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30 March 2007

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

Dear Sir/Madam

**ADELAIDE BRIGHTON LTD 2006 ANNUAL REPORT**

We attach the Adelaide Brighton Ltd 2006 Annual Report for release to the market.

Yours faithfully

**MRD Clayton**  
Company Secretary



A D E L L A I D E B R I G H T O N L T D 2 0 0 6 A N N U A L R E P O R T

# Company profile

Adelaide Brighton Ltd is a leading, integrated construction materials and lime producing company heavily focussed on the growing resources, engineering and infrastructure sectors.

With its origins going back to 1882, Adelaide Brighton is a S&P/ASX200 company with market capitalisation in excess of \$1.8 billion and 1300 employees and operations in all mainland states and territories of Australia.

The principal activities of the Adelaide Brighton Group are the production and marketing of clinker, cement and lime products under the Adelaide Brighton Cement and Cockburn Cement brands; ready mixed concrete and aggregates supply through the Hy-Tec operations and concrete products through C&M Brick.

Adelaide Brighton has market leadership positions in cement and lime in South Australia, Western Australia, Northern Territory through its Adelaide Brighton Cement, Cockburn Cement and Northern Cement Operations. Adelaide Brighton also has strategic cement positions in the eastern states through its Morgan Cement grinding facility in New South Wales, and its 50% owned cement supply joint ventures in Queensland (Sunstate Cement) and Victoria (Independent Cement and Lime).

Adelaide Brighton also has a modest position in the ready mixed concrete markets through Hy-Tec in Victoria, New South Wales and south east Queensland.

Through its subsidiary, C&M Brick, Adelaide Brighton holds the second largest market share in the national concrete products market, with operations in New South Wales, South Australia and Victoria.

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

Adelaide Brighton is committed to the improvement of its safety and environmental standards and performance through investment in the best available technology at economic cost and the continuous focus on safety standards and cultures.

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## Adelaide Brighton Ltd

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## Year in review

- Record sales revenue of \$791.2 million - an increase of 10.3%
- Record net profit after tax of \$102.1 million - an increase of 12.3%
- 19.0% increase in full year dividend to 12.5 cents per share
- Special dividend of 6.0 cents per share, fully franked
- Earnings per share increased to 18.8 cents (16.8 cents pcg)
- Operating cash flow increased 16.9% to \$144.3 million
- Gearing<sup>1</sup> at 33.6% decreased due to improved profitability and lower capex (35.8% pcg)
- Interest cover increased to 9.8 times on an EBIT basis (9.6 times pcg)

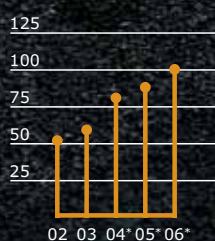
Financial summary \$Million	2006	2005
<b>Sales revenue</b>	<b>791.2</b>	717.3
Depreciation	(51.8)	(47.0)
<b>Earnings before interest and tax ("EBIT")</b>	<b>148.8</b>	134.1
Net interest <sup>2</sup>	(15.2)	(14.0)
<b>Profit before tax</b>	<b>133.6</b>	120.1
Tax expense on profit before tax	(33.1)	(32.3)
<b>Net profit after tax before tax consolidation</b>	<b>100.5</b>	87.8
Minority interest	(0.5)	-
<b>Net profit to members before tax consolidation</b>	<b>100.0</b>	87.8
Tax benefit on implementation of tax consolidation <sup>3</sup>	2.1	3.1
<b>Net profit attributable to members</b>	<b>102.1</b>	90.9
Earnings per share (cents)	<b>18.8</b>	16.8
Dividend per share (cents)	<b>12.5</b>	10.5
Special dividend per share (cents)	<b>6.0</b>	-
Franking (%) - interim	<b>100%</b>	100%
- final	<b>100%</b>	100%
Net debt (\$ millions)	<b>226.9</b>	226.8
Net debt/equity (%)	<b>33.6%</b>	35.8%

<sup>1</sup> Net debt/equity

<sup>2</sup> Interest charge shown gross in the Income Statement with interest income included in other income

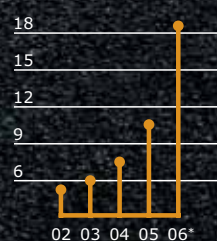
<sup>3</sup> Assessed adjustment to deferred tax balances on the implementation of tax consolidation

**Profit after tax**  
\$m



\*Reported under AIFRS and before adjustments for the tax benefit on implementation of tax consolidation

**Dividends per share**  
c/share

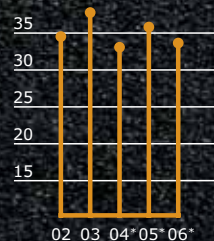


\*Includes 6.0 cents special dividend

**Cash flow from operations**  
\$m



**Gearing: net debt to equity**  
%



\*Reported under AIFRS

**Return on shareholders funds**  
%



\*Reported under AIFRS and before adjustments for the tax benefit on implementation of tax consolidation

**Chairman's report** Adelaide Brighton reported a further record net profit after tax for 2006, its fifth year of sustained growth. This performance provided the basis for a 19.0% increase in the full year ordinary dividend to 12.5 cents per share fully franked and the payment of a special fully franked dividend of 6.0 cents per share.

**Financial performance**

Adelaide Brighton reported a record net profit after tax of \$102.1 million for 2006, a 12.3% increase over 2005. A fully franked final dividend of 7.5 cents per share was declared, taking the full year dividend to 12.5 cents per share, a 19.0% increase over 2005.

The Board reviewed the Company's capital management policy during 2006 in the context of sustained profitability, cash flow and future capital demands. The continued strength of the Company's balance sheet, low gearing and strong operating cash flows has provided the basis for the payment of a fully franked special dividend of 6.0 cents per share.

The dividend payout ratio, before payment of the special dividend, increased to 66.4%. Inclusive of the special dividend, the Company has delivered a 42.6% growth in total shareholder return and 29.4% compound annual growth since 31 December 2001.

**Strategic intent**

The Company maintains a sustained approach to the growth of its cement and aggregates business with emphasis on operational improvement in existing companies together with the development of its lime business. The acquisition of key raw material reserves continues to be fundamental to this strategy and additional limestone reserves at Rawlinna near Kalgoorlie in Western Australia were acquired during the year.

The Company continues to progress operational improvement in the business as demonstrated by the improved performance in Hy-Tec and C&M Brick during 2006. A structured operational improvement programme was launched in late 2006 throughout the Cement

and Lime Division which will seek to increase the capacity of the cement and lime assets over the next four years.

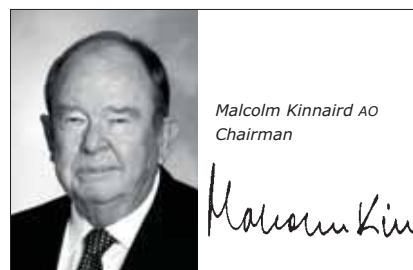
**Sustainability in Adelaide Brighton**

Adelaide Brighton continues to manage our business to achieve further improvement in the long term. Our sound business strategy supports continuous improvement in the social, environmental, economic, operational performance and governance of the Company.

The Company's safety performance showed improvement during 2006 with the lost time injury frequency rate being reduced to 6.0. Nineteen lost time injuries were reported companywide, a reduction over the 23 injuries reported in 2005. C&M Brick made a major contribution in reducing the Company's overall injury frequency rate reducing its Divisional lost time injuries by 60% to four.

The Company continues to scrutinise its environmental performance to ensure individual plants comply with all relevant licences and approvals. This responsibility takes on an ever increasing importance given the proximity of the key manufacturing plants at Birkenhead and Munster to local residential communities. The Company has increased its awareness and responses to local community issues through the participation in independently chaired local community groups. These groups are an important part of our ongoing communication with local stakeholders and assist in the prioritisation of management actions and capital investments on environmental issues.

The Board sets the direction of safety and environmental performance management through the Board's Safety Health and Environment Committee.



Malcolm Kinnaird AO  
Chairman

*Malcolm Kinnaird*

All safety and environmental incidents are reported in an internal closed loop system which ensures that all material safety and environmental incidents are reviewed, corrective actions prioritised and the effectiveness of the action plans subsequently assessed by both management and the Board.

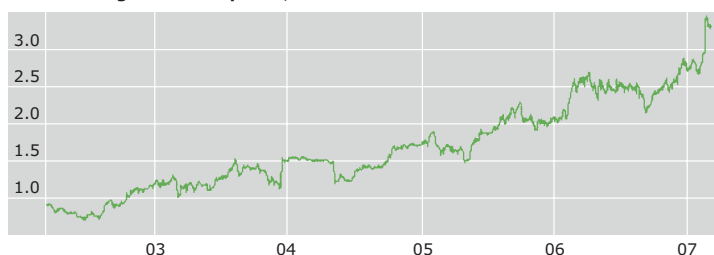
Adelaide Brighton continues to focus on the efficiency of its operations with regard to its carbon emissions footprint. The continued pursuit of improved efficiency, the expansion of use of supplementary cementitious materials and the use of alternative fuels are a key part of this focus.

**People and leadership**

The Company continues to invest in the training and development of employees. A tailored management development programme was put in place across all Divisions. The development of our management skills on the basis of consistent values and culture will play a key role in the future performance of Adelaide Brighton.

Finally, I would like to commend our employees for their commitment and performance. In today's competitive labour market employee retention is a key factor for companies in both sustaining and improving performance; employee satisfaction plays an important role in this regard. The skills and loyalty of our workforce comprised the essential base for delivering our 2006 performance, a result for which our employees should take a high degree of credit and satisfaction.

Adelaide Brighton share price \$



# Managing Director's statement Continued improvement in operating performance and strong demand in the cement and lime sectors underpinned the 2006 result. Both C&M Brick and Hy-Tec made important contributions to the 2006 result through fundamental improvements in operating performance.

## 2006 performance

Adelaide Brighton delivered a very good result in 2006. Despite challenges faced in the first half year, the Company delivered an 11% increase in the underlying earnings before interest and tax to \$148.8 million on the basis of a 10.3% growth in sales and improved operating performance across all Divisions. The Company took benefit from further one off net tax credits bringing the full year net profit after tax to \$102.1 million.

Sales growth increased revenues to a record \$791.2 million, underpinned by the continued strength of our core cement markets in Western Australia, South Australia, Victoria, Queensland and Northern Territory. This increase in demand resulted from the continued high levels of activity in the engineering and infrastructure, residential and resource sectors.

Demand in New South Wales, however, remained weak throughout 2006, suppressing sales volumes in the Hy-Tec and C&M Brick businesses.

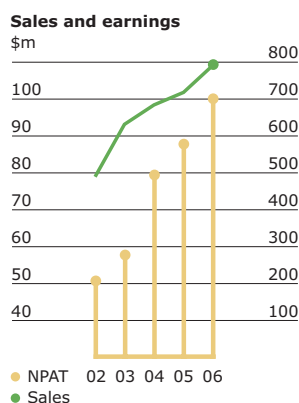
Driven by tighter cement supply pressures and increases in base fuel and energy costs, it was possible to realise cement price increases during the year which enabled the full recovery of input cost increases.

The demand for lime remained level during the first half year, however, the benefits from key customer expansions began to take effect during the second half. The latter volumes also increased as a result of the exit of Loongana Lime Pty Ltd (Loongana) from the Kalgoorlie market.

Demand for both lime and cement from the Northern Territory was ahead of expectations and the operations in both Darwin and Mataranka made an important contribution to the full year result.

The Company's operating performance continues to be a fundamental driver behind the overall results with consistent high levels of output being achieved at the Birkenhead plant and improved production output from both the Munster and Angaston plants.

In the first half year the Cement and Lime Division faced substantial increases in gas pricing and constraints on gas supplies in Western Australia. It was necessary to revise the 2006 planned maintenance programmes, bringing forward major shutdowns at Munster into the first half year. This achieved the desired reduction in gas consumption, allowing time for additional supply quotas to be secured for the second half year.



Management also instigated the trialling and testing of coal combustion on the lime kilns. Through the commitment from all stakeholders, coal firing was subsequently permitted on kiln 6 and a temporary firing rig commissioned by mid year.

While gas has historically been the primary fuel used at Munster, the long term cost benefit of the use of pulverised coal (a fuel most commonly used in cement manufacture worldwide) has resulted in an \$18.0 million investment in a coal handling and milling plant being approved by the Board. It is anticipated that kiln 6 at Munster will convert to coal firing by 2008.



In South Australia, both the Birkenhead and Angaston plants performed well. Birkenhead maintained its high level of output and met market demands from both its home state and markets in Queensland and Victoria. Angaston's performance continued to improve and is now delivering measurable returns on a three year kiln investment programme.

The improvement in operating performance has been particularly pleasing in the C&M Brick business where earnings before interest and tax more than doubled to \$8.8 million. This improvement resulted from an increase in C&M Brick's operating margins, achieved predominantly through the return on investment from the programme of plant upgrades begun in 2004 and completed during 2005. The resulting turnaround in profitability has been achieved in spite of lower sales volumes resulting from continued weak demand for C&M Brick's products in its core New South Wales and Victorian markets.

Hy-Tec delivered its best ever result in 2006 from an increase in margins achieved through the improvement in distribution efficiencies and the optimisation of concrete mix designs.

During the third quarter of 2006, full-scale aggregate production commenced at the Austen Quarry and by the year end all Hy-Tec plants in Sydney were being supplied with Austen Quarry aggregates.

The final phase of the Austen Quarry investment, involving the construction of the secondary crusher and material handling equipment, was commenced in the second half year and completion is expected in the second quarter of 2007.



*Austen Quarry secondary and tertiary crushing and screening plant.*

While the performance of Austen Quarry was earnings dilutive for the year, it has now achieved an operating scale to generate positive cash flows as it moves towards profitability over the next two years.

Capital expenditure at \$81.5 million was managed within budget and included the acquisition of the Loongana limestone quarry and operating assets at Rawlinna in Western Australia. Other key investments included completion of Austen Quarry phase 1; upgrades to kiln 5 at Munster and kilns 1 and 3 at Angaston; the re-certification of the *Accolade II* to achieve its three year marine operating certificate and environmental improvements to the raw material and clinker handling systems at Birkenhead.

**Strategic development**

The Company continues to pursue its strategy of selective downstream integration into concrete, aggregates and sand, growth in lime and operational improvement.

During the year several downstream acquisition opportunities were evaluated but none of the opportunities met Adelaide Brighton's rate of return investment criteria.

The growth in lime demand is forecast to continue as additional capacity is brought on-stream in the steel, gold and alumina resource sectors. In the medium term, the forecast increases in lime demand and the potential for margin growth are expected to be key factors in Adelaide Brighton's growth. If all projects identified in the resource sector eventuate and are successfully commissioned, lime demand is expected to increase by 320,000 tonnes by the end of 2012.

The Company will continue to monitor lime pricing in the context of expiring longer term contracts over the next five years and will seek to achieve margin growth through the recovery of manufacturing cost inflation and improve margins to the levels required to sustain future long term investment in the lime manufacturing operations.

Following a comprehensive benchmarking of plant uptime, reliability and throughputs in the Cement and Lime Division, an operational improvement programme to deliver an increase in cement and lime output from 2008 was implemented. A target of \$25 million in cost improvements is projected by year four of this programme at a capital cost of \$45 million.

**Outlook**

In 2007, cement demand is projected to continue at levels similar to those in 2006. The rate of growth in Western Australia is expected to level with a softening in the South Australia market offset by continued strong demand in Queensland and Victoria. Demand in New South Wales is not expected to improve until the second half of 2007.

World cement supplies remain relatively tight and shipping costs have risen to near five year highs. This, together with the recent weakening of the Australian dollar against the Japanese Yen and US dollar, weakens the potential for import competition. It is expected that these market forces, together with continued input price pressures on labour, materials, fuel and energy costs, will allow for price increases across all product sectors.

In conclusion, the Company can take great satisfaction from its 2006 performance but must also seek to continue its growth in shareholder return. Through the strength of its core markets and the continuing programmes of operational improvement, the Company is well placed for further earnings growth in 2007. The Company's national geographical spread and higher exposure to the engineering, infrastructure and resource sectors will continue to provide Adelaide Brighton with a unique competitive position in the Australian construction materials and resource sectors.

# Financial results

A fifth consecutive year of profit improvement has provided a 29.4% compound average growth rate in shareholder return since 2001. The 19.0% increase in dividend to 12.5 cents per share has raised the payout ratio to 66.4%, rising to 98.3% when the fully franked special dividend is taken into account.

## Profits

Adelaide Brighton's net profit after tax attributable to members, before tax consolidation benefits, was \$100.0 million, a 13.9% increase over 2005. The underlying profit before tax was \$133.6 million, an 11.2% increase over 2005.

## Sales revenue

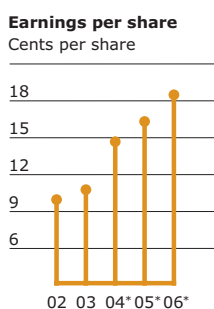
Sales improved by 10.3% to a record \$791.2 million due to the increased demand for cement and lime from the construction and resource sectors in Western Australia and Queensland and continued strong demand in South Australia and Northern Territory. Sales have doubled since 2001, underpinned by the Company's strategy of expansion through selective vertical integration and its exposure to the growing resources, engineering and infrastructure sectors.

## Gross margins

Gross margins, including the share of profits from joint ventures, were maintained at 24.6% as sales price increases and operational cost improvements were achieved at levels sufficient to recover base raw materials, energy and labour cost increases. Operational improvements were most visible in Hy-Tec and C&M Brick as a result of improvements in operating efficiencies and distribution costs.

## Dividends and earnings per share

A final dividend of 7.5 cents per share was declared, giving a total fully franked dividend for 2006 of 12.5 cents per share, a 19.0% increase over 2005. In addition, the Board declared a fully franked 6.0 cents per share special dividend.



\*Reported under AIFRS and before adjustments for the tax benefit on implementation of tax consolidation

Earnings per share improved to 18.8 cents, an 11.9% increase over the prior year. This represents the seventh consecutive year of earnings growth since the Company returned to profitability in 2000.

## Cash flow

Operating cash flow increased by 16.9% to \$144.3 million driven by improved profitability and continued focus on working capital management. Through tight credit management, trade accounts receivable grew by 7.9% to \$119.7 million, a real reduction when set against the 10.3% sales growth with the net impact being a 1.4 day reduction in debtor days sales at the year end.

Finished product inventory levels increased due to the timing of cement coastal shipments at year end and the expansion of inventory levels in C&M Brick as a result of the expanded product lines held by all sales outlets.

Income tax payments increased by \$6.2 million to \$34.2 million, in line with increased taxable profits and higher opening tax payable balances. Dividend payments increased by \$16.3 million to \$61.0 million.

