Carrying amount of investments in joint ventures at the end of the financial year	<b>34,599</b>	33,643

*Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004*

*Notes to and forming part of the financial statements for the year ended 31 December 2004*

**(c) Results of joint ventures**

Share of joint ventures revenues	<b>162,749</b>	144,249
Share of joint ventures expenses	<b>(141,730)</b>	(126,623)
Share of joint ventures operating profit before tax	<b>21,019</b>	17,626
Share of joint ventures income tax expense attributable to operating profit	<b>(4,456)</b>	(3,594)
Share of joint ventures net profit - as disclosed by joint ventures	<b>16,563</b>	14,032
Adjustments:		
Amortisation of goodwill arising from investment in joint ventures	<b>(996)</b>	(996)
Unrealised profit in inventory	<b>198</b>	(106)
Share of joint ventures net profit - equity accounted	<b>15,765</b>	12,930
Share of joint ventures retained profits at the beginning of the financial year	<b>(338)</b>	(3,175)
Dividends and distribution from joint ventures	<b>(14,809)</b>	(10,093)
Share of joint ventures retained profits at the end of the reporting year	<b>618</b>	(338)

**(d) Summary performance and financial position of joint ventures**

The aggregate share of profits, assets and liabilities of joint ventures is as follows:

Net profit	<b>33,126</b>	28,064
Total assets	<b>118,698</b>	121,307
Total liabilities	<b>(62,174)</b>	(68,291)
Consolidated entity's share of joint ventures net assets	<b>28,262</b>	26,508
Adjustments arising from equity accounting:		
Goodwill (net of amortisation)	<b>6,441</b>	7,437
Unrealised profit in inventory	<b>(104)</b>	(302)
Net assets - equity adjusted	<b>34,599</b>	33,643

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

	<i>Consolidated</i>		<i>The Company</i>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>39 Notes to the statements of cash flows</b>				
<b>(a) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities</b>				
Profit from ordinary activities after income tax	<b>82,662</b>	58,567	<b>20,257</b>	39,100
Add non-cash items:				
Transfer to provisions:				
Doubtful debts	<b>(717)</b>	901	<b>24,969</b>	-
Depreciation and amortisation	<b>62,061</b>	62,408	-	-
Add(less) items classified as investing / financing activities:				
(Gain) loss on sale of non-current assets	<b>1,384</b>	408	-	-
(Gain) loss on sale of controlled entities	<b>(1,177)</b>	-	-	-
Share of joint venture entities' net profit	<b>(956)</b>	(2,858)	-	-
Other	-	-	<b>3,466</b>	(1,646)
Net cash provided by operating activities before change in assets and liabilities	<b>143,257</b>	119,426	<b>48,692</b>	37,454
Changes in operating assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:				
(Increase) decrease in inventories	<b>(10,788)</b>	4,846	-	-
(Increase) decrease in prepayments	<b>(3,080)</b>	658	-	-
(Increase) decrease in trade/term debtors	<b>(6,409)</b>	(16,972)	-	-
Increase (decrease) in trade creditors	<b>5,942</b>	(6,212)	<b>(743)</b>	6,180
Increase (decrease) in provisions	<b>(4,628)</b>	5,057	-	(425)
Increase (decrease) in taxes payable	<b>534</b>	7,574	<b>(7,789)</b>	(873)
Increase (decrease) in deferred taxes payable	<b>(9,148)</b>	13,536	<b>78</b>	128
Net cash provided by operating activities	<b>115,680</b>	127,913	<b>40,237</b>	42,464

#### 40 Earnings per share

	<i>Consolidated</i>	
	<b>2004</b>	2003
	<b>Cents</b>	Cents
Basic earnings per share	<b>15.0</b>	10.7
Alternative basic earnings per share	<b>12.5</b>	10.7

The alternative basic earnings per share has been calculated to exclude the current year tax benefit on implementation of tax consolidation, in order to make the earnings per share more comparable with 2003.