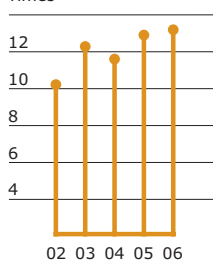
## Borrowings

Net debt at 31 December 2006 was level at \$226.9 million and, as a result, gearing (net debt to equity) reduced to 33.6% from 35.8% in 2005.

The Company refinanced its short term six month rolling \$260 million credit facility and put in place \$300 million medium term credit facilities and a \$40 million working capital facility with three leading Australian banks.

## Interest cover

EBITDA basis  
Times



Andrew Poulter  
Chief Financial Officer

These facilities will provide the basis for both future capital management and acquisitive growth needs.

## Interest and taxation

Net interest expense increased to \$15.2 million due to the higher average net borrowings and the 0.75% increase in the cash rate progressively introduced throughout the year.

The transition to tax consolidation was completed in 2005 and the Company finalised its tax position in 2006 bringing to account a further \$2.1 million of tax benefit. In addition, the Company brought to account the carry forward Premier Resources Ltd operating losses in accordance with accounting standards. This benefit, together with other one off tax adjustments, resulted in a further \$2.0 million credit to the tax charge.

As a result of these adjustments, the net 2006 effective tax rate was 23.2% compared with 26.9% in the prior corresponding period.

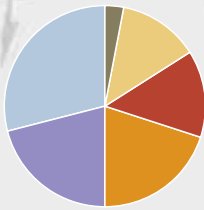
## Capital investments

Capital expenditure reduced to \$81.5 million with underlying sustaining capital expenditure at \$43.7 million. The key development investments included Phases 1 and 2 of the Austen Quarry, Angaston kiln 1 and 3 upgrades, Munster lime kiln 5 upgrade and the acquisition of the Rawlinna limestone quarry near Kalgoorlie.

Key environmental investments included the depressurising of the Birkenhead clinker handling systems and the design and planning for the Woodman Point shellsand washing plant upgrade.

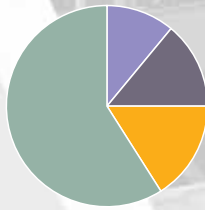
# REVIEW OF OPERATIONS

The 2006 result benefited from Adelaide Brighton's balanced market portfolio and operational improvement in the core cement and lime operations. Increased demand from the resources sector was met by improved productivity and import logistics efficiency.



#### Sales by geographical segmentation

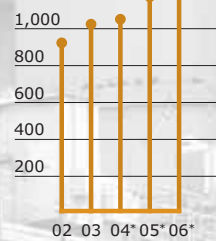
- Western Australia
- Victoria
- South Australia
- New South Wales
- Queensland
- Northern Territory



#### Turnover segmentation

- Cement
- Lime
- Concrete
- Concrete products

#### Total assets \$m



\*Reported under AIFRS



*Michael Kelly*  
Executive General Manager  
Strategy and Business  
Development



*Tom Douglas*  
Executive General Manager  
Marketing and Sales

**Cement and lime Adelaide Brighton met market demand and maintained quality standards in performance and customer service. With production at near capacity in all states, supply was maintained through a network of deep water terminals, logistical expertise and a long term clinker supply agreement.**



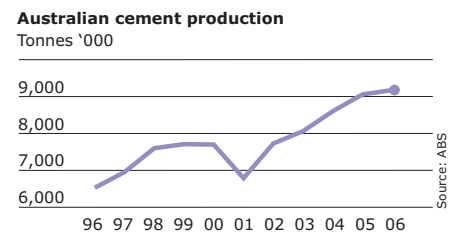
Improvements in plant performance were achieved in 2006 through continued progress in operating performance and the adherence to consistent plant operating standards. Sustained high levels of output were achieved at Birkenhead and improvements in output were made at both Munster and Angaston. Plant outputs together with prime fuel, electricity and raw material costs, are key determinants of the cement and lime cost base and the Division continued to progress its programme of cost optimisation and improvement in operating efficiency.

Birkenhead and Angaston met their demanding annual production targets with Birkenhead maintaining output at close to record levels. Angaston reported record production levels following a three year programme of capital investment and process improvement on kiln 3. Further benefits were achieved through the optimisation of clinker manufacture between Birkenhead and Angaston in supplying the construction and resource sector customer demand in South Australia and extended markets in Victoria, New South Wales and Queensland.

The demolition wood waste alternative fuel programme made substantial progress during the year, increasing the quantity of wood waste fuel consumed to 53,000 tonnes. This improvement resulted from the higher fuel volumes supplied by the Alternative Fuel Company Pty Ltd (AFC) joint venture and the increased uptime of the fuel firing plant at Birkenhead.



Improvements were made by AFC in increasing its throughput and equipment uptime and also by the joint venture partner Resourceco which commissioned its new Wingfield waste processing facility in the second half of the year. This facility is co-located with AFC and this investment provided the direct benefit of improving the volume and quality of the demolition wood waste product stream into the AFC. The alternative fuel programme is now on track to deliver the target 25% substitution of the primary fuel, natural gas.





*MV Accolade II - Adelaide Brighton's purpose built vessel transports limestone from Klein Point to Birkenhead. MV Accolade II is unique in that its primary fuel is compressed natural gas, making it a fuel efficient transport system.*

In Western Australia, cement output increased to meet market demand and record outputs were recorded on clinker kiln 2 and lime kiln 6. During the first half year, Munster overcame the major challenges it faced with regard to gas price increases and availability. Due to the increased demand from the resource sector and limited pipeline capacity, Western Australian gas prices escalated significantly in early 2006.

At a time of lower lime demand it was possible to reschedule major kiln shutdowns and annual maintenance programmes into the first half year. This temporarily reduced gas demand and allowed management to assess options for reducing future gas usage at Munster. Two options proved successful. Firstly, the use of coal as a secondary, alternative fuel on kiln 6. This project was expedited with assistance from all stakeholders with regard to the necessary trialling and approvals, and coal combustion commenced mid year.

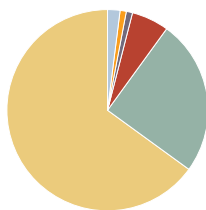
Secondly, it was possible to obtain additional gas supplies from other major users through the off-take of their unused maximum daily quantities.

These actions together with the successful, early completion of the annual shutdown maintenance programmes set the basis for optimum manufacturing performance in the second half year. In 2006, Adelaide Brighton lime sales exceeded one million tonnes for the first time in the Company's history.

The Cement and Lime Division instigated a four year operational improvement programme. A comprehensive kiln benchmarking exercise was conducted in which the performance of the Birkenhead, Munster, Angaston and Mataranka kilns reliability, uptime and throughput were evaluated compared to international operating standards.

From this a prioritised four year programme of operational improvements was developed with the prime objective of improving baseline kiln output.

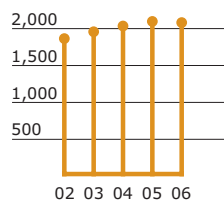
The direct benefits of this increased output will be to displace some of Adelaide Brighton's cement and clinker imports and to defer the need to create additional lime production capacity through the conversion of the existing Munster clinker kilns to lime manufacture until after 2012. This programme will deliver \$25 million of annual savings in 2011 at a projected capital cost of \$45 million.



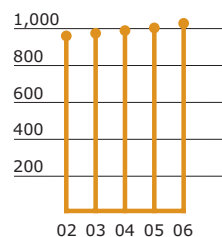
**Adelaide Brighton lime sales market sector demand**

- Alumina
- Other mineral processing
- Building and construction
- Environmental
- Agriculture
- Other

**Adelaide Brighton Cement production**  
Tonnes '000



**Adelaide Brighton Lime production**  
Tonnes '000



**Concrete and aggregates** Substantial progress was made in improving the operating capability of the business in each of its markets. This was achieved through a focus on customer service and product quality and the further optimisation of concrete mix designs and distribution efficiencies.



Mark Finney  
Executive General Manager  
Concrete and Aggregates



Enhanced mix designs were achieved through the increase in technical capabilities within the business and the improved quality control achieved through upgraded concrete batching systems, together with the further development of operating skills.

Distribution efficiencies were achieved through rebalancing the mixer truck fleet between New South Wales, Victoria and Queensland markets and the optimising of the balance between lorry owner drivers and company driven vehicles.

Hy-Tec continued to build on its reputation for quality, reliability and consistency - the key attributes in terms of customer satisfaction and the ability to access larger CBD contracts. This reputation has assisted with the recruitment and retention of skilled experienced personnel both at operational and management level - an essential resource for the future development of the Hy-Tec business.

Phase 1 of the Austen Quarry was completed during 2006 and by the year end all Hy-Tec New South Wales concrete plants were being supplied with Austen Quarry aggregates and manufactured sand blends.

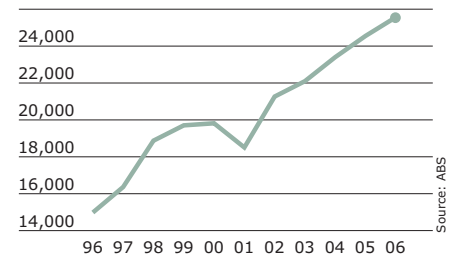
The secondary crushing contract was upgraded during the year resulting in a significant increase in output from mid July. The final phase of the investment was commenced in the second half year and will be commissioned in the second quarter of 2007.

Austen Quarry is now established as a key aggregate resource for Western Sydney following the closure of the Penrith Lakes resources in 2012.

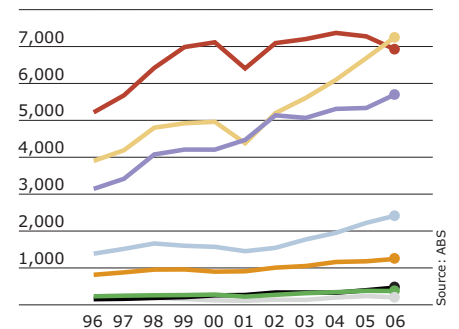


Hy-Tec's North Melbourne plant supplied in excess of 20,000m<sup>3</sup> of 32 and 40 mpa concrete for the 'Victoria Point' residential complex at the Docklands in Melbourne

**Australian concrete production**  
Tonnes '000m<sup>3</sup>



**Australian concrete production by state**  
Tonnes '000m<sup>3</sup>



- New South Wales
- Victoria
- Queensland
- South Australia
- Western Australia
- Tasmania
- Northern Territory
- ACT

**Concrete products** The year 2006 saw a turnaround in C&M Brick's profitability despite continuing weak markets in New South Wales and Victoria. While sales revenue declined 3.3% to \$88.2 million, earnings before interest and tax increased by \$5.8 million to \$8.8 million.



Colin Kupke  
Executive General Manager  
Concrete Products



This result was predominantly based on improved operating performance following the completion of major plant upgrades in late 2005. These improved plant efficiencies, cycle times and product reject rates, with increased automation also contributed to lower labour costs. The plant upgrades also made each state largely self sufficient when supplying the C&M product range, thereby eliminating a substantial proportion of interstate product transfers previously required.

The improvement in efficiency and the focus on work practices was complementary to the attention given by C&M Brick on reducing work place injuries. The 48.0% reduction in the lost time injury frequency rate was an important step in improving safety performance and has now begun to deliver the added benefit of reducing WorkCover insurance costs.

In addition to improving operating efficiency, C&M Brick also critically reviewed product costing and margins based on newly implemented cost information systems. As a result, it was possible to rationalise product ranges through discontinuing lower margin, unprofitable product lines.

C&M Brick continues to invest in new product development and seeks to expand the concrete products market sector through the introduction of innovative higher margin decorative products as opposed to competing in the lower margin high volume grey block sector.

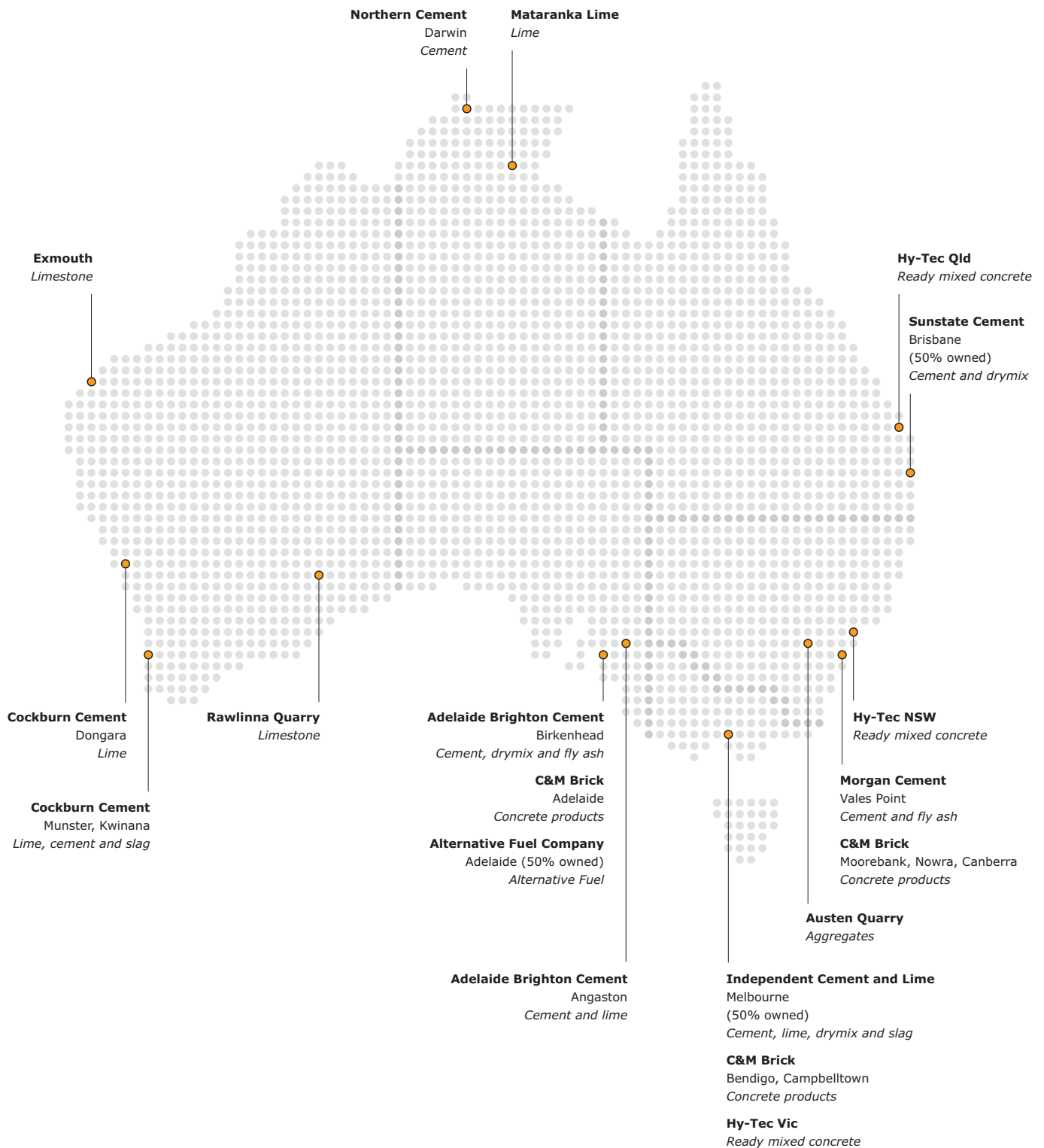


Sales volumes declined compared to the previous year but some improvement in sales price enabled the recovery of raw material and labour price increase pressures and restricted the overall revenue decline to \$3.0 million (3.3%).

Following the improvement in performance and the potential for further progress, Adelaide Brighton exercised its call option on the minority 30% shareholding in C&M Brick in January 2007.



**Map of operations** Adelaide Brighton's national geographic spread, together with its higher exposure to the growing resources sector, provides the Company a unique competitive position in the Australian construction materials and lime sectors.



# SUSTAINABILITY

Adelaide Brighton is committed to building a sustainable business with sound practices that support continuous improvement in social, environmental and economic performance of the Company, underpinned by a comprehensive governance structure.

## Sustainable business

### Governance

Board committees, management review, safety, health and environment committees, toolbox sessions, our people, audits

Integrated management systems, accountable management, risk management

### Social

Employee and contractor health and safety, skills and training, remuneration, cultural diversity, communication, consultation and involvement, company values, code of conduct, research and development, community support

Employee value, stakeholder relations, community and neighbourhood participation

### Economic

Shareholders, Government, customers, plant reliability, material supplies, product performance, regulation and licence conditions

Viable initiatives, assurance of supply, business strategy

### Environment

Waste utilisation, emission reduction, fuel and efficiency, public environmental health standard, power production, site rehabilitation, cleaner greenhouse gas emissions, product management and performance

Energy efficiency, conservation of natural materials, emissions management, product stewardship

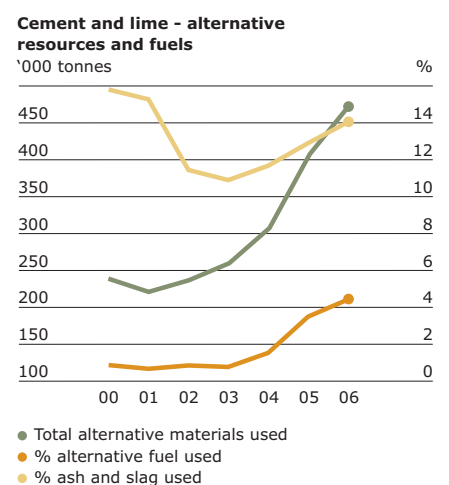
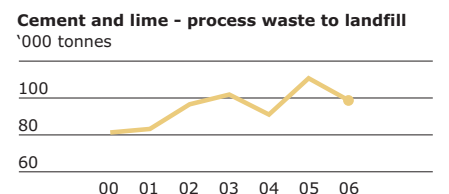
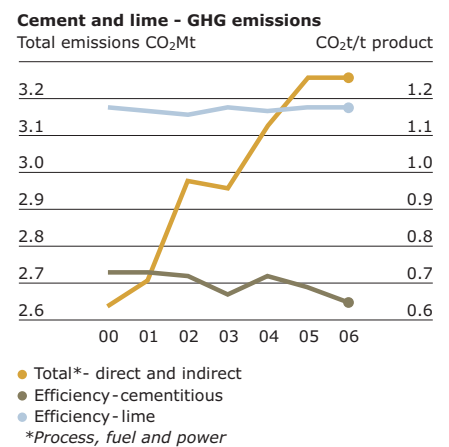
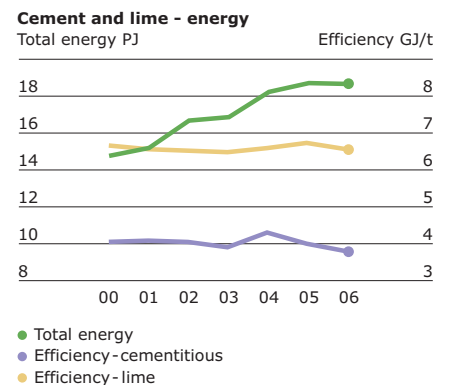
The sustainability focus of Adelaide Brighton is to strengthen the business performance in each area of management by:

- Conducting business according to the Company Code of Conduct
- Developing products and services that meet the expectations of our customers
- Reducing waste by reuse of process waste materials
- Implementing eco-efficient practices and reducing our dependence on natural resources, fuels and utilities
- Gaining production and quality improvement through technology
- Promoting product stewardship to support the safe and optimum use of our products
- Skilling our workforce to meet the objectives of the Company
- Improving the health, safety and environmental performance at our sites
- Engaging with stakeholders through regular programmes and communications.

To support the sustainability framework mapped by Adelaide Brighton, measures have been developed for the key areas of:

- Health and safety
- Greenhouse gas emissions
- Energy efficiency
- Alternative material use and waste reduction.

In 2006, Adelaide Brighton continued to achieve milestones in sustainability programmes across all Divisions supporting the Company's objectives.



## Key sustainability initiatives

As part of Adelaide Brighton's alternative resources, fuels and utilities programme, progress was made to adopt industry by-products as raw materials for our processes.

### Alternative resources, fuels and utilities

#### Materials

Angaston successfully trialled the use of grits, a by-product from soda ash production. Grits is used as a substitute for limestone in the production of Quicklime, resulting in the lowering of greenhouse gas emissions.

#### Fuels

Waste oils are used by the Mataranka lime plant in the Northern Territory as a substitute for natural gas. In 2006, utilisation of waste oils increased to a fuel substitution rate of 80%.

The use of Recycled Construction and Demolition timber (RCD) as a substitute for natural gas in the Birkenhead kiln, increased by 57% over 2005. This project reduces the amount of RCD which goes to landfill as well as greenhouse gas emissions which are generated from the burning of natural gas and the decomposition of RCD in landfill.

Birkenhead plant also increased the use of carbon anode powder, a by-product from the aluminium industry, in 2006.

The combination of the alternative fuels used at Birkenhead has reduced nitrogen dioxide emissions by 25%.

#### Water

Through a joint agreement with contract bottling company, Vinpac International, the Angaston plant will reuse about 40 megalitres of recycled wash water each year. This initiative conserves mains water used in the cement manufacturing process as well as providing the wine industry with an outlet for winery wash waters.

### Cement substitutes

To meet customer expectations of higher amounts of "green star concrete" and achieving product benefits of improved workability without compromising the strength of concrete, Hy-Tec and C&M Brick are developing products with reduced greenhouse gases associated with each cubic metre of concrete through the increased use of recycled materials.

In Queensland, Hy-Tec increased the amount of fly ash in their most common concrete mixes and developed a new product, *Slag Blended Cement*. Hy-Tec in New South Wales increased use of fly ash and slag by more than 10% while Hy-Tec in Victoria is developing concrete blends with utilisation of up to 35% slag.

C&M Brick completed an intensive R&D programme in 2006 to use furnace bottom ash, fine tuning mix designs and conducting extensive testing that will increase its use of ash 40 fold over its current requirement.



Process plant for treating waste waters used at Angaston.

### Cleaner production: reducing wastes from our processes

The Munster plant undertook trials with lime kiln dust (LKD), a lime manufacturing waste, as a substitute raw material in the cement manufacturing process. The LKD, previously disposed to landfill, has been processed into pellets and used in the cement clinker feed. This project targets an 8% substitution rate in the cement clinker feed, significantly reducing greenhouse gas emissions in the clinker product and conserving natural resources.

The Vales Point fly ash depot reduced its mains water use by 65%. Technology was used to change pump seals to a dry operation, maintenance of water lines was improved and efficiency changes to wash down practices were implemented. In addition, an initiative with the local council will provide recycled water for plant use, further reducing the site's need for fresh supply.

### Product stewardship

A new product blending plant at Munster added flexibility to meet customer needs and reduce transportation costs and inconvenience in moving product between sites.

C&M Brick's 2005 business rationalisation and plant upgrades returned benefits to the business by reduced freight, fewer trucks on the road and better service to customers.

The Angaston and Birkenhead plants contributed to the development of a speciality underground stabilising product for the mining industry. *Bulk Cementitious Binder* has a higher green rating through lower greenhouse gas emissions per tonne and higher use of by-product materials.

Recycled construction and demolition waste processed by Alternative Fuel Company Pty Ltd as a substitute for natural gas in the Birkenhead kiln.



### Production improvements and energy efficiency

Cement and lime manufacture are energy intensive processes. A key focus of the Company is to seek opportunities to become more efficient -

- A thorough review of Munster's clinker chemistry increased kiln fuel efficiency and improved strength performance of cement.
- Angaston invested in new technology cement mill liners to improve milling efficiency.
- An upgrade to the Morgan Cement grinding plant reduced transport system power demand by 25% and reduced dust emissions.
- A research project between the Angaston plant, University of Adelaide and Fuel and Combustion Technology Pty Ltd developed a model to improve the design of kiln burners giving greater energy efficiency and heat release.
- Hy-Tec in Queensland and its haulage contractor achieved savings in time and fuel by using concrete agitator trucks as a means of blending two sand materials.

- Improved concrete plant design standards have been adopted by Hy-Tec. The design of the new Plumpton plant incorporates maximum water recycling and minimisation of dust and noise.
- A programme of water minimisation was implemented through the use of dust extractors at the load bays and maximisation of recycling of water at all concrete plants.

### Community participation

Adelaide Brighton, as a member of the Cement Industry Federation, has been participating at a global level with the World Business Council for Sustainable Development, Cement Sustainability Initiative. In August 2006, Dr Howard Klee, Cement Sustainability Project Director met with key Adelaide Brighton personnel, industry and government representatives to promote the achievements of the global cement industry, particularly Australia's participation.

### Awards and recognition

Adelaide Brighton's contribution to sustainability has been recognised in the South Australian Government 2006 publication "Good Business Guide".

Adelaide Brighton Cement received the South Australian CASANZ Air Quality Award for the development of air quality modelling and emissions data collection to understand and discuss the environmental effect of the Birkenhead and Angaston plants on the local communities.

Recognition of the development and introduction of biomass fuel to the Birkenhead plant was acknowledged through the Engineering Excellence Awards, Chemical Category Award for "Towards Zero Waste - Adelaide Brighton Alternative Fuel Project".

**Our people** Our people work across a range of disciplines, from our traditional engineering, technical and scientific base through to sales and marketing, human resources, finance and corporate support roles.

Adelaide Brighton is a high profile manufacturer of low cost versatile construction materials used in the development of modern societies. Manufacturing operations provide highly technical work for a range of professions and technical levels.

The Adelaide Brighton Group employs around 1300 people nationally with operations in all mainland capitals and a growing presence in key regional centres, mainly through the acquisition of smaller strategic business units.

**Training and development**

The growth in the Company has put a major focus this year on skills enhancement and leadership development of our people. The aim is to build not only capability, but also opportunity for our people to forge career paths within their organisation, and across the Group.

A number of new initiatives have been introduced across the organisation including group wide succession planning at the senior levels, leadership development for new and middle level managers, an increase in intra Company secondments to create development opportunities and build local skills, and paid parental leave and employee recognition schemes.

**Managing and rewarding our people**

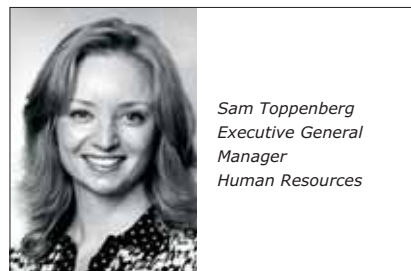
The introduction of market positioning and evaluation for remuneration to all employees ensures that our people are being rewarded appropriately. Mercer Human Resources Consulting assists us with this work. During 2006, we also established an employee shared services model by way of the centralisation and simplification of the payroll system.

**Graduate programme**

The second half of 2006 saw the beginnings of the Adelaide Brighton Graduate programme. This aims to provide opportunities for graduates to move across the Company working on a combination of technical and commercial projects. This programme will be fully implemented in 2007.

**Labour relations**

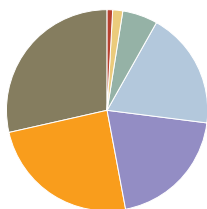
A number of new industrial agreements were completed in 2006. These agreements delivered prosperity to both the Company and to employees. Collective agreements and Australian Workplace Agreements were made within the Concrete Division in Queensland, Victoria and New South Wales.



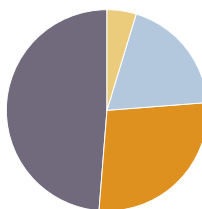
Sam Toppenberg  
Executive General  
Manager  
Human Resources



Cockburn Cement Munster Process  
Operators fine tuning milling circuits using recently upgraded Citect Scada System.



- Employees by location**
- South Australia
  - Western Australia
  - Victoria
  - New South Wales
  - Queensland
  - Northern Territory
  - ACT



- Employees by division**
- Cement and lime
  - Concrete products
  - Concrete and aggregates
  - Corporate

# Safety and health Adelaide Brighton is committed to achieving a safe, productive and healthy work environment - everyone must return home safely from work every day.

The Board Safety, Health and Environment (SH&E) Committee provides a conduit to ensure Adelaide Brighton's obligations to SH&E compliance and issues are monitored by the Board. The Board provides guidance and direction on SH&E matters through the regular review of safety and health strategy and performance.

Safety and health standards at Adelaide Brighton apply to employees, contractors and visitors at all sites. Our systems are intensive and cover all aspects of regular work while being flexible to allow for irregular tasks to be assessed and performed with due caution. This approach aims to reduce the likelihood of an incident and its severity.

Key indicators and best practice standards are adapted to each site's management system. The implementation of these procedures is measured and used to monitor the acceptance and development of the safety system.

Investigation of incidents and near misses supports the preventative approach to safety management, and employees, contractors and visitors are encouraged to raise concerns and contribute to improving Adelaide Brighton's safety record. A 20% increase in reported near-miss incidents and hazards has demonstrated employees' commitment to supporting the safety systems. Longer term, reviews are conducted to analyse the types of injuries being reported so that safety controls can be put in place and the workforce can be appropriately trained to meet the requirements of the workplace.

In response to the review and investigation of safety and health incidents, risk assessments are conducted and the findings are adopted by other sites in the organisation.

In 2006, risk assessments included:

- Tipper trucks delivering raw materials to Hy-Tec concrete plants as well as Munster, Darwin and Angaston cement and lime plants. The Concrete Products Division also undertook risk assessments of raw material delivery across all sites.
- Management of confined space entry into plant equipment at the Concrete and Aggregates Division sites to raise the standard of safety among maintenance work.

Plant hazard identification through regular inspections helps identify hazards before they cause an incident. Regular programmes of inspection increase improvement opportunities and introduce higher standards. Plant safety improvements are a budgeted item at all sites.

Site safety committees are an important part of ensuring ownership of safety and raising the safety standard at every level and function of the workforce. For example, a number of actions undertaken by the committees include:

- A revised programme for annual reviews of employee and contractor inductions.
- A review of high-visibility clothing, eye and dust protection equipment.
- A review of the Job Safety Analysis system that identifies hazards associated with a task.

Safety training conducted at Adelaide Brighton sites during 2006 covered:

- Managers and Supervisors safety training and Job Safety Analysis.
- Site induction and safe use of loading equipment for truck drivers.
- Site safety standards training for contractors.
- Concrete and Aggregates Division training in workers' compensation cost management.
- First aid certificates and fire fighting training at all sites.
- Manual handling, slips, trips and falls prevention.



Joseph Mazzone  
Group SH&E  
Manager

Adelaide Brighton's health and safety programme has extended in 2006 to address behavioural safety. The Angaston plant is developing a behavioural safety programme based on identifying workplace at-risk behaviours, suitable for implementation at all sites.

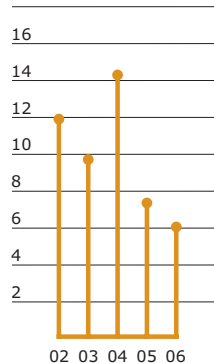
## Safety performance review

In 2006, all safety incident indicators showed improvement. Lost Time Injury (LTI) and Disabling Injury Frequency Rates (DIFR) reduced by 15%.

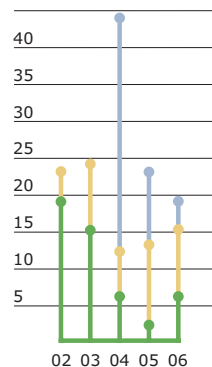
Injury data from Cement and Lime, and Concrete and Aggregates Divisions identified an increase in soft tissue injuries as a result of slips and falls and manual handling incidents. This will be a focus in site safety plans in 2007.

The Concrete Products Division had a strong focus on improved prevention and management of injuries, although there was a higher proportion of serious injuries from mechanical equipment. This has created a greater focus on job safety assessments, equipment lock outs and confined space working.

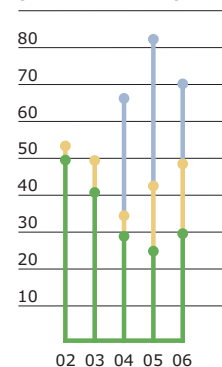
Lost time injury frequency rates



Lost time injuries



Disabling injuries (restricted duties)



Concrete products  
Concrete and aggregates  
Cement and lime

Concrete products  
Concrete and aggregates  
Cement and lime

## **Environment** It is a fundamental policy of Adelaide Brighton to reduce the impact of its operations on the environment.

### **Emissions reduction**

Adelaide Brighton considers emissions reduction an important part of continuing to operate in both the local and global communities. Through "Site Safe", the Group incident reporting system, all occurrences are logged, categorised and reported to the relevant executive general manager and the Board.

#### *Dust*

Adelaide Brighton achieves reductions in dust emissions through management and improvement plans, measurement programmes and reporting. All sites are required to comply with the Company standards for environmental management which are based on best practice requirements for the minimisation of their environmental footprint.

Birkenhead, Munster and Angaston plants monitor ambient dust emissions around the plants and are moving to source identification through forensic analysis to pinpoint emission controls and plant upgrades.

The Birkenhead plant three year \$12 million environmental improvement programme, which incorporates initiatives for dust reduction, was further progressed with the depressurisation of the clinker storage shed, relocation of the emergency limestone stockpile to a site with improved infrastructure for stockpile management and the paving and greening of open ground around the site.



*General services personal inspecting rehabilitation of Munster quarry 7 planted with Tuart trees.*

### **Adelaide Brighton classifications for specific environmental incidents**

- 
- Category 1 Minor potential effect to the environment. Resources are committed to achieving quick resolution. There is unlikely to be any regulatory or community reaction.
- 
- Category 2 Significant potential effect on external environment. Resources are committed to achieving resolution and the regulatory authorities are aware of plans for this to be done. The community may express concern.
- 
- Category 3\* Significant potential effect on external environment. Regulatory authorities are aware of the problem, are pressing for resolution, and may prosecute. The community is likely to express concern.
- 
- Category 4\* Very significant potential effect on the external environment. Action must be taken immediately, and prosecution is likely. The issue will lead to complaints from the community.
- 

\*Specific details of Category 3 and 4 reported to the Board

*World class research in Cockburn Sound, Western Australia, continues into seagrass rehabilitation with two hectares of seagrass successfully planted at a depth of nine metres. The success of this research has the potential to develop seabed rehabilitation in areas where seagrass has been lost. The partnership between Cockburn Cement and the Department of Industry and Resources, together with support to the University of Western Australia and the Murdoch University, has enabled the extension to funding from the Australian Research Council Linkage Grant. Further research work is planned to 2009.*

#### Greenhouse gas emissions

Adelaide Brighton is an active participant in the greenhouse challenge programme having renewed its voluntary commitment in a co-operative agreement with the Australian cement industry.

Adelaide Brighton's actions have included best practice technology, innovation of biomass renewable fuel and seeking alternative low greenhouse gas emitting materials for use in the production of cement, lime and concrete.

In 2006, the Company implemented the Cement Sustainability Initiative CO<sub>2</sub> Accounting and Reporting Standard from the World Business Council for Sustainable Development (WBCSD).

#### Eco-efficiency

Eco-efficiency in Adelaide Brighton's manufacturing processes conserves natural resources, uses wastes and achieves greater energy efficiency. All the Company's operations are addressing this issue by reviewing the selection of raw materials and fuels, energy efficiency and the use of innovation and technology. Using alternative materials and fuels will reduce greenhouse gas emissions, reduce landfill and the loss of resources to disposal, and will conserve natural materials.

In particular, Adelaide Brighton has focused on and is continuing to develop:

- Alternative fuels from biomass waste, the aluminium industry and waste oil at Birkenhead and Mataranka.
- Alternative raw materials from the metals and other industry at Angaston and Munster.
- Supplementary cementitious materials for use in concrete from coal fired power stations and metals industries.
- Waste water use from the wine industry at Angaston.
- Energy efficiency through process technology improvements at all sites.



#### Product stewardship

Adelaide Brighton is taking up the challenge of customer demand for green product. Development of cementitious materials with low greenhouse content and high levels of recycled materials has been a focus of product design in 2006 throughout all Divisions of the Company.

Adelaide Brighton is working to minimise packaging and transport activity by reducing the paper content in paper sacks, developing recyclable packaging materials and consolidating transport activities between sites.

#### Performance and compliance

The Company's operations are subject to various Commonwealth, state and territory laws governing the protection of the environment. Environmental operating licences govern the major plant operations and require stringent and detailed performance management.

The Birkenhead and Angaston plants are certified to the international environment standard ISO 14001 and retained this certification in 2006 through external audits.

There were no environmental category 3 incidents during 2006 and this reflects the improving reliability and control of plant operations. Public reports of dust emissions from the plants reduced by 33%, demonstrating the benefit of the major capital expenditures in the preceding years. Dust reductions in the community have been specifically measured around the Munster and Birkenhead works.

**Community and Government** Adelaide Brighton's operations are part of local communities and it is important for our businesses to work closely with the communities in which we operate. The Company provides support to a broad range of organisations through selective and considered sponsorship programmes.

Key sponsorship support in 2006 was provided to:

- Cockburn Basketball Association
- Community festive events adjacent to the Birkenhead and Munster plants
- Dongara Denison Surf Life Saving Club
- Flotilla for Kids
- Lakelands Christian Centre
- Lion's Hearing Dogs
- Operations Flinders Foundation
- South Metropolitan Youth Link
- The Leukaemia Foundation
- Variety, The Children's Charity

#### **Community consultation**

The challenge for our operations is to positively engage with adjacent residents and community representatives while ensuring environmental improvements are prioritised and undertaken in a timely manner. The community liaison groups are a forum for issues to be raised and for Adelaide Brighton to report the progress of environmental improvement programmes, changes to process, and public reporting requirements.

*Birkenhead:* A new community consultation program has led to the formation of a Community Liaison Group with representation from the Environment Protection Authority, Port Adelaide Council, local residents, community health centre and local environmental activist groups.