#### Weighted average number of shares used as the denominator

	<i>The Company</i>	
	<b>2004</b>	2003
	<b>Number</b>	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>541,861,007</b>	541,523,952

#### Reconciliations of earnings used in calculating earnings per share

	<i>Consolidated</i>	
	<b>2004</b>	2003
	<b>\$'000</b>	\$'000
Basic earnings per share		
Net profit before significant items	<b>68,693</b>	58,567
Net profit attributable to outside equity interest	<b>(1,170)</b>	(885)
Earnings used in calculating alternative basic earnings per share	<b>67,523</b>	57,682
Tax benefit on implementation of tax consolidation	<b>13,969</b>	-
Earnings used in calculating basic earnings per share	<b>81,492</b>	57,682

## 41 Segment information

### Business segments

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

#### **Construction and mining materials**

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

*Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004*

#### **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.

*Notes to and forming part of the financial statements for the year ended 31 December 2004*

#### **Other**

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

### Geographical segments

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

2004 \$'000

	<i>Construction and mining materials</i>	<i>Building products</i>	<i>Other</i>	<i>Eliminations/unallocated</i>	<i>Consolidated</i>
<b>Primary reporting - business segments</b>					
Sales - external	604,454	91,984	-	-	696,438
Inter-segment sales	2,464	-	-	(2,464)	-
Sales revenue	606,918	91,984	-	(2,464)	696,438
Other revenue	4,583	488	2,457	-	7,528
Revenue from ordinary activities	611,501	92,472	2,457	(2,464)	703,966
Share of net profit of joint ventures	15,765	-	-	-	15,765
Total segment revenue	627,266	92,472	2,457	(2,464)	719,731
Segment result	123,528	8,666	(14,983)	(10,226)	106,985
Net interest expense				(12,120)	(12,120)
Operating profit					94,865
Income tax expense				(12,203)	(12,203)
Net profit					82,662
Segment assets	645,567	100,733	735,746	(448,735)	1,033,311
Segment liabilities	450,899	76,870	361,190	(476,431)	412,528
Investments in joint venture entities	34,599	-	-	-	34,599
Payments for non-current assets	33,957	15,372	797	-	50,126
Depreciation and amortisation	45,780	3,909	1,647	10,724	62,060

**41 Segment information (continued)**

2003 \$'000

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2004

Notes to and forming part of the financial statements for the year ended 31 December 2004

	Construction and mining materials	Building products	Other	Eliminations/unallocated	Consolidated
<b>Primary reporting - business segments</b>					
Sales - external	552,025	48,163	30,438	-	630,626
Inter-segment sales	1,230	-	-	(1,230)	-
Sales revenue	553,255	48,163	30,438	(1,230)	630,626
Other revenue	4,476	500	1,577	(46)	6,507
Revenue from ordinary activities	557,731	48,663	32,015	(1,276)	637,133
Share of net profit of joint ventures	12,930	-	-	-	12,930
Total segment revenue	570,661	48,663	32,015	(1,276)	650,063
Segment result	111,560	5,059	(9,749)	(9,803)	97,067
Net interest expense				(12,648)	(12,648)
Operating profit					84,419
Income tax expense				(25,852)	(25,852)
Net profit					58,567
Segment assets	856,625	91,642	836,456	(762,000)	1,022,723
Segment liabilities	678,690	68,723	465,729	(766,047)	447,095
Investments in joint venture entities	33,643	-	-	-	33,643
Payments for non-current assets	51,940	7,609	1,118	-	60,667
Depreciation and amortisation	47,242	2,663	3,099	9,417	62,421
<b>Secondary reporting - geographical segments</b>					
	Segment revenues - external		Segment assets		Acquisitions of fixed assets
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000
Australia	696,438	630,626	1,031,965	1,021,442	50,126
Other countries	-	-	1,346	1,281	-
	696,438	630,626	1,033,311	1,022,723	50,126

# Directors' declaration Independent audit report

## In the Directors' opinion

- (a) the financial statements and notes set out on pages 34 to 74 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 consolidated entity's financial position as at 31 December 2004 and of their performance, as represented by the results of their operations 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) 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.  
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.