*Munster:* The Environmental Improvement Plan Community Working Group is a "tri-partite" arrangement of government, community and Company representatives with the focus on developing agreed environmental outcomes. Odour investigation, water management and dust are issues being investigated.

*Angaston:* Management from the Angaston plant engage with close residential neighbours and surrounding industries. A boundary noise monitoring programme has been implemented.

#### **Government issues**

Adelaide Brighton participates in the formation of legislation and regulations that affect the operations of the business. In 2006, our position on these issues developed with the government, public and industry consultation.

#### **Green rated production and construction materials**

Adelaide Brighton supports the use of suitable alternative materials and energy in manufacturing and construction materials, and actively works to supply low emission and sustainable products.

#### **Waste legislation**

To support recycling, changes in legislation are required to give industry incentives to investigate and have access to waste materials. All materials should be required to meet appropriate health, safety and environment standards according to their properties. Adelaide Brighton actively participates in forums on the issue of waste management and product stewardship on both state and national levels.

#### **Greenhouse gas reduction and climate change**

A suite of complementary policies is required to deal with the range and levels of progress being made by industry to reduce greenhouse gas climate change effects. Greenhouse gas emitters will need to change from traditional ways of operating with support from regulators, communities and markets to embrace sustainable products.

Investment in emerging technologies needs to be coordinated in order for significant greenhouse gas reductions to occur by 2050.

Adelaide Brighton has actively participated in the following greenhouse and policy programmes:

- Carbon price signals - national emissions trading scheme.
- SA Climate Change and Greenhouse Emissions Reduction Bill 2006.
- Asia Pacific Partnership on Clean Development and Climate (AP6) - Cement Committee.
- WA Greenhouse and Energy Taskforce.

#### **Separation distances**

Adelaide Brighton is concerned about residential encroachment around general industry zones. Poor town planning decisions that fail to apply the rules of state environmental authorities separation distance guidelines, do not recognise the comfort and protection required by both residential and general industry to enable each to conduct their activities with confidence. Adelaide Brighton supports the development of separation distance land with appropriate uses including transport corridors, community areas, and compatible industries.

#### **Energy Efficiency Opportunity Legislation**

The Energy Efficiency Opportunities Act 2006, designed to encourage and monitor industry commitment to identifying and implementing energy efficiency opportunities, will capture Adelaide Brighton's operations as we exceed the 0.5PJ threshold. This will require the assessment of Angaston, Birkenhead, Cockburn and Dongara plants. While the legislation will come into effect in 2007, Adelaide Brighton is integrating the requirements of the industry guidelines as part of established site energy efficiency reviews.

## **Quality assurance**

*Our cement and lime, and ready mixed concrete manufacturing sites are certified to ISO 9000 Quality Management Systems. The laboratories at Birkenhead, Angaston and Munster are accredited to ISO 17025 Testing and Calibration Laboratory Requirements.*

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

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

The Board believes that the Company's policies and practices have complied in all substantial respects with corporate governance best practice in Australia, including the ASX Corporate Governance Council Principles of Good Corporate Governance introduced in March 2003.

### 1 The Board of Directors

The Board operates in accordance with the general principles set out in its Charter, which is available from the corporate governance section of the Company's website at [www.adbri.com.au](http://www.adbri.com.au)

#### 1.1 Role of the Board

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

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

Responsibilities of the Board include:

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

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a Director, employee or other person subject to ultimate responsibility of the Directors under the *Corporations Act 2001*.

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



Marcus Clayton  
General Counsel and  
Company Secretary

#### 1.2 Composition of the Board

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

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

The Board should comprise Directors with a broad range of experience reflecting the character of the Group's business. The Board is structured in such a way that it has proper understanding and competency in the current and emerging issues facing the Company, and can effectively review and challenge management's decisions. Details of the Directors as at the date of this report, including their qualifications, experience, expertise, terms of office, other past and present Directorships, and special responsibilities are set out on page 27 of this report.

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

#### *Directors' independence*

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

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

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

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

### 1.3 **Term of office and re-election**

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

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

### 1.4 **The roles of the Chairman and the Managing Director**

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

The Managing Director is responsible for the management of the Company with powers delegated to him by the Board. He is also responsible for implementing the Company's strategies and policies set by the Board.

To maintain independent oversight and an appropriate balance of power within the Company, these roles are undertaken by different individuals.

### 1.5 **Commitment**

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

The number of meetings of the Company's Board of Directors and each Board committee held during the year and the attendance at those meetings is set out on page 32 of this report.

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

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

### 1.6 **Conflicts of interest**

In order to ensure that any "interests" of a Director in a particular matter to be considered by the Board are known by each other Director, the Company has developed protocols, consistent with obligations imposed by the *Corporations Act 2001*, to require each Director to disclose any relationships, duties or interests held that may give rise to a potential conflict. Appropriate procedures have been adopted to ensure that, where the possibility of a material conflict arises, information is not provided to the Director, and, in accordance with the *Corporations Act*, the Director does not participate in, or vote at, the meeting where the matter is considered.

### 1.7 **Performance evaluation**

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

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

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

For the 2006 financial year, a performance evaluation was led by the Chairman to assess the performance of individual Directors, the Board as a whole and various aspects of the Board committees such as their performance, membership, roles and Charters.

The purpose of the review was to assess strengths and weakness, and to identify areas which might be improved if there were some change. The findings of this performance review have been considered by the Board, individual Directors and the Board committees and have been, and continue to be, taken into account in planning and conducting Board and committee matters in 2007.

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

A description of the Company's performance evaluation process is available in the corporate governance section of the Company's website at [www.adbri.com.au](http://www.adbri.com.au)

### 1.8 **Independent professional advice**

Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense, provided the costs are reasonable and the advice is specific.

Prior approval from the Chairman is required, which will not be unreasonably withheld.

## 2 **Committees of the Board**

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

Each committee has a specific Charter. The Charters for the Audit, Risk and Compliance Committee and the Nomination and Remuneration Committee are available on the corporate governance section of the Company's website at [www.adbri.com.au](http://www.adbri.com.au). The Board periodically reviews each Board committee's Charter.

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

### 2.1 **Audit, Risk and Compliance Committee**

The Audit, Risk and Compliance Committee is made up of four independent non-executive Directors: L V Hosking (Chairman), C L Harris, G F Pettigrew, and M A Kinnaird.

Details of these Directors' qualifications and attendance at Audit, Risk and Compliance Committee meetings are set out on pages 27 and 32 of this report.

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

The main responsibilities of the Committee include:

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

Members of management may attend meetings of the Committee at the invitation of the Committee Chairman. It is the practice of the Committee that the Managing Director, the Chief Financial Officer and the Company Secretary attend all Audit, Risk and Compliance Committee meetings. The Group Risk Manager generally attends meetings of the Committee when non-financial risk management matters are considered.

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

### 2.2 **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee is made up of four independent non-executive Directors: C L Harris (Chairman), M A Kinnaird, L V Hosking and G F Pettigrew (who was appointed on 29 November 2006).

Details of these Directors' attendance at Nomination and Remuneration Committee meetings are set out on page 32 of this report.

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

The Committee:

- Reviews (and recommends to the Board) the fees paid to non-executive Directors, within the limits approved by shareholders.
- Reviews (and recommends to the Board) the compensation arrangements for the Managing Director, including short-term and long-term incentives.
- Reviews performance targets, and approves recommendations from the Managing Director on total levels of remuneration, for senior executives.

- Assesses the appropriate mix of skills, experience and expertise required on the Board and assesses the extent to which these required skills are represented on the Board.
- Establishes processes for the identification of suitable candidates for appointment to the Board, engages appropriate search firms to assist in identifying suitable candidates and makes a recommendation regarding the most appropriate candidates to the Board which ultimately will appoint the new Directors.
- Oversees or designs induction and ongoing training and education programs for the Board to ensure that non-executive Directors are provided with adequate information regarding the operations of the business, the industry and their legal responsibilities and duties.
- Monitors the tenure of Board members, considering succession planning and identifying the likely order of retirement by rotation of non-executive Directors.
- Establishes processes for the review of the performance of individual non-executive Directors, the Board as a whole and the operation of Board committees.

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

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

Further information on Directors' and executives' remuneration is set out in the Remuneration Report and Note 32 to the Financial Statements.

### 2.3 **Safety, Health & Environment Committee**

The members of the Safety, Health & Environment Committee (SH&E Committee) are G F Pettigrew (Chairman), M A Kinnaird, J D McNerney and M P Chellew (Managing Director). The Committee adopted the name "Safety, Health & Environment Committee" with effect from 29 May 2006, having been called previously the "Occupational Health & Safety Committee".

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

Generally when a SH&E Committee meeting is held, it normally meets prior to a Board meeting with the SH&E Committee Chairman reporting at the Board meeting about the proceedings of the Committee.

Details of members' attendance at Safety, Health & Environment Committee meetings in 2006 are set out on page 32.

### 2.4 **Other Board committees**

The Corporate Governance Committee comprises L V Hosking (Chairman), M A Kinnaird and C L Harris. The role of the Committee is to oversee the Company's implementation and compliance with best practice in corporate governance applicable to the circumstances of the Company.

The Board established a permanent committee, the Independent Directors' Committee, on 27 October 2003. The role of the Committee is to investigate and consider corporate proposals made to the Company. The Committee comprises Directors who do not have any conflict of interest concerning the matters considered by the Committee. The present members of the Committee are M A Kinnaird (Chairman), C L Harris, L V Hosking, J D McNerney, G F Pettigrew and M P Chellew (Managing Director).

## 3 **Director and executive remuneration**

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

The structure and details of the remuneration paid to the Directors and senior executives during the period are set out in the Remuneration Report on pages 34 to 46 of this Report and Note 32 to the Financial Statements.

## 4 **Managing Director and Chief Financial Officer Certification**

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

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

## 5 **Risk management and internal controls**

### 5.1 **Managing risks**

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

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

## 5.2 **Internal controls framework**

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

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

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

- Financial reporting: there is a comprehensive budgeting system with an annual budget reviewed and approved by the Board. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The Group reports to shareholders half-yearly. Procedures are also in place to ensure that price sensitive information is reported to the Australian Stock Exchange in accordance with continuous disclosure requirements.

- Operating unit controls: financial controls and procedures including information systems controls are in operation throughout the consolidated entity. Operating units complete detailed questionnaires confirming compliance with these procedures.
- Functional speciality reporting: the Group has identified a number of key areas which are subject to regular reporting to the Board, such as safety and environment, risk management, taxation, finance and administration.
- Investment appraisal: the Group has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of delegated authority and due diligence requirements where businesses are being acquired or divested.
- Internal audit: assists the Board in ensuring compliance with internal controls. The Audit, Risk and Compliance Committee reviews and approves the selection and engagement of internal auditors, the internal audit programme to be conducted each financial year, and the scope of the work to be performed at each location. The internal auditors provide the Committee with their comments and recommendations about the identification of areas perceived to be of a greater level of risk than others, and any areas for other reasons requiring particular scrutiny. The Committee receives and reviews the reports of the internal auditors.
- Delegated authorities and restrictions: there is a comprehensive procedure which provides a framework that enables employees to operate and act within clearly defined and communicated parameters.

A description of the Company's risk management policy and internal compliance and control system is available from the corporate governance section of the Company's website at [www.adbri.com.au](http://www.adbri.com.au).

## 6 **External auditors**

The Company and Audit, Risk and Compliance Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers remains the external auditor of the Company for the Group's financial report for the year ended 31 December 2006.

### 6.1 **Non-audit services and Auditor independence**

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

During the year, the Company's external auditors carried out an audit of WorkCover declarations returns for Hy-Tec Industries Pty Ltd, Aus-10 Rhyolite Pty Ltd, C&M Masonry Products Pty Ltd and the Company's Morgan Ash business, and additionally advised on the preparation of Research and Development claims for taxation purposes. The Board does not believe that the provision of these non-audit services compromises the external auditors' independence.

Details and the breakdown of fees for non-audit services and an analysis of fees paid to external auditors are provided in Note 33 to the Financial Statements.

A copy of the auditors' independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 89 of this report.

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

## 7 Insurance

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

## 8 Code of conduct

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

- Acting with fairness, honesty and integrity.
- Being aware of and abiding by laws and regulations.
- Individually and collectively contributing to the wellbeing of shareholders, customers, the economy and the community.
- Maintaining the highest standards of professional behaviour.
- Avoiding or managing conflicts of interest.
- Striving to be a good corporate citizen, and to achieve community respect.

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

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

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

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

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

## 9 Shareholdings of Directors and employees

Under the Constitution (adopted at the 2005 Annual General Meeting), Directors are not required to hold any shares to qualify for appointment. The details of Directors' shareholdings are disclosed on page 32 of this report.

The Board has a policy that Adelaide Brighton Ltd Directors and employees may not buy or sell Adelaide Brighton Ltd shares except within the period of one month following the annual and half-yearly results announcements and the period from the release of the Company's annual report until one month after the annual general meeting. The policy supplements the *Corporations Act 2001* provisions that preclude Directors and employees from trading in securities when they are in possession of "insider information".

A summary of the Share Trading Policy is available on the Company's website at [www.adbri.com.au](http://www.adbri.com.au).

## 10 Continuous disclosure and communication with shareholders

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

The Company's Continuous Disclosure Policy is available on the Company's website and sets out guidelines and processes to be followed in order to ensure that the Company's continuous disclosure obligations are met.

Material information must not be selectively disclosed prior to being announced to the ASX. These policies and procedures are supplemented by the Shareholder Communications Policy (also published on the Company's website) which includes arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings.

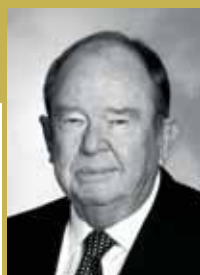
The Company Secretary has been nominated as the person responsible for communicating with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the Listing Rules and overseeing and coordinating (with the Group Corporate Affairs Advisor) information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

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

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

# Directors

**MA Kinnaird**



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

Age 73

Independent non-executive Director since September 1996 (Deputy Chairman from September 1996 to January 1997). A civil engineer, founder and past Executive Chairman of former engineering firm Kinhill Pty Ltd, now known as KBR. Consultant with KBR. Involvement in wider professional and business community. Chairman, Asia Pacific Transport Pty Ltd, Freight Link Pty Ltd. Director of National Electricity Market Management Company Ltd (NEMMCO), United Water International Pty Ltd, Macmahon Holdings Ltd. Member of the Defence Procurement Advisory Board. Officer in the General Division of the Order of Australia for services to engineering and the community. Appointed Chairman January 1997. Chairman, Independent Directors' Committee. Member, Audit, Risk and Compliance Committee, Nomination and Remuneration Committee, Corporate Governance Committee and SH&E Committee.

**CL Harris** BEc, FCPA, FAICD

Age 60

Independent non-executive Director since March 1995. An economics graduate, qualified accountant and former CEO and Managing Director of FH Faulding & Co Limited and Deputy Chairman of Adelaide Bank Limited. Chairman, Argo Investments Limited and EvoGenix Limited. Director, McGuigan Simeon Wines Limited, United Water International Pty Ltd, and JM Financial Group Ltd. Chairman, Nomination and Remuneration Committee and Superannuation Policy Committee. Member, Audit, Risk and Compliance Committee, Corporate Governance Committee and Independent Directors' Committee.

**CL Harris**



**D Barro**



**D Barro** AO, FAIM

Age 85

Non-executive Director since November 1999. Over 56 years of extensive manufacturing and operational experience particularly in the premixed concrete, quarrying, cement, construction, property development and transport industries. Executive Chairman, Barro Group Pty Ltd. Officer of the Order of Australia for services to the community, particularly to the Italian community.

**JD McNerney** BE, MEngSc, MIE, MBA, CEng, FIEI

Age 62

Non-executive Director since 2002 as nominee of RMC Group plc. Independent non-executive Director from April 2004. Former Managing Director and non-executive Director of Readymix plc, a listed construction materials company based in Ireland with 36 years experience in the construction materials industry. Director, Plato Ireland Ltd. Member, Independent Directors' Committee and SH&E Committee.

**LV Hosking**

Age 62

Independent non-executive Director since June 2003. Extensive experience in commercial and financial matters with 15 years experience as Chief Executive of the Sydney Futures Exchange and former Chief Executive Officer of Axiss Australia. Currently Managing Director, National Electricity Market Management Company Limited (NEMMCO) and Director of the Australian Government's Industry Research and Development Board. Chairman, Audit, Risk and Compliance Committee and Corporate Governance Committee. Member, Nomination and Remuneration Committee and Independent Directors' Committee.

**LV Hosking**



**GF Pettigrew**



**GF Pettigrew** FPNA, FAIM, FAICD

Age 58

Independent non-executive Director since August 2004. Extensive experience in the building materials industry and former Chief Executive Officer of CSR Building Products and broad management experience gained in South East Asia and the United Kingdom through former positions as Managing Director of Chubb Australia Limited and Wormald Security Australia Pty Ltd. Director, Lafarge Plasterboard Pty Ltd and Atlas Group Holdings Limited. Chairman, SH&E Committee. Member, Audit, Risk and Compliance Committee, Independent Directors' Committee and Numeration and Remuneration Committee (appointed 29 November 2006).

**MP Chellew** BSc, ME, Grad Diploma Mgt

Age 50

Executive Director and Managing Director since September 2001. Mechanical Engineer with over 25 years experience in the heavy building materials and related industries gained in Australia and the United Kingdom. Previously held the position of Managing Director of Blue Circle Cement in the United Kingdom and senior management positions within the CSR group of companies in Australia and the United Kingdom. Member, Independent Directors' Committee and SH&E Committee.

**MP Chellew**



# Shareholder information

## Registered office

Level 1, 157 Grenfell Street  
Adelaide SA 5000  
Telephone (08) 8223 8000  
Facsimile (08) 8215 0030

## Annual general meeting

The annual general meeting of shareholders will be held at the Hyatt Regency Adelaide, North Terrace, Adelaide, South Australia on Thursday 10 May 2007 at 11.00 am.

## Stock exchange listing

Adelaide Brighton Ltd is listed on the Australian Stock Exchange and trades under the symbol 'ABC'. Adelaide is Adelaide Brighton Ltd's home exchange.

## Enquiries about your shareholding

Enquiries or notifications by shareholders regarding their shareholdings or dividends should be directed to Adelaide Brighton's share registry:  
Computershare Investor Services Pty Ltd  
Level 5, 115 Grenfell Street  
Adelaide SA 5000  
Telephone (08) 8236 2300  
International +618 8236 2300  
Facsimile (08) 8236 2305  
International +618 8236 2305  
web.queries@computershare.com.au

When communicating with the share registry, shareholders should quote their current address together with their Security Reference Number (SRN) or Holder Identification Number (HIN) as it appears on their Issuer Sponsored/CHES statement.

## Direct credit of dividends

Dividends can be paid directly into a bank or other financial institution. Payments are electronically credited on the dividend payment day and subsequently confirmed by mailed payment advice. Application forms are available from our share registry, Computershare.

## Combining multiple shareholdings

If you have multiple shareholding accounts that you want to consolidate into a single account, please advise the share registry, Computershare, in writing.

## Change of address

Shareholders who are Issuer Sponsored should notify any change of address to the share registry, Computershare, by telephone or in writing quoting your security holder reference number, previous address and new address. Broker Sponsored (CHES) holders should advise their sponsoring broker of the change.

## Removal from mailing list

Should you not wish to receive the annual report by mail, please notify the share registry, Computershare, in writing.

## Communications

Our internet site offers access to our ASX announcements and news releases as well as information about our operations.

## Enquiries about Adelaide Brighton Ltd

Enquiries about Adelaide Brighton Ltd should be directed to:  
Group Corporate Affairs Adviser  
Adelaide Brighton Ltd  
GPO Box 2155 Adelaide SA 5001  
Telephone (08) 8223 8000  
Facsimile (08) 8215 0030  
adelaidebrighton@adbri.com.au

## Substantial shareholders

**Barro Properties Pty Ltd**, by a notice of change of interests of substantial shareholder dated 26 August 2005, informed the Company that it or an associate had a relevant interest in 120,945,725 ordinary shares or 22.3% of the Company's issued share capital.

**Boral Limited**, by a notice of change of interests of substantial shareholder dated 11 October 2004, informed the Company that it or an associate had a relevant interest in 107,830,340 ordinary shares or 19.9% of the Company's issued share capital.

**Perpetual Trustees Australia Limited**, by a notice of change of interests of substantial shareholder dated 9 June 2006, informed the Company that it or an associate had a relevant interest in 40,328,198 ordinary shares or 7.44% of the Company's issued share capital.

**Barclays Global Investors Australia Limited**, by a notice of change of interests of substantial shareholder dated 15 June 2005, informed the Company that it or an associate had a relevant interest in 33,091,188 ordinary shares or 6.10% of the Company's issued share capital.

## On market buy back

At 16 March 2007, there is no on-market buy back of the Company's shares being undertaken.

## Top twenty largest shareholders as at 16 March 2007

Shareholder	No. shares	% of total
Boral Limited	107,830,340	19.89
Barro Properties Pty Ltd	106,530,714	19.65
JP Morgan Nominees Australia Limited	34,891,831	6.44
National Nominees Limited	32,338,217	5.96
RBC Dexia Investor Services Australia Nominees Pty Ltd (PIPOOLED A/C)	29,354,520	5.41
Citicorp Nominees Pty Limited	19,120,772	3.53
Barro Group Pty Ltd	16,700,408	3.08
Cogent Nominees Pty Limited	13,118,485	2.42
Westpac Custodian Nominees Limited	11,860,033	2.19
ANZ Nominees Limited (Cash Income A/C)	8,993,043	1.66
Citicorp Nominees Pty Limited (CFS future headers fund A/C)	8,007,417	1.48
Tasman Asset Management Ltd (Tyndall Australian Share Wholesale Portfolio A/C)	7,147,034	1.32
AMP Life Limited	5,159,118	0.95
RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC A/C)	4,454,457	0.82
Citicorp Nominees Pty Limited (CFSIL CWLTH Aust SHS4 A/C)	4,034,398	0.74
UBS Nominees Pty Ltd	3,945,360	0.73
Argo Investments Ltd	3,445,062	0.64
HSBC Custody Nominees (Australia) Limited	3,050,800	0.56
Promina Equities Limited	2,455,025	0.45
Australian Reward Investment Alliance	2,362,708	0.44
Total top 20 shareholders	424,799,742	78.36

## Voting rights

All shares at 16 March 2007 were of one class with equal voting rights being one vote for each shareholder and, on a poll, one vote for each fully paid ordinary share.

Shares held as at 16 March 2007	No. of shareholders	% of issued capital
1 - 1,000	2,129	0.21
1,001 - 5,000	3,595	1.89
5,001 - 10,000	1,676	2.41
10,001 - 100,000	1,735	8.16
100,001 - over	142	87.33
Total shareholders	9,277	100.00
Less than a marketable parcel of 145	288	

## Unquoted securities

3,490,000 Awards issued to the Managing Director and other members of the senior executive team under the Adelaide Brighton Ltd Executive Performance Share Plan as part of the Company's long term incentive programme. The Awards are not quoted and do not participate in the distribution of dividends and do not have voting rights. The total number of executives participating in the Adelaide Brighton Ltd Executive Performance Share Plan and eligible to receive the Awards is eight.

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# Directors' report

The Directors present their report on the consolidated entity (the Group) consisting of Adelaide Brighton Ltd (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2006.

## 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:

M A Kinnaird AO  
C L Harris  
D Barro AO  
J D McNerney  
L V Hosking  
G F Pettigrew  
M P Chellew

## Principal activities

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

## Review of operations

A summary of the financial results for the year ended 31 December 2006 is set out below:

<i>(A\$ million)</i>	<b>2006</b>	2005
<b>Sales revenue</b>	<b>791.2</b>	717.3
Depreciation	<b>(51.8)</b>	(47.0)
<b>Earnings before interest and tax ("EBIT")</b>	<b>148.8</b>	134.1
Net interest	<b>(15.2)</b>	(14.0)
<b>Profit before tax</b>	<b>133.6</b>	120.1
Tax expense on profit before tax	<b>(33.1)</b>	(32.3)
Net profit after tax before tax consolidation	<b>100.5</b>	87.8
Minority interest	<b>(0.5)</b>	-
<b>Net profit attributable to members before tax consolidation</b>	<b>100.0</b>	87.8
Tax benefit on implementation of tax consolidation <sup>1</sup>	<b>2.1</b>	3.1
<b>Net profit attributable to members</b>	<b>102.1</b>	90.9
Basic earnings per share (cents)	<b>18.8</b>	16.8
Basic dividend per share (cents)	<b>12.5</b>	10.5
Special dividend per share (cents)	<b>6.0</b>	-
Franking (%) - interim	<b>100%</b>	100%
Franking (%) - final	<b>100%</b>	100%
Net debt (A\$ million)	<b>226.9</b>	226.8
Net debt/equity (%)	<b>33.6%</b>	35.8%

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

Operating revenue increased by 10.3% over the prior year to \$791.2 million underpinned by record sales of cement and lime. This result was driven predominantly by increased demand in Western Australia and Queensland resulting from strengthened activity in the residential, engineering, infrastructure and resource sectors, and continued strong demand for cement in South Australia and Victoria.

Adelaide Brighton's core cement markets exceeded overall expectations for the year. This additional demand was met through further improvements in operating performance, complemented by long term clinker import contracts from SE Asia.

Lime volumes increased by 3.6% during the year as a result of improved sales arising from additional capacity in the alumina and steel sectors and the new customers taken on in the Kalgoorlie region following the market exit of Loongana Lime Pty Ltd (Loongana).

Cement price increases realised during the year were sufficient to recover inflationary price pressures in labour, materials and energy costs. Lime price

growth was also realised through the recovery of cost inflation within contract terms and the re-negotiation of customer contracts which expired during the year.

The growth in sales volumes and pricing, together with a further improvement in operating performance, were the key drivers behind the 11.0% increase in earnings before interest and tax to \$148.8 million (2005 \$134.1 million). Underlying net profit after tax, before the impact of tax consolidation benefits, increased by 13.9% to a record \$100.0 million.

Overall output from the cement and lime operations improved, despite key operational challenges brought about by gas supply constraints in Western Australia. Through the introduction of coal as a supplementary fuel and the bringing forward of the annual maintenance shutdown programmes into the first half of the year, it was possible to manage gas demand within contractual limits.

Birkenhead maintained its high levels of cement and clinker output meeting both local market needs and those of its

extended markets in Queensland and New South Wales. Further operational improvements at Munster and Angaston delivered record cement, lime and clinker outputs respectively and Northern Cement operated at close to capacity meeting increased sales demand, and made a valuable contribution to the overall Company result.

The use of demolition wood waste as a substitute for natural gas at the Birkenhead plant continues to provide key cost and environmental benefits. The use of this alternative fuel was further increased during the year and combustion is approaching target levels of 25% gas substitution. The commissioning of a new waste receiving and processing facility by our joint venture partner, Resourceco, has improved both the quality and volume of the demolition wood waste supply.

Demand in New South Wales weakened further due to the continued depressed state of the residential sector. Despite this weakness, the performance of both Hy-Tec and C&M Brick showed a marked improvement over the prior year. Hy-Tec reported its best performance ever, improving concrete margins through a focus on distribution efficiency and optimisation of mix designs.

Despite a 3.3% decline in sales revenue, C&M Brick reported a \$5.8 million improvement in earnings before interest and tax to \$8.8 million. This performance resulted from improved pricing and a fundamental reduction in its operating cost base. The latter was derived from a programme of plant upgrades and product realignment undertaken over the previous two years.

Austen Quarry commenced production in 2006 and by the end of the year all of Hy-Tec's New South Wales concrete plants were being supplied from this quarry. Phase one of the project, the primary crushing operation, was completed and made operational through the introduction of a portable secondary crushing plant. Construction of phase two of the project, the secondary and tertiary crushing operations, began in the final quarter of 2006 and will be completed in the second quarter of 2007.

Operating cash flow grew by 16.9% to \$144.3 million (\$123.4 million pcp) through improved profitability and the continued focus on working capital management, the latter increasing marginally by \$1.8 million. Through tight credit management, the growth in accounts receivable resulting from the 10.3% sales growth was limited to 7.9% (\$8.7 million), with a corresponding reduction in debtor days. Inventory levels increased temporarily due to the advance purchase of cement kiln spare parts required for the 2007 programme of annual maintenance and the higher finished product inventories arising from the timing of clinker shipments around the year end.

Year end borrowings were level at \$226.9 million (\$226.8 million pcp), as improved operating cash flow was sufficient to cover both capital expenditure requirements and dividend payments. Capital expenditure decreased by \$21.2 million to \$81.5 million and dividends paid increased by \$16.3 million to \$61.0 million. Borrowings are comfortably within the \$340 million bank facilities put in place in March 2006.

Capital expenditure of \$81.5 million for the year was slightly higher than prior guidance due to the acquisition cost of the Rawlinna quarry. Other key investments during the year included Austen Quarry, process efficiency improvements of the Munster lime kilns and the replacement of major component assets at Birkenhead, including the refurbishment of the *Accolade II*, the latter being required to renew its three year maritime operating licence.

Key environmental projects completed during the year included the de-pressurisation of the Birkenhead clinker transport systems, the upgrade to the raw material handling systems and transfer of the raw material stockpiles. The planning design and construction of the new shellsand washing plant at Woodman Point commenced in the second half of the year.

Compliant with GAAP accounting and Company policy, \$2.4 million of financing costs on long term capital projects were capitalised during the year.

The Company finalised its tax consolidation position in 2006 bringing a further \$2.1 million of tax benefits to account. The net operating losses of Premier Resources Ltd were also finalised during the year and, in accordance with accounting standards, a \$3.3 million deferred tax asset was recognised in the 2006 tax charge. As a result, the 2006 effective tax rate was 23.2% compared with 26.9% in the pcp.

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

In respect to the 2006 financial year, the following dividends were paid:

- A final dividend in respect of the year ended 31 December 2005 of 6.25 cents per share, fully franked, was paid on 5 April 2006. This dividend totalled \$33,884,598.
- An interim dividend in respect of the year ended 31 December 2006 of 5.0 cents per share, fully franked, was paid on 11 October 2006. This dividend totalled \$27,107,678.

Since the end of the financial year the Directors have approved the payment of a final dividend of 7.5 cents per share, fully franked, to be paid on 12 April 2007. In addition a special dividend of 6.0 cents per share, franked at 100%, was declared payable coincident with the 2006 final dividend.

#### **State of affairs**

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

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

On 10 January 2007, Adelaide Brighton exercised its call option to acquire the remaining 30% minority shareholding in C&M Brick Pty Ltd for \$17,550,000.

As at the date of this report, no other matter or circumstance has arisen since 31 December 2006 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### Likely developments and expected results of operations

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

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

### Environmental performance

The Group is subject to various Commonwealth, State and Territory laws concerning the environment. Management ensures that any licences or permits required for the Group's operations are obtained and observed. All operations have access to safety and environmental legislation summaries specific to their activities. Two sites, Birkenhead and Angaston, are certified to the international environment standard ISO 14001.

A group-wide Safety, Health and Environmental (SH&E) Management System is in place for monitoring, reporting and addressing SH&E matters. Each of the Group's sites has implemented their individual SH&E Management System based on the Group SH&E Standards. Each site ensures environmental monitoring and reporting is conducted to the requirements specified in their environmental license or ministerial approval.

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

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

In 2006 no events occurred which were non-conformances with conditions of an environmental licence required to be reported to a regulatory authority.

There were no prosecutions issued against the Group during the year. The prosecution issued on 15 December 2003 by the South Australian

Environment Protection Authority concerning the alleged discharge (denied by the Company) from the *MV Accolade II* is continuing.

### Information on Directors

Information relating to Directors' qualifications, experience and special responsibilities are set out on page 27 of the Annual Report.

### Directors' meetings

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

Director	Board Meetings		Audit, Risk and Compliance Committee		Nomination and Remuneration Committee		Corporate Governance Committee		Independent Directors' Committee		SH&E Committee	
	A	H	A	H	A	H	A	H	A	H	A	H
M A Kinnaird	7	7	4	4	4	4	0	0	2	2	3	3
C L Harris	7	7	4	4	4	4	0	0	2	2		
D Barro	7	7										
L V Hosking	5	7	2	4	3	4	0	0	1	2		
J D McNerney	7	7							2	2	3	3
G F Pettigrew <sup>1</sup>	7	7	4	4					2	2	3	3
M P Chellew	7	7							2	2	3	3

<sup>1</sup> G F Pettigrew was appointed to the Nomination and Remuneration Committee following the conclusion of the last meeting of the Committee in 2006, held on 29 November 2006

A Number of meetings attended

H Number of meetings held during period of office

Throughout 2006, the general business of the Corporate Governance Committee was dealt with at the Company's Board Meetings and no separate committee meetings were held.

Particulars of the Company's corporate governance practices, including the roles of each Board Committee, are set out on pages 21 to 26 of this report.

### Directors' interests

The relevant interest of each Director in the share capital of the Company at the date of this report is as follows.

	Ordinary shares
M A Kinnaird	74,286
C L Harris	110,001
D Barro	17,565,253
J D McNerney	101,000
L V Hosking	2,000
G F Pettigrew	5,000
M P Chellew	800,149

Full details of the interests in share capital of Directors of the Company are disclosed in Note 32 to the Financial Statements on pages 77 to 80 of this report. Full details of the interests in Awards of Directors of the Company are set out in the Remuneration Report on pages 32 to 46 of this report.

### Director and executive remuneration

Details of the Company's remuneration policies and the nature and amount of the remuneration of the Directors and certain senior executives are set out in the Remuneration Report on pages 34 to 46 of this report.

### Company Secretaries

The Company's principal Company Secretary is Marcus Clayton, who has been employed by the Company in the two separate offices of General Counsel and Company Secretary since 24 February 2003. He is a legal practitioner admitted in South Australia with 20 years experience.

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

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

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

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

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

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

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

The Company was not liable during 2006 under such indemnities.

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

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

During the year the Company paid the premiums in respect of Directors' and Officers' Liability Insurance to cover the Directors and Secretaries of the Company and its subsidiaries, and the general managers of each of the divisions of the Group, for the period 31 March 2006 to 31 March 2007. Due to confidentiality obligations under that policy, the premium payable and further details in respect of the nature of the liabilities insured against cannot be disclosed.

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

No person has applied for leave of the Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

#### **Non-audit services**

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

Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year are set out in Note 33 to the Financial Statements on page 80 of this report.

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

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

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 90.

#### **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 hundred thousand dollars, unless otherwise stated.

Dated on 6 March 2007.

Signed in accordance with a resolution of the Directors



M P Chellew  
Managing Director

# Remuneration report

The Directors of the Company present the Remuneration Report prepared in accordance with section 300A of the Corporations Act for the Company and the Group for the year ended 31 December 2006.

This Remuneration Report forms part of the Directors' report.

This Remuneration Report:

- Explains the Board's policies relating to remuneration of Directors and senior executives (as defined in Section 2 of the Remuneration Report).
- Discusses the relationship between these policies and the Group's performance.
- Provides details of the performance conditions applicable to senior executive "at risk" remuneration.
- Sets out remuneration details for each Director and senior executive.

Details of the Group's remuneration strategy for 2006 are set out on pages 34 to 42 of this Report.

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

**Table 1 - Overview of elements of remuneration**

	Elements of remuneration	Directors			Discussion in Remuneration Report
		Non-Executive	Executive	Senior Executives	
Fixed remuneration	Fees	✓	✗	✗	pages 34, 35
	Salary	✗	✓	✓	pages 35, 36
	Other benefits	✗	✓	✓	page 45
At-risk remuneration	Short term incentive	✗	✓	✓	pages 36 - 38
	Long term incentive	✗	✓	✓	pages 38 - 42
Post-employment	Superannuation	✓	✓	✓	pages 35, 46
	Notice periods & termination payments	✗	✓	✓	pages 44, 45

## Section 1 - Non-executive Directors' remuneration

### 1.1 Board Policy on remuneration

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

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

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

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

The Board Nomination and Remuneration Committee will continue to review its approach to non-executive Director remuneration to ensure it remains in line with general industry practice and best practice principles of corporate governance. Details of the membership of the Nomination and Remuneration Committee and its responsibilities are set out on pages 23 to 24 in the Corporate Governance Statement.

Fees payable to non-executive Directors are set out in Table 2.

**Table 2 - Non-executive Directors' fees**

	Board		Board Committee	
	Chairman	Member	Chairman	Member
	\$	\$	\$	\$
Fee applicable for 2006	212,500 <sup>1</sup>	59,000 <sup>2</sup>	6,500	5,125

<sup>1</sup> The Chairman receives no additional fees for Committee work.

<sup>2</sup> J D McNerney received a Director's fee of \$51,500 in 2006.

In addition to Directors' fees, non-executive Directors generally have the benefit of a contribution towards their superannuation equivalent to 10% of their Directors' fees. This additional 10% is not made available for M A Kinnaird, D Barro or J D McNerney, for whom no superannuation contributions are made.

Consistent with best practice, the Group does not pay non-executive Director retirement benefits other than superannuation contributions. The Group

currently contributes 1% higher than the statutorily prescribed superannuation contribution rate of 9%.

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

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

### 1.2 Remuneration

Details of non-executive Directors' remuneration for the years ended 31 December 2006 and 31 December 2005 are set out in Table 3. All values are in A\$ unless otherwise stated.