## Audit opinion

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

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Adelaide Brighton Ltd and the Adelaide Brighton Ltd Group (defined below) as at 31 December 2004, and of their performance for the year ended on that date, and
  - is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.
- This opinion must be read in conjunction with the rest of our audit report.

## Scope

### The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Adelaide Brighton Ltd (the company) and the Adelaide Brighton Ltd Group (the consolidated entity), for the year ended 31 December 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

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

## Audit approach

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

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

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

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 2005

# Ten year financial summary

Year ended (\$ million unless stated)	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec <sup>12</sup> 2000	Dec <sup>12</sup> 1999	Jun 1999	Jun 1998	Jun 1997	Jun 1996	Jun 1995
<b>Statements of financial performance</b>											
Sales revenue	696.4	630.6	486.8	387.8	401.9	378.7	313.6	318.2	368.5	404.9	397.9
Depreciation <sup>13</sup>	51.3	52.3	45.1	41.0	43.2	28.5	26.1	23.0	23.0	24.4	25.6
Earnings before interest and tax	107.0	97.0	80.0	46.9	48.6	48.3	35.1	39.1	52.5	49.1	56.4
Net interest earned (paid)	(12.1)	(12.6)	(13.1)	(16.3)	(19.5)	(18.3)	(14.6)	(14.8)	(20.2)	(23.1)	(20.6)
<b>Profit before tax, abnormal and extraordinary items</b>											
	94.9	84.4	66.9	30.6	29.1	30.0	20.5	24.3	32.3	26.0	35.8
Tax expense <sup>1</sup>	(12.2)	(25.8)	16.2	-	-	3.0	4.0	6.3	9.9	8.0	9.7
Minority interest <sup>1</sup>	(1.2)	(0.9)	-	-	-	3.2	5.0	6.0	6.7	4.4	6.7
<b>Net profit after tax and outside equity interest before abnormal and extraordinary items<sup>1</sup></b>											
	81.5	57.7	50.7	30.6	29.1	23.8	11.5	12.0	15.7	13.6	19.4
Abnormal and extraordinary items after tax and outside equity interest	-	-	-	-	-	(49.1)	(49.4)	0.3	(8.1)	(62.9)	(50.8)
<b>Net profit (loss) after tax, abnormal and extraordinary items</b>											
	81.5	57.7	50.7	30.6	29.1	(25.3)	(37.9)	12.3	7.6	(43.9)	(31.4)
<b>Group balance sheet</b>											
Current assets	196.2	173.3	143.3	119.0	136.4	167.9	154.0	117.2	174.0	145.3	173.5
Property, plant and equipment	612.0	620.1	561.3	510.7	509.1	514.7	527.6	405.4	391.9	376.6	413.8
Receivables	19.1	12.2	12.5	11.7	10.9	-	15.3	14.5	14.2	14.5	0.2
Investments	34.6	33.6	30.8	27.6	26.9	34.0	33.3	62.5	62.6	106.5	117.7
Intangibles	156.0	166.4	146.6	147.2	152.7	159.9	163.9	12.5	11.6	14.7	15.3
Other non-current assets	15.4	17.1	28.5	37.0	29.6	26.0	31.5	23.4	20.0	20.0	18.1