**Table 3 - Non-executive Directors' remuneration for the 2006 and 2005 financial years**

Year	Directors' Fees	Committee Fees	Superannuation contributions <sup>1</sup>	Post-employment	Other	Termination	Share-based	Total
				benefits	long term benefits	benefits	payments	
	\$	\$	\$	\$	\$	\$	\$	\$
M A Kinnaird (Chairman)	2005	190,483	-	-	-	-	-	190,483
	<b>2006</b>	<b>212,500</b>	-	-	-	-	-	<b>212,500</b>
C L Harris	2005	52,657	21,500	7,416	-	-	-	81,573
	<b>2006</b>	<b>59,000</b>	<b>23,250</b>	<b>8,225</b>	-	-	-	<b>90,475</b>
D Barro	2005	53,317	-	-	-	-	-	53,317
	<b>2006</b>	<b>59,000</b>	-	-	-	-	-	<b>59,000</b>
J D McNerney	2005	46,385	4,750	-	-	-	-	51,135
	<b>2006</b>	<b>51,500</b>	<b>5,125</b>	-	-	-	-	<b>56,625</b>
L V Hosking	2005	52,803	16,750	6,955	-	-	-	76,508
	<b>2006</b>	<b>59,000</b>	<b>18,125</b>	<b>7,712</b>	-	-	-	<b>84,837</b>
G F Pettigrew	2005	52,983	10,750	6,373	-	-	-	70,106
	<b>2006</b>	<b>59,000</b>	<b>11,625</b>	<b>7,063</b>	-	-	-	<b>77,688</b>
<b>Total</b>	2005	448,629	53,750	20,744	-	-	-	523,123
	<b>2006</b>	<b>500,000</b>	<b>58,125</b>	<b>23,000</b>	-	-	-	<b>581,125</b>

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

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

### Section 2 - Managing Director and senior executive remuneration

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

Executives	Position
<b>Managing Director</b>	
M P Chellew	Managing Director and CEO
<b>Senior executives</b>	
A D Poulter	Chief Financial Officer
M R D Clayton	General Counsel and Company Secretary
M Brydon	Executive General Manager, Cement and Lime
T Douglas	Executive General Manager, Marketing & Sales (from 14 August 2006) Executive General Manager, Strategy and Business Development (until 14 August 2006)
M A Finney	Executive General Manager, Concrete and Aggregates
M Kelly	Executive General Manager, Strategy and Business Development (from 14 August 2006)
S J Toppenberg	Executive General Manager, Human Resources
C Kupke	Managing Director C&M Brick Pty Ltd

## 2.1 Board policy on remuneration

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

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

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

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

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

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

Details of the composition and responsibilities of the Nomination and Remuneration Committee are set out on pages 23 to 24. The Committee receives independent external advice on matters relating to remuneration.

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

In general, between 45% and 55% of the total remuneration packages for the Managing Director and senior executives is performance-based.

The Nomination and Remuneration Committee revised the senior executives' service agreements during the financial year 2006 and the Company entered into Amending Agreements resulting in revised Executive Service Agreements with the Managing Director and three senior executives (A D Poulter, M R D Clayton and M A Finney) and entered into new Executive Service Agreements with two senior executives (M Kelly and S J Toppenberg), all of which were effective from 31 December 2006. After 31 December 2006 the Company entered into an Amending Agreement resulting in a revised Executive Service Agreement with M Brydon, which was effective from 31 December 2006. See pages 44 to 45 for further details of the revised Service Agreements.

### 2.2 Elements of remuneration

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

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

The relative proportions of the Managing Director's and senior executives' total remuneration packages that are fixed and performance-based are explained below.

#### 2.2.1 Fixed remuneration

The terms of employment for all executive management contain a fixed remuneration component. This is expressed as a dollar amount that the executive may take in a form agreed with the Company or the Group. This

amount of remuneration is determined in line with the median market rate for a comparable role. During 2006 all executive management roles were evaluated based on market comparisons completed by Godfrey Remuneration Group Pty Ltd.

In general, the fixed remuneration component for the executive management team comprises an amount equal to between 45% and 55% of their total annual remuneration.

Details of the certain benefits made available to the Managing Director and senior executives are outlined in the summary of the Service Agreements set out on pages 44 to 45 of this report.

#### 2.2.2 At-risk remuneration - Short Term Incentive (STI)

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

The Group STI performance measures contain initial target, target, partial stretch and stretch objectives. Initial target objectives must be met for any reward to be payable. To secure maximum STI reward, stretch objectives must be met. Table 4 below shows the percentage of fixed remuneration which the Managing Director and senior executives (other than C Kupke) may earn under the STI for the 2006 financial year if the relevant performance measures are met. The percentage of fixed remuneration which C Kupke may earn as STI for the 2006 financial year if the relevant performance measures are met, is the same as the STI scheme applicable in 2005 set out in Table 4A.

**Table 4 - Amount of STI which can be earned  
Financial year ending 31 December 2006**

2006 Group performance against Budget		% of fixed remuneration	
		Managing Director	Senior Executives
Initial Target (Tier 1)	90-99.9%	10%	8%
Target (Tier 2)	100%	50%	40%
Partial Stretch (Tier 3)	101-114%	52.7-87.8%	42-68%
Stretch (Tier 4)	115% or greater	90%	70%

**Table 4A - Amount of STI which can be earned  
Financial year ending 31 December 2005**

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

Information relating to the amount of the STI bonus earned by the Managing Director and senior executives for performance in the 2006 and 2005 financial years is set out in Table 5 on page 38 of this Report.

**Performance conditions under the STI**

The STI performance targets are based on the Group's performance against the Group's budget for the relevant year. The Board considers performance targets to be appropriate because it provides a direct link between a component of the executive's remuneration which is "at risk" and the performance of the Group for the relevant year. The key financial measure used is Profit Before Tax. A percentage of the executive's 2006 STI is also subject to additional personal functional performance hurdles.

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

The Board may adjust performance to take account of factors beyond the control of executive management. Factors that would be considered beyond the control of management include any takeover bid for the Company or a substantial change in the ownership of the Company.

**Assessment of performance**

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

**At-risk remuneration - STI Performance Incentives 2006 - 2008**

The Group STI performance measures have recently been reviewed for the 2006, 2007 and 2008 financial years. Under the new STI arrangements, the amount available to the Managing Director and eligible senior executives is determined based on the Group's performance against both budget and personal functional hurdles. The amount payable to the Managing Director and eligible senior executives is based on two separate performance measures:

- (1) 80% is tested on the Group's performance against budget (*Financial Component*).
- (2) 20% is tested on both the Group's performance against its budget and the Managing Director/senior executive meeting personal targets agreed with the CEO/Board (*Functional Component*).

The STI constitutes a cash bonus granted during the financial year, determined following the close of the financial year results, and paid during or before March of the following year. The cash bonus is, therefore, dependant upon the Group's performance and the individual's performance.

**2006 Performance**

For 2006, the Group's actual PBT was \$133.6 million. No adjustments for material one off items or acquisitions were deemed necessary in assessing this result. The Managing Director and senior executives satisfied the Financial Component of the performance conditions applicable to the 2006 STI as the Group achieved 107% of budgeted PBT. Tier 3 (Partial Stretch) of the STI was reached, resulting in a maximum STI entitlement equal to 54.0% for senior executives and 68.9% for the Managing Director of fixed remuneration (2005 - 30% for senior executives, 40% for the Managing Director).

In accordance with the 2006 STI scheme explained above, 80% of these maximum STI entitlements was payable based upon the Group's performance against budget in the 2006 financial year. The proportion of the remaining 20% Functional Component which was determined to be payable was dependent upon each individual's success in achieving personal targets. The achievement of these personal targets by the individuals varied between 80% and 100% of the Functional Component.

Specific information relating to the percentage of the 2006 and 2005 STI which was paid and the percentage that was forfeited for the Managing Director and senior executives of the Company and Group is set out in Table 5.

**Table 5 - STI for the 2006 and 2005 financial years**

Managing Director & senior executives	Year	Stretch STI	Actual STI	Actual STI	% of stretch	Actual STI payment <sup>2</sup>
		as % of fixed remuneration	as % of fixed remuneration	as a % of stretch	payment not achieved <sup>1</sup>	
		%	%	%	%	\$
M P Chellew	2005	80.0	40.0	50.0	50.0	292,480
	<b>2006</b>	<b>90.0</b>	<b>68.9</b>	<b>76.6</b>	<b>23.4</b>	<b>551,200</b>
A D Poulter	2005	60.0	30.0	50.0	50.0	115,755
	<b>2006</b>	<b>70.0</b>	<b>54.0</b>	<b>77.1</b>	<b>22.9</b>	<b>217,080</b>
M R D Clayton	2005	60.0	30.0	50.0	50.0	79,500
	<b>2006</b>	<b>70.0</b>	<b>54.0</b>	<b>77.1</b>	<b>22.9</b>	<b>156,600</b>
M Brydon	2005	60.0	30.0	50.0	50.0	122,550
	<b>2006</b>	<b>70.0</b>	<b>54.0</b>	<b>77.1</b>	<b>22.9</b>	<b>230,580</b>
T Douglas	2005	60.0	30.0	50.0	50.0	90,336
	<b>2006</b>	<b>70.0</b>	<b>52.7</b>	<b>75.3</b>	<b>24.7</b>	<b>164,795</b>
M A Finney	2005	60.0	30.0	50.0	50.0	105,000
	<b>2006</b>	<b>70.0</b>	<b>52.9</b>	<b>75.6</b>	<b>24.4</b>	<b>192,629</b>
M Kelly <sup>3</sup>	2005	-	-	-	-	-
	<b>2006</b>	<b>70.0</b>	<b>54.0</b>	<b>77.1</b>	<b>22.9</b>	<b>78,750</b>
S J Toppenberg <sup>4</sup>	2005	60.0	30.0	50.0	50.0	45,000
	<b>2006</b>	<b>70.0</b>	<b>51.8</b>	<b>74.0</b>	<b>26.0</b>	<b>124,416</b>
C Kupke <sup>5</sup>	2005	-	-	-	-	-
	<b>2006</b>	<b>60.0</b>	<b>40.1</b>	<b>66.8</b>	<b>33.2</b>	<b>127,502</b>

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

2 2006 STI constitutes a cash bonus granted during 2006; determined following close of 2006 results and paid in February 2007.

2005 STI constitutes a cash bonus granted during 2005; determined following close of 2005 results and paid in February 2006.

3 M Kelly joined the scheme on 14 August 2006 and received a pro-rata STI payment corresponding to the period of his service during 2006.

4 S J Toppenberg joined the scheme on 2 May 2005 and received a pro-rata STI payment corresponding to the period of her service during 2005.

5 C Kupke's 2006 STI payment was based on the terms of the Group's 2005 STI scheme, which provided for a 60% stretch STI. C Kupke did not participate in the STI scheme in 2005.

### 2.2.3 At-risk remuneration - Long Term Incentive (LTI)

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

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

### Overview of the LTI Plan

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

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

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

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

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

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

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

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

During 2006, there was one existing series of Awards on issue to the Managing Director and senior executives:

- Awards (Tranches 1, 2 and 3) granted to senior executives in 2004 and the Managing Director in 2005 (known as the "2004 Awards").

On 31 December 2006, another series of Awards (Tranches 1, 2 and 3) were granted to senior executives (known as the "2007 Awards"), details of which are set out below.

As the Company is required to seek shareholder approval for the issue of Awards to the Managing Director, the Company was unable to grant 2007 Awards to the Managing Director at that time. The Board considers that it is important that the remuneration of the Managing Director and members of the senior executive team, including any long term incentive, be on the same terms to ensure a co-ordinated management approach and it is proposed that the Managing Director will participate in the 2007 Awards following receipt of shareholder approval at this year's Annual General Meeting.

The relevant performance conditions for the 2004 Awards and the 2007 Awards are tied to total shareholder return (TSR) and earnings per share growth (EPS).

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

In particular, the use of a TSR based hurdle:

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

while an EPS based hurdle:

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

The introduction of dual performance measures combines a strong external market-based focus through share price growth and dividends (TSR), and a non-market based measure aimed at driving improved Company results and the creation of shareholder wealth (EPS). These performance measures are widely accepted as key drivers of sustainable long-term organisational performance.

A detailed discussion of the Group's performance, set specifically against the Group's earnings and the consequences of the Group's performance on shareholder wealth, both in the current financial year and the previous four years, is set out on pages 42 to 44 of this Report.

Further details of the specific EPS and TSR performance conditions applicable to the 2004 Awards and the 2007 Awards are as follows.

**2004 Awards - Performance conditions**

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

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

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

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

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

**TSR performance hurdle**

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

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

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

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

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

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

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

If the TSR performance hurdle is not met in respect of any tranche, the Performance Date will be adjusted to allow re-testing of the performance hurdle at consecutive three month intervals up until the expiry date of the Award.

#### *EPS performance hurdle*

The EPS performance hurdle measures the average annual growth in EPS of the Company from 1 January 2004 until the

end of the financial year immediately prior to the Performance Date (as defined above).

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

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

#### *TSR performance hurdle*

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

The TSR hurdle is that the TSR growth of the Company must equal or exceed the growth in the returns of at least two of the three indices below (expressed as a percentage) plus the percentage premium applicable to the respective indices:

- S&P / ASX Small Ordinaries Accumulation Index (XSO AI) plus 2% premium.
- S&P / ASX 200 Materials Accumulation Index (XMJ AI) plus 2% premium.
- S&P / ASX 200 Accumulation Index (XJO AI) plus 3% premium.

The relevant exercise condition under the Plan Rules provides that the Company's growth in TSR is measured as at 31 December prior to the exercise date for the relevant tranche of Awards.

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

No re-testing of the TSR performance hurdle is permitted in respect of the 2007 Awards.

#### *EPS performance hurdle*

The EPS performance hurdle measures the average annual growth in EPS of the Company from 1 January 2007 until the end of the financial year immediately prior to the exercise date for a particular tranche.

As a threshold before any part of the relevant tranche of the 2007 Awards subject to the EPS hurdle will vest, the average annual growth in EPS of the Company (as disclosed in the audited accounts of the Company and before any write downs and capital management initiatives) must equal or exceed 7% per annum compound growth measured against the EPS for the Company's financial year ended 31 December 2006 (before abnormal or exceptional items, such as (without limitation) capitalised interest and taxation benefits).

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

**Table 6 - EPS hurdle vesting schedule - 2004 Award**

*Average Annual Compound Growth in EPS*

	<i>below 7%</i>	<i>7% to 8%</i>	<i>8% to 9%</i>	<i>9% to 10%</i>	<i>10% to 11%</i>	<i>11% to 12%</i>	<i>12% to 13%</i>	<i>13% to 14%</i>	<i>above 14%</i>
Percentage of Awards subject to EPS hurdle which vest	Nil	30%	40%	50%	60%	70%	80%	90%	100%

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

If the EPS performance hurdle is not met in respect of any tranche, the Performance Date will be adjusted to allow re-testing of the performance hurdle at the end of each subsequent financial year until either the EPS performance hurdle is met or the Award expires, whichever is the earlier.

#### **2007 Awards - Performance conditions**

The 2007 Awards granted to senior executives are divided into 3 equal tranches and are exercisable (subject to satisfaction of relevant performance conditions) as follows:

- Tranche 1 - Exercise Date 1 May 2009
- Tranche 2 - Exercise Date 1 May 2010
- Tranche 3 - Exercise Date 1 May 2011

It is proposed that the Managing Director will participate in the 2007 Awards following receipt of shareholder approval at this year's Annual General Meeting.

The relevant performance conditions are tied to TSR and EPS.

In relation to the 2007 Awards granted to senior executives, the Board has determined that:

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

**Table 7 - EPS hurdle vesting schedule - 2007 Award***Average Annual Compound Growth in EPS*

	<i>below 7%</i>	<i>7%</i>	<i>7% to 9%</i>	<i>9%</i>	<i>9% to 11%</i>	<i>11%</i>
Percentage of Awards subject to EPS hurdle which vest	Nil	40%	Pro-rata	70%	Pro-rata	100%

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

No re-testing of the EPS performance hurdle is permitted in respect of the 2007 Awards.

**Awards granted as remuneration**

During the year, the Company granted Awards to senior executives as set out in Table 8 below. Each Award is over one ordinary share in the Company, and is exercisable subject to certain hurdles being met (as discussed above).

**Table 8 - Awards granted during the year**

<i>Senior executive<sup>4,5,6</sup></i>	<i>Number of Awards granted<sup>1</sup></i>	<i>Future years in which awards may vest</i>	<i>Maximum value of awards<sup>2</sup></i>
A D Poulter	300,000 <sup>3</sup>	2009, 2010, 2011 <sup>3</sup>	\$385,000
M R D Clayton	300,000 <sup>3</sup>	2009, 2010, 2011 <sup>3</sup>	\$385,000
M A Finney	300,000 <sup>3</sup>	2009, 2010, 2011 <sup>3</sup>	\$385,000
M Kelly	300,000 <sup>3</sup>	2009, 2010, 2011 <sup>3</sup>	\$385,000
S J Toppenberg	300,000 <sup>3</sup>	2009, 2010, 2011 <sup>3</sup>	\$385,000
<b>Total</b>	<b>1,500,000</b>		<b>\$1,925,000</b>

1 The grants made to senior executives constituted 100% of the grants available for the year. As the Awards only vest on satisfaction of performance conditions which are to be tested in future financial periods, none of the Awards set out above vested or were forfeited during the year.

2 The values per Award were independently valued at \$1.495, \$1.275 and \$1.08 for the tranches that may vest in 2009, 2010 and 2011 respectively. An explanation of the pricing model used to calculate these values is set out in Note 32 to the financial statements. The minimum total value of the grant, if the applicable performance conditions are not met, is nil.

3 300,000 Awards were granted to senior executives on 31 December 2006, divided into 3 tranches as follows:

■ Tranche 1: 100,000 Awards - Exercise Date 1 May 2009

■ Tranche 2: 100,000 Awards - Exercise Date 1 May 2010

■ Tranche 3: 100,000 Awards - Exercise Date 1 May 2011

The Awards expire on 30 September 2011. The performance conditions applicable to the Awards are set out in the discussion above.

4 As the Company is required to seek shareholder approval of the issue of Awards to the Managing Director, the Company was unable to grant Awards to the Managing Director at the same time as those granted for senior executives. It is proposed that the Managing Director will be granted 1,305,000 Awards divided into 3 tranches as follows, on terms similar to those applicable for the Awards granted to senior executives in 2006, following receipt of shareholder approval at this year's Annual General Meeting:

■ Tranche 1: 435,000 Awards - Exercise Date 1 May 2009

■ Tranche 2: 435,000 Awards - Exercise Date 1 May 2010

■ Tranche 3: 435,000 Awards - Exercise Date 1 May 2011

5 C Kupke will be invited to participate in the 2007 Award scheme subject to the completion of his new employment contract, the latter made necessary by the buy out in early 2007 of the C&M Brick Pty Ltd minority interest.

T Douglas did not participate in the 2007 Award, but participated in the 2004 Award.

6 M Brydon did not receive an Award in the 2006 financial year, however was subsequently granted 300,000 Awards on 1 March 2007 with effect from 31 December 2006. A full disclosure of this Award will be included in the 2007 Annual Report.

Table 9 sets out details of the movement in Awards held by the Managing Director and senior executives during the reporting period.

**Table 9 - Movement in Awards during the year**

<i>Managing Director/ senior executive<sup>5</sup></i>	<i>Balance at 31 Dec 2005</i>	<i>Granted<sup>1</sup></i>	<i>Exercised / vested<sup>2</sup></i>	<i>Lapsed / forfeited<sup>3</sup></i>	<i>Balance at 31 Dec 2006</i>	<i>Exercise date</i>	<i>Value per share at the date of exercise<sup>4</sup></i>
M P Chellew	900,000	-	300,000	-	600,000	12 Sep 2006	\$2.217
A D Poulter	255,000	300,000	85,000	-	470,000	1 May 2006	\$2.510
M R D Clayton	255,000	300,000	25,000	-	470,000	4 May 2006	\$2.411
			10,000			29 Aug 2006	\$2.407
			50,000			12 Sep 2006	\$2.217
M Brydon	255,000	-	85,000	-	170,000	8 May 2006	\$2.368
T Douglas	255,000	-	85,000	-	170,000	10 Jul 2006	\$2.514
M A Finney	255,000	300,000	85,000	-	470,000	24 Jul 2006	\$2.479
M Kelly	-	300,000	-	-	300,000	-	-
S J Toppenberg	170,000	300,000	-	-	470,000	-	-
<b>Total</b>	<b>2,345,000</b>	<b>1,500,000</b>	<b>725,000</b>	<b>-</b>	<b>3,120,000</b>		

1 The value of Awards granted to Directors and senior executives during the year (including the aggregate value of Awards granted) is set out in Table 8.

2 All 725,000 Awards which were exercisable, were exercised in 2006. The number of Awards vested during the period and exercisable at 31 December 2006 is nil. The number of Awards vested but not yet exercisable at 31 December 2006 is nil.

3 The value of an Award on the day it lapses or is forfeited is nil.

4 The value per share shown at the date of exercise is the Volume Weighted Average Price (VWAP) calculated by the Australian Stock Exchange Limited for the 5 day trading period ending on the exercise date. The aggregate value of Awards that vested during the year is \$1,699,376 based on the VWAP values per share.

5 T Douglas participated in the 2004 Award but not the 2007 Award. C Kupke did not participate in either the 2004 Award or 2007 Award, but he will be invited to participate in the 2007 Award subject to the completion of his new employment contract.

### 2.3 Group performance

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

#### Shareholders' wealth

The total return to an investor over a given period consists of the combination of dividends paid, the movement in the market value of their shares over that period and any return of capital to shareholders. During financial year 2006 the share price fluctuated between a low of A\$2.00 (January 2006) and a high of A\$2.95 (December 2006).

Table 10 shows the Company's TSR, basic EPS, dividends per share, and share price from 2002 to 2006. All are indices which illustrate the consequences of the Group's performance on shareholder wealth.

**Table 10 - Shareholders' wealth improvement from year 2002 to year 2006**

	<i>Year ended 31 Dec 06</i>	<i>Year ended 31 Dec 05</i>	<i>Year ended 31 Dec 04</i>	<i>Year ended 31 Dec 03</i>	<i>Year ended 31 Dec 02</i>
Share price (A\$) <sup>1</sup>	2.81	2.10	1.70	1.50	1.17
Total dividends paid (Ac)	18.5	10.5	7.5	6.0	5.25
Franked dividends (%)	100%	100%	100%	81.7%	27.9%
EPS (Ac) <sup>2,3</sup>	18.4	16.2	14.6	10.7	9.9
TSR (%)	42.6%	29.4%	18.3%	33.3%	63.0%
Compound Annual Growth Rate since 2001	29.4%	33.6%	36.0%	46.6%	63.0%

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

2 The 2006, 2005 and 2004 earnings exclude the adjustment for the tax benefit on implementation of tax consolidation.

3 2005 and 2004 EPS and TSR are AIFRS adjusted.

The Group has delivered consistent growth over the last five years, resulting in:

- An increase in the Company's share price by 275% over the period 2002 - 2006 (the increase measured from 1 January 2002, from the price of \$0.75 per share).

- A progressive increase in dividend resulting from both improved profitability and an increase in dividend payout ratio.
- A return to the payment of fully franked dividends from 2004.
- An average annual increase in earnings per share of 21%.
- A Compound Annual Growth Rate of 29.4% since 31 December 2001.

## Earnings

A fundamental driver of shareholder value is earnings growth. Annual budgets are reviewed by the Board and approved once the Board is satisfied that the budgets are consistent with both Group strategy and sufficiently ambitious in terms of the delivery of shareholder value.

Adelaide Brighton's earnings over the five years to 31 December 2006 are summarised in Table 11. Earnings Before Interest Tax and Amortisation (EBITA) is one of the measures used to show earnings growth. This measure allows a more consistent comparison with prior years being stated before the benefits of the accounting adjustments that have been required by both AIFRS and Tax consolidation in 2004, 2005 and 2006.

**Table 11 - Earnings improvement from year 2002 to year 2006**

	Year ending				
	31 Dec 06	31 Dec 05	31 Dec 04 <sup>1</sup>	31 Dec 03 <sup>1</sup>	31 Dec 02 <sup>1</sup>
	A\$m	A\$m	A\$m	A\$m	A\$m
Sales revenue	791.2	717.3	696.4	630.6	486.8
EBITA	148.8	134.1	117.2	106.8	88.5
EBITA margin %	18.8%	18.7%	16.8%	16.9%	18.2%
Profit before tax	133.6	120.1	94.9	84.4	66.9
Net profit after tax (PAT)	102.1 <sup>2</sup>	90.9 <sup>2</sup>	81.5 <sup>2</sup>	57.7	50.7

<sup>1</sup> Earnings for years 2002 to 2004 do not include AIFRS adjustments (Relevant calculations for the STI schemes in those years were based on AGAAP earnings).

<sup>2</sup> PAT includes \$2.1m (2006) \$3.1m (2005) and \$14.0m (2004) tax credit as a result of tax consolidation.

Table 11 also illustrates the rationale for linking executive long-term incentives to three-year shareholder returns of TSR and EPS. In using these measures, executive rewards are linked closely to shareholder value creation over the longer term. This in turn provides a complementary executive focus on medium to longer-term strategic decision making which may not be as relevant to the delivery of short-term incentives.

Summarising percentage earnings growth, the underlying EBITA has increased from \$88.5 million in 2002 to \$148.8 million in 2006, a 68.1% increase. Similarly profit before tax increased from \$66.9 million in 2002 to \$133.6 million in 2006, a 99.7% increase.

The benefits to the Group of attracting, retaining and motivating its executive team is once again demonstrated clearly in the improvement in the Group's results over the last five years. The stability of the executive team over this period together with the adherence to a consistent strategy has been an important part of delivering the five year performance improvement.

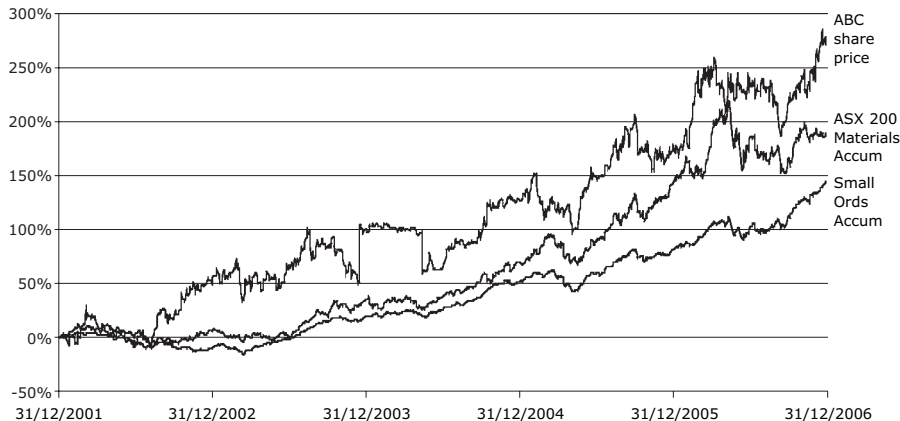
Adelaide Brighton's executive management have continued to drive for improved returns through the optimisation of the Company strategy of selective downstream integration into concrete, aggregates and concrete products, focus on operational

performance improvement and the development of the lime business. Within this strategy, management continue to employ rigorous evaluation of capital investment possibilities and the imposition of demanding hurdle rates of return in order to optimise shareholder return and manage investment risk.

Set out in the graph below is the performance of Adelaide Brighton's share price versus the ASX Small Ords Accumulation Index (AS38) and the ASX 200 Materials Accumulation Index (ASX51MATL) from 1 January 2002. The Adelaide Brighton share price has outperformed both indices, reflecting both rising market demand and the success of the Company strategy in expanding into downstream markets in the eastern states. The Group's focus on operational improvement has also delivered significant benefits in terms of both cost reduction and capacity utilisation.

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

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



#### 2.4 Service agreements

The remuneration and other terms of employment for the Managing Director and senior executives are formalised in Service Agreements. During 2006, the terms of the Service Agreements of the Managing Director and senior executives were reviewed by the Nomination and Remuneration Committee and Amending Agreements resulting in revised Service Agreements have been entered into with the Managing Director and certain senior executives. Each Service Agreement continues to provide for the provision of performance related cash bonuses (as disclosed above), and participation, where eligible, in the Group's long-term incentive scheme (as disclosed above).

C Kupke's employment agreement with C&M Brick Pty Ltd was on terms set prior to the Company's acquisition of an interest in C&M Brick Pty Ltd in July 2003. The Board considers that following the buy out in early 2007 of the minority interests in C&M Brick Pty Ltd, it is desirable to align the terms of C Kupke's service arrangement with other senior executives and ensure a co-ordinated management approach. The Company is negotiating accordingly with C Kupke.

General information regarding the duration of the contracts, the periods of notice required to terminate the

contracts and the termination payments provided for under the Service Agreements are summarised in the discussion below.

#### **Duration of contracts**

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

#### **Notice periods and payments on termination**

The Service Agreements provide for termination payments to be made in certain circumstances. In particular, the Company may terminate the employment of the Managing Director/senior executive on giving five weeks written notice and may require the Managing Director/senior executive to serve the period on an active or passive basis, or make payment to the Managing Director/senior executive in lieu of all or part of the notice period based upon the Managing Director's/senior executive's annual total remuneration on termination.

In general, the Managing Director and other senior executives must give the Company at least three months notice of resignation. In certain circumstances, such as a substantial diminution of responsibility, a material reduction in status (excluding any diminution with

the Managing Director's/senior executive's consent and, in some cases, a corporate restructure) or relocation to another state other than a state where his/her usual office is located, the Managing Director/senior executive may immediately terminate the employment upon giving notice that in his or her opinion, acting reasonably, a Fundamental Change has occurred (i.e. the Company may be deemed to have terminated the employment), and the Company will be liable to make compensation payments.

In general, upon termination, the Managing Director and other senior executives who have served for over three years are entitled to receive a separation amount which is equivalent to 12 months of the Managing Director's/senior executive's total remuneration on termination, in addition to a pro-rata of the Managing Director's/senior executive's STI for that proportion of the current financial year elapsed upon the termination date and if applicable, any amounts payable to the Managing Director/senior executive pursuant to the Company's redundancy policy. The Company must vest, and allow the Managing Director/senior executive to exercise, a pro-rated amount of any outstanding long term incentive award in accordance with the terms of the Service Agreement. The Managing Director/senior executive is entitled to receive remuneration due and a payment in lieu of any accrued annual or long service leave to which the Managing Director/senior executive is entitled, up to and including the termination date.

For senior executives who have not served at least three years with the Company, the salary component of the separation amount will be an amount equivalent to nine months salary, plus an additional amount equivalent to one month's salary for each full year of service with the Company, up to a maximum aggregate amount equivalent to twelve months salary.

The separation amount will not be payable if the Managing Director/senior executive voluntarily resigns (unless the Managing Director/senior executive terminates the employment on the grounds that a Fundamental Change has occurred) or has their employment terminated for serious misconduct.

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

In addition, under the Amending Agreements referred to above, the Managing Director and certain senior executives became entitled to a lump sum 'up-front' payment (less any amounts required by law to be deducted or withheld) as part consideration for entering into the Amending Agreements and revising the terms of their then existing Service Agreements, and in full satisfaction of all of the Managing Director's/senior executive's entitlements and claims against the Company under the previous Service Agreements' "change of control" provisions (where this entitlement existed). These amounts were paid to the Managing Director and relevant senior executives in January 2007 and are included as 'Amending Agreement compensation' in Table 12.

**Post-employment restraint**

Upon termination of employment for any reason, the Managing Director and senior executives are prohibited from engaging in any activity that would compete with the Group for a period of up to 6 months in order to protect the Group's business interests. In line with principles of employment law, and in order to ensure that the restraint is enforceable by the Group, during the period of the restraint the executive will be paid a monthly amount equivalent to the executive's monthly fixed remuneration at the time of termination.

**Other terms**

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

*Executive*

*Summary*

M Brydon

Entitled to the following additional payments on termination:

- Ex-gratia payment of \$10,000.
- Payment of sick leave.

T Douglas

Company may terminate employment on giving 9 months notice or payment in lieu of notice. The executive may terminate his employment by giving 3 months notice.

Entitled to the following payments on termination:

- Lump sum amount equivalent to 9 months remuneration.
- Ex-gratia payment of \$10,000.
- Payment of sick leave.

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

No post-employment restraint applies.

C Kupke

C Kupke has different terms of employment due to historical arrangements he had with C&M Brick Pty Ltd. (The Company acquired 70% of C&M Brick Pty Ltd in 2003 and the remaining minority interests in 2007.) Under these arrangements C Kupke's terms do not exceed any of those of the senior executive service agreements. The employment can be terminated by him on 3 months notice or by C&M Brick Pty Ltd on 3 months notice or payment in lieu.

## 2.5 Remuneration paid and other specific disclosures

Details of the remuneration paid to the Managing Director and each of the senior executives of the Company and the Group with the highest remuneration during the 2006 and 2005 financial years are set out in Table 12.

**Table 12 - Remuneration for the 2006 and 2005 financial years**

Year	Short-term benefits				Post-employment benefits	Share based payments <sup>1, 2</sup>	Total	
	Fixed salary	STI	Non-monetary	Amending Agreement compensation	Super-annuation contributions	Long term incentive		
	\$	\$	\$	\$	\$	\$	\$	
M P Chellew	2005	731,321	292,480	-	-	11,862	383,459	1,419,122
	<b>2006</b>	<b>787,587</b>	<b>551,200</b>	-	<b>320,000</b>	<b>12,413</b>	<b>240,697</b>	<b>1,911,897</b>
A D Poulter	2005	375,334	115,755	-	-	11,862	85,198	588,149
	<b>2006</b>	<b>389,587</b>	<b>217,080</b>	-	<b>120,600</b>	<b>12,413</b>	<b>50,971</b>	<b>790,651</b>
M R D Clayton	2005	255,221	79,500	-	-	11,862	83,450	430,033
	<b>2006</b>	<b>277,587</b>	<b>156,600</b>	-	<b>87,000</b>	<b>12,413</b>	<b>50,985</b>	<b>584,585</b>
M Brydon	2005	398,180	122,550	-	-	11,862	84,086	616,678
	<b>2006</b>	<b>414,587</b>	<b>230,580</b>	-	<b>128,100</b>	<b>12,413</b>	<b>51,101</b>	<b>836,781</b>
T Douglas	2005	266,176	90,336	-	-	35,934	82,818	475,264
	<b>2006</b>	<b>275,771</b>	<b>164,795</b>	-	-	<b>37,229</b>	<b>50,207</b>	<b>528,002</b>
M A Finney	2005	318,766	105,000	32,177	-	28,689	83,878	568,510
	<b>2006</b>	<b>333,945</b>	<b>192,629</b>	-	<b>109,200</b>	<b>30,055</b>	<b>50,985</b>	<b>716,814</b>
M Kelly <sup>3</sup>	2005	-	-	-	-	-	-	-
	<b>2006</b>	<b>205,821</b>	<b>78,750</b>	-	-	<b>11,099</b>	-	<b>295,670</b>
S J Toppenberg <sup>4</sup>	2005	138,762	45,000	-	-	12,489	9,419	205,670
	<b>2006</b>	<b>219,301</b>	<b>124,416</b>	-	-	<b>19,737</b>	<b>114,599</b>	<b>478,053</b>
<b>Total for the Company</b>	2005	2,483,760	850,621	32,177	-	124,560	812,308	4,303,426
	<b>2006</b>	<b>2,904,186</b>	<b>1,716,050</b>	-	<b>764,900</b>	<b>147,772</b>	<b>609,545</b>	<b>6,142,453</b>
C Kupke	2005	275,969	-	5,784	-	24,770	-	306,523
	<b>2006</b>	<b>280,733</b>	<b>127,502</b>	<b>3,850</b>	-	<b>25,266</b>	-	<b>437,351</b>
<b>Total for the Group</b>	2005	2,759,729	850,621	37,961	-	149,330	812,308	4,609,949
	<b>2006</b>	<b>3,184,919</b>	<b>1,843,552</b>	<b>3,850</b>	<b>764,900</b>	<b>173,038</b>	<b>609,545</b>	<b>6,579,804</b>

1 In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the notional value of equity compensation granted or outstanding during the year. The notional value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period.

The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should the equity instruments vest. The notional value of Awards as at the date of their grant has been determined in accordance with the accounting policy note 1(x)(iv).

2 In 2006 13% of the Managing Director's and 0% - 24% of the senior executives' remuneration for the financial year consists of Awards issued under the Adelaide Brighton Limited Executive Performance Share Plan.

In 2005 27% of the Managing Director's and 0% - 20% of executives' remuneration for the financial year consists of Awards issued under the Adelaide Brighton Limited Executive Performance Share Plan.