<b>Total assets</b>	<b>1,033.3</b>	<b>1,022.7</b>	<b>923.0</b>	<b>853.2</b>	<b>865.6</b>	<b>902.5</b>	<b>925.6</b>	<b>635.5</b>	<b>674.3</b>	<b>677.6</b>	<b>738.6</b>
Current borrowings and creditors	294.6	306.3	58.3	49.9	99.4	54.6	59.5	43.9	78.4	44.0	60.4
Current provisions	50.5	42.3	54.8	43.8	52.2	37.7	26.6	25.6	27.0	24.6	27.5
Non-current borrowings	1.1	1.5	200.8	228.5	204.9	300.1 <sup>3</sup>	309.5 <sup>3</sup>	208.4 <sup>3</sup>	177.6	226.3	206.6
Deferred income tax and other non-current provisions	66.3	97.0	83.3	77.0	66.9	83.0	103.8	59.3	51.7	48.6	37.4
<b>Total liabilities</b>	<b>412.5</b>	<b>447.1</b>	<b>397.2</b>	<b>399.2</b>	<b>423.4</b>	<b>475.4</b>	<b>499.4</b>	<b>337.2</b>	<b>334.7</b>	<b>343.5</b>	<b>331.9</b>
<b>Net assets</b>	<b>620.8</b>	<b>575.6</b>	<b>525.8</b>	<b>454.0</b>	<b>442.2</b>	<b>427.1</b>	<b>426.2</b>	<b>298.3</b>	<b>339.6</b>	<b>334.1</b>	<b>406.7</b>
Share Capital	512.8	512.8	512.1	462.4	462.2	462.2	467.7	78.7 <sup>11</sup>	136.8 <sup>3</sup>	136.8 <sup>3</sup>	135.6 <sup>3</sup>
Reserves	30.5	30.4	30.6	30.9	30.8	31.2	31.5	140.1	144.6	141.7	163.0
Retained Profits	67.3	22.4	(19.9)	(42.2)	(53.8)	(69.3)	(76.0)	(32.5)	(41.5)	(40.1)	11.0
Shareholders' equity attributable to members of the company	610.6	565.6	522.8	451.0	439.2	424.1	423.2	186.3	239.9	238.4	309.6
Outside equity interest	10.2	10.0	3.0	3.0	3.0	3.0	3.0	112.0	99.7	95.8	97.1
<b>Total Shareholders funds</b>	<b>620.8</b>	<b>575.6</b>	<b>525.8</b>	<b>454.0</b>	<b>442.2</b>	<b>427.1</b>	<b>426.2</b>	<b>298.3</b>	<b>339.6</b>	<b>334.2</b>	<b>406.7</b>
<b>Share information</b>											
Asset Backing (A\$/share)	0.86	0.76	0.70	0.65	0.61	0.56	0.56	1.10	1.22	1.20	1.68
Return on shareholders' funds (%)	13.3%	10.2%	9.7%	6.8%	6.6%	5.6%	2.7%	6.4%	8.6%	7.5%	7.7%
Basic earnings per share (¢/share)	15.0	10.7	9.9	6.5	6.1	(5.3)	(24.1)	7.8	4.8	(0.9)	5.6
Alternative earnings (¢/share)	12.5	10.7	9.9	6.5	6.1	5.0	7.3	7.6	10.0	8.7	12.7
Total dividend (¢/share)	7.5	6.0	5.25	4.0	3.0	-	-	5.0	5.0	5.0	10.0
Interim dividend (¢/share)	3.5 <sup>2</sup>	2.75 <sup>4</sup>	2.5 <sup>9</sup>	2.0 <sup>10</sup>	1.5 <sup>2</sup>	-	-	2.5 <sup>7</sup>	2.5 <sup>5</sup>	2.5 <sup>4</sup>	5.0 <sup>2</sup>
Final dividend (¢/share)	4.0 <sup>2</sup>	3.25 <sup>2,14</sup>	2.75 <sup>8</sup>	2.0 <sup>9</sup>	1.5 <sup>2</sup>	-	-	2.5 <sup>9</sup>	2.5 <sup>5</sup>	2.5 <sup>5</sup>	5.0 <sup>2</sup>

1 Excluding extraordinary items

2 Fully franked

3 Includes convertible notes

4 60% Franked

5 80% Franked

6 Unfranked

7 75% Franked

8 35% Franked

9 20% Franked

10 13% Franked

11 In accordance within AASB1033 Presentation and Disclosure of Financial Instruments Convertible Notes of \$58.2 million have been reclassified from share capital to non-current borrowings as at 1 July 1997

12 Proforma 12 month period

13 Includes amortisation of complex asset components from 1/7/98

14 Dividend declared after year end as a result of Boral Ltd Takeover Offer of Adelaide Brighton Ltd