3 M Kelly commenced employment with the Company effective 14 August 2006.

4 S J Toppenberg commenced employment with the Company effective 2 May 2005.

# Income statements

For the year ended 31 December 2006

(\$ Million)	Notes	Consolidated		The Company	
		2006	2005	2006	2005
<b>Revenue</b>	2	<b>791.2</b>	717.3	<b>0.4</b>	0.1
Cost of sales		<b>(509.0)</b>	(464.3)	-	-
Freight and distribution costs		<b>(108.8)</b>	(94.9)	-	-
<b>Gross profit</b>		<b>173.4</b>	158.1	<b>0.4</b>	0.1
Other income	2	<b>8.3</b>	7.9	<b>160.5</b>	67.3
Marketing costs		<b>(11.0)</b>	(11.0)	-	-
Administration costs		<b>(40.7)</b>	(38.6)	<b>(1.2)</b>	(1.2)
Other expenses	3	-	-	<b>(10.8)</b>	(10.0)
Finance costs	3	<b>(17.9)</b>	(15.9)	<b>(14.7)</b>	(13.7)
Share of net profits of joint ventures accounted for using the equity method	38(b) & (c)	<b>21.5</b>	19.6	-	-
<b>Profit before income tax</b>		<b>133.6</b>	120.1	<b>134.2</b>	42.5
Income tax expense	4(a)	<b>(31.0)</b>	(29.2)	<b>1.2</b>	(2.5)
<b>Net profit</b>		<b>102.6</b>	90.9	<b>135.4</b>	40.0
Net profit attributable to minority interests		<b>(0.5)</b>	-	-	-
<b>Net profit attributable to members of Adelaide Brighton Ltd</b>		<b>102.1</b>	90.9	<b>135.4</b>	40.0
		<b>Cents</b>	Cents		
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>					
Basic earnings per share	39	<b>18.8</b>	16.8		
Diluted earnings per share	39	<b>18.7</b>	16.7		

# Balance sheets

As at 31 December 2006

(\$ Million)	Notes	Consolidated		The Company	
		2006	2005	2006	2005
<b>Current assets</b>					
Cash and cash equivalents	5	<b>24.2</b>	24.6	<b>0.5</b>	0.1
Receivables	6	<b>119.7</b>	111.0	<b>483.9</b>	421.5
Inventories	7	<b>80.8</b>	75.4	-	-
Total current assets		<b>224.7</b>	211.0	<b>484.4</b>	421.6
<b>Non-current assets</b>					
Receivables	8	<b>27.5</b>	23.3	<b>162.2</b>	159.3
Investments accounted for using the equity method	9	<b>40.8</b>	38.1	-	-
Other financial assets	10	-	-	<b>349.7</b>	349.7
Property, plant and equipment	11	<b>694.2</b>	665.6	<b>4.8</b>	4.8
Deferred tax assets	12	<b>22.8</b>	19.0	<b>3.3</b>	-
Intangible assets	13	<b>164.6</b>	165.0	-	-
Retirement benefit assets	22(b)	<b>0.1</b>	-	-	-
Total non-current assets		<b>950.0</b>	911.0	<b>520.0</b>	513.8
<b>Total assets</b>		<b>1,174.7</b>	1,122.0	<b>1,004.4</b>	935.4
<b>Current liabilities</b>					
Payables	14	<b>85.4</b>	73.1	<b>178.7</b>	171.3
Borrowings	15	<b>40.4</b>	250.4	<b>40.0</b>	253.5
Current tax liabilities	16	<b>15.4</b>	20.3	<b>15.7</b>	24.3
Provisions	17	<b>25.5</b>	24.1	-	-
Other	18	<b>13.2</b>	13.8	-	-
Total current liabilities		<b>179.9</b>	381.7	<b>234.4</b>	449.1
<b>Non-current liabilities</b>					
Borrowings	19	<b>210.7</b>	1.0	<b>210.0</b>	-
Deferred tax liabilities	20	<b>84.3</b>	79.3	-	-
Provisions	21	<b>24.7</b>	24.5	-	-
Retirement benefit liabilities	22(b)	-	1.4	-	-
Other		<b>0.1</b>	0.1	-	-
Total non-current liabilities		<b>319.8</b>	106.3	<b>210.0</b>	-
<b>Total liabilities</b>		<b>499.7</b>	488.0	<b>444.4</b>	449.1
<b>Net assets</b>					
		<b>675.0</b>	634.0	<b>560.0</b>	486.3
<b>Equity</b>					
Contributed equity	23	<b>513.3</b>	513.3	<b>506.1</b>	506.1
Reserves	24(a)	<b>13.3</b>	14.0	<b>0.9</b>	1.6
Retained profits (losses)	24(b)	<b>139.8</b>	98.4	<b>53.0</b>	(21.4)
Parent entity interest		<b>666.4</b>	625.7	<b>560.0</b>	486.3
Minority interests	25	<b>8.6</b>	8.3	-	-
<b>Total equity</b>		<b>675.0</b>	634.0	<b>560.0</b>	486.3

## Statements of recognised income and expense

<i>For the year ended 31 December 2006</i> (\$ Million)	<i>Consolidated</i>		<i>The Company</i>	
	<b>2006</b>	2005	<b>2006</b>	2005
Exchange differences taken to equity, net of tax	<b>(0.1)</b>	0.1	-	-
Actuarial gain (loss) on defined benefit plan, net of tax	<b>0.3</b>	(1.9)	-	-
Net income (expense) recognised directly in equity	<b>0.2</b>	(1.8)	-	-
Net profit for the year	<b>102.6</b>	90.9	<b>135.4</b>	40.0
<b>Total recognised income and expense for the year</b>	<b>102.8</b>	89.1	<b>135.4</b>	40.0
Attributable to:				
Members of Adelaide Brighton Ltd	<b>102.3</b>	89.1	<b>135.4</b>	40.0
Minority interests	<b>0.5</b>	-	-	-

# Statements of cash flows

<i>For the year ended 31 December 2006</i>		<i>Consolidated</i>		<i>The Company</i>	
<i>(\$ Million)</i>	<i>Notes</i>	<b>2006</b>	2005	<b>2006</b>	2005
<b>Cash flows from operating activities</b>					
Receipts from customers		<b>859.8</b>	784.4	<b>0.4</b>	0.1
(inclusive of goods and services tax)					
Payments to suppliers and employees		<b>(694.8)</b>	(643.2)	<b>(2.1)</b>	(3.0)
(inclusive of goods and services tax)					
Dividends received		<b>18.8</b>	17.2	<b>135.0</b>	43.5
Interest received		<b>2.6</b>	1.9	<b>14.7</b>	13.8
Other revenue		<b>4.7</b>	5.0	-	-
Interest paid		<b>(12.6)</b>	(13.9)	<b>(12.5)</b>	(13.7)
Income taxes paid		<b>(34.2)</b>	(28.0)	<b>(10.7)</b>	(7.9)
<b>Net cash inflow from operating activities</b>	37	<b>144.3</b>	123.4	<b>124.8</b>	32.8
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		<b>(81.5)</b>	(102.7)	-	(4.8)
Payments for controlled entities and operations		-	(6.0)	-	(6.0)
Proceeds from sale of property, plant and equipment		<b>2.5</b>	2.9	-	-
Loans to joint venture entities	34(d)	<b>(4.3)</b>	(3.9)	-	-
Loans to other related parties	34(d)	<b>0.2</b>	(0.3)	<b>0.2</b>	(0.3)
Loans to controlled entities	34(d)	-	-	<b>(60.1)</b>	(16.6)
<b>Net cash (outflow) from investing activities</b>		<b>(83.1)</b>	(110.0)	<b>(59.9)</b>	(27.7)
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares	23(b)	-	0.4	-	0.4
Proceeds from borrowings	15 & 19	<b>250.0</b>	250.0	<b>250.0</b>	250.0
Repayment of borrowings	15 & 19	<b>(250.3)</b>	(215.2)	<b>(250.0)</b>	(215.0)
Dividends paid to Company's shareholders	26	<b>(61.0)</b>	(44.7)	<b>(61.0)</b>	(44.7)
Dividends paid to minority interests in controlled entities		<b>(0.2)</b>	(1.0)	-	-
<b>Net cash (outflow) from financing activities</b>		<b>(61.5)</b>	(10.5)	<b>(61.0)</b>	(9.3)
<b>Net (decrease) increase in cash held</b>					
Cash at the beginning of the financial year	5	<b>24.6</b>	21.6	<b>(3.4)</b>	0.8
Effects of exchange rate changes on cash and cash equivalents		<b>(0.1)</b>	0.1	-	-
<b>Cash at the end of the financial year</b>	5	<b>24.2</b>	24.6	<b>0.5</b>	(3.4)

# Notes to the financial statements

## 1 Summary of significant accounting policies

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

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. The report is prepared on a going concern basis.

#### *Historical cost convention*

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

#### *Compliance with IFRS*

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

### (b) Principles of consolidation

#### (i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Adelaide Brighton Ltd ("the Company") as at 31 December 2006 and the results of all controlled entities for the year then ended. The Company and its controlled entities together are referred to in this financial report as "the Group".

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Adelaide Brighton Ltd.

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

#### (ii) *Joint venture entities*

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

### (c) Segment reporting

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

### (d) Foreign currency translation

#### (i) *Functional and presentation currency*

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

#### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### (iii) *Group companies*

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

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

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

**(e) Revenue recognition**

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

**(i) Sales revenue**

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

**(ii) Deferred income**

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

**(iii) Interest income**

Interest income is recognised using the effective interest rate method.

**(iv) Dividends**

Dividends are recognised as revenue when the right to receive payment is established.

**(f) Debt defeasance**

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

**(g) Income tax**

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**Tax consolidations**

Adelaide Brighton Ltd and its wholly owned Australian subsidiaries implemented the tax consolidation legislation as of 1 January 2004.

The Australian Taxation Office has been notified of this decision. Adelaide Brighton Ltd, as the head entity in the tax consolidated group, recognises current tax liabilities and tax losses (subject to meeting the "probable test") relating to all transactions, events and balances of the tax consolidated group as if those transactions, events and balances were its own. Amounts receivable or payable under an

accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense.

Individual tax consolidated entities recognise tax expenses and revenues and current and deferred tax balances in relation to their own taxable income, temporary differences and tax losses using the separate taxpayer within the group method. Entities calculate their current and deferred tax balances on the basis that they are subject to tax as part of the tax consolidated group. All current tax liabilities and tax losses are transferred to the head entity as tax-related amounts receivable or payable. Deferred tax balances relating to assets that had their tax values reset on joining the tax consolidated group have been remeasured based on the carrying amount of those assets in the tax consolidated group and their reset tax values. The adjustment to these deferred tax balances is recognised in the consolidated financial statements against income tax expense.

**(h) Leases**

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

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

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

**(i) Business combinations**

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

Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the

entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**(j) Impairment of assets**

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

**(k) Cash and cash equivalents**

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

**(l) Trade receivables**

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

The collectibility of trade receivables is reviewed regularly. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

**(m) Inventories**

*Raw materials and stores, work in progress and finished goods*  
Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(n) Financial assets**

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

**(i) Loans and receivables**

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

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

The policy of management is to designate a financial asset or financial liability as at fair value through profit and loss if designation significantly reduces a measurement inconsistency because the financial asset or financial liability is subject to frequent changes in fair value.

(o) **Derivatives**

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

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition. Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

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

(q) **Property, plant and equipment**

Property, plant and equipment is carried at historical cost less accumulated depreciation and any recognised impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

(i) *Mineral reserves*

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

(ii) *Complex assets*

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

(iii) *Leasehold improvements*

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

(iv) *Other fixed assets*

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

- Mineral reserves	40 - 50 years
- Buildings	20 - 40 years
- Plant and equipment	5 - 30 years

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

(r) **Overhaul of complex assets**

Significant items of plant that are overhauled during annual shutdowns are treated as complex assets and different depreciation rates applied to each major component as appropriate. When these components are replaced during a shutdown, and the replacement is considered to increase the service potential of the asset as a whole, the associated costs are capitalised and depreciated over their estimated useful life, in accordance with note 1(q). All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(s) **Intangible assets**

(i) *Goodwill*

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

Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units are consistent with the Group's primary reporting segment.

(ii) *Licences and trademarks*

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

(iii) *Other intangible assets*

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

(t) **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(u) **Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 6.48% (2005 - Nil).

(v) **Trade and other payables**

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

(w) **Provisions**

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

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

(i) *Dividends*

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

(ii) *Workers' compensation*

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

(iii) *Restructuring costs*

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

(iv) *Provisions for close down and restoration costs*

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

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

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

(v) *Contingent liabilities*

Contingent liabilities are not recognised in the financial statements. A contingent liability is, however, disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements in the period in which the change in probability occurs.

(vi) *Contingent assets*

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

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

(x) **Employee benefits**

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave, sick leave and other current employee entitlements are accrued in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Retirement benefit obligations*

All employees of the Group are entitled to benefits on retirement, disability or death from the Group's superannuation plan. The Group has a defined benefit section and an accumulation section within its plan. The defined benefit section provides defined lump sum benefits on retirement, death, disablement and withdrawal, based on years of service and final average salary.

The defined benefit plan section is closed to new members. The accumulation section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

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

The present value of the defined benefit obligation is based on expected future payments, which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

Past service costs are recognised immediately in income, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation (e.g. taxes on investment income and employer contributions) are taken into account in measuring the relevant components of the employer's defined benefit liability or asset.

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

(iv) *Share-based payments*

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

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

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

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

(v) *Profit-sharing and bonus plans*

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

(vi) *Termination benefits*

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

(y) **Contributed equity**

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

(z) **Earnings per share**

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

(ii) *Diluted earnings per share*

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

(aa) **Rounding of amounts**

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars, unless otherwise stated.

(ab) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

(ac) **New accounting standards and UIG interpretations**

Certain new accounting standards and UIG interpretations have been published but are not mandatory for 31 December 2006 reporting periods and have not yet been adopted by the Group:

UIG 8 *Scope of AASB 2*

UIG 9 *Reassessment of Embedded Derivatives*

AASB 7 *Financial instruments: Disclosures*

AASB 2005-10 *Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]:

consequential amendments as a result of the release of AASB 7

Revised AASB 101 *Presentation of Financial Statements*

The Group is currently assessing the impact of adopting these standards.

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>2 Revenue and other income</b>				
<b>Revenue</b>				
Sale of goods	<b>791.2</b>	717.3	<b>0.4</b>	0.1
<b>Other income</b>				
Interest from controlled entities	-	-	<b>25.4</b>	23.7
Interest from joint ventures	<b>1.4</b>	1.1	-	-
Interest from other parties	<b>1.3</b>	0.9	<b>0.1</b>	0.1
Dividends from controlled entities	-	-	<b>135.0</b>	43.5
Net gain on disposal of property, plant and equipment	<b>0.9</b>	0.9	-	-
Other income	<b>4.7</b>	5.0	-	-
	<b>8.3</b>	7.9	<b>160.5</b>	67.3
Revenue and other income (excluding shares of equity accounted net profits of joint ventures)	<b>799.5</b>	725.2	<b>160.9</b>	67.4
<b>3 Expenses</b>				
<b>Profit before income tax includes the following specific expenses:</b>				
<i>Depreciation</i>				
Buildings	<b>1.9</b>	1.8	-	-
Plant and equipment	<b>48.4</b>	43.9	-	-
Mineral reserves	<b>1.5</b>	1.3	-	-
Total depreciation	<b>51.8</b>	47.0	-	-
<i>Amortisation</i>				
Other intangibles	<b>0.4</b>	0.5	-	-
Total amortisation	<b>0.4</b>	0.5	-	-
Other charges against assets				
Write down of inventories	<b>0.3</b>	0.3	-	-
Bad and doubtful debts - trade debtors	<b>0.5</b>	0.9	-	-
Write down of loans to controlled entities	-	-	<b>10.8<sup>1</sup></b>	10.0 <sup>1</sup>
Total other charges against assets	<b>0.8</b>	1.2	<b>10.8</b>	10.0
Finance costs				
Interest and finance charges paid / payable	<b>17.3</b>	13.9	<b>14.7</b>	13.7
Unwinding of the discount on restoration provisions and retirement benefit obligation	<b>3.0</b>	2.1	-	-
Exchange gains on foreign currency contracts	-	(0.1)	-	-
Less				
Interest capitalised in respect of qualifying assets	<b>(2.4)</b>	-	-	-
Total finance costs	<b>17.9</b>	15.9	<b>14.7</b>	13.7
Rental expense relating to operating leases	<b>3.1</b>	5.1	-	-

<sup>1</sup> The Company has made provision against debts of \$10,849,000 (2005: \$10,046,000) due by wholly owned entities.

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>4 Income tax</b>				
<b>(a) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Profit before income tax expense	<b>133.6</b>	120.1	<b>134.2</b>	42.5
Tax at the Australian tax rate of 30%	<b>40.1</b>	35.9	<b>40.1</b>	12.7
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Defined benefit obligations	-	(0.5)	-	-
Non allowable expenses	<b>0.2</b>	0.2	-	-
Rebateable dividends	<b>(4.4)</b>	(3.0)	<b>(40.5)</b>	(13.0)
Bad and doubtful debts	-	-	<b>3.3</b>	3.0
Research and development allowance	<b>(0.6)</b>	-	-	-
Sundry items	<b>0.7</b>	(0.2)	-	(0.1)
	<b>36.0</b>	32.4	<b>2.9</b>	2.6
Prior year tax losses not recognised now recouped	<b>(4.1)</b>	-	<b>(4.1)</b>	-
Under (over) provided in prior years	<b>1.2</b>	(0.1)	-	(0.1)
<b>Income tax expense (benefit)</b>	<b>33.1</b>	32.3	<b>(1.2)</b>	2.5
Adjustments to deferred tax balances on implementation of tax consolidation	<b>(2.1)</b>	(3.1)	-	-
<b>Aggregate income tax expense (benefit)</b>	<b>31.0</b>	29.2	<b>(1.2)</b>	2.5
Aggregate income tax expense comprises:				
Current taxation provision	<b>35.3</b>	39.6	<b>2.2</b>	2.6
Deferred tax liabilities (note 20)	<b>(0.2)</b>	(11.2)	-	-
Deferred tax assets (note 12)	<b>(3.2)</b>	0.9	<b>(3.3)</b>	-
(Over) provided in prior year	<b>(0.9)</b>	(0.1)	<b>(0.1)</b>	(0.1)
	<b>31.0</b>	29.2	<b>(1.2)</b>	2.5
<b>(b) Amounts recognised directly in equity</b>				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit and loss but directly (credited) to equity				
Net deferred tax	<b>(0.2)</b>	-	-	-
	<b>(0.2)</b>	-	-	-
<b>(c) Tax losses</b>				
Unused tax losses for which no deferred tax asset has been recognised:				
■ Capital losses	<b>22.4</b>	22.4	<b>22.4</b>	22.4
■ Tax losses carried forward	-	4.1	-	4.1

This benefit for tax losses will only be obtained if:

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

#### 4 Income tax (continued)

##### (d) Tax consolidations

Adelaide Brighton Ltd and its wholly-owned Australian subsidiaries implemented the tax consolidation legislation as of 1 January 2004. The Australian Tax Office has been notified of this decision. The accounting policy on implementation of the legislation is set out in note 1(g). The impact on the income tax expense for the year is disclosed in the tax reconciliation at 4(a).

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

The calculation of the financial effect on the deferred tax balances of the Group has been recognised resulting in a further one-off tax benefit of \$2.1 million. This tax credit is additional to the \$3.1 million tax benefit recognised in 2005 and \$14.0 million tax benefit reported in the accounts for the year ended 31 December 2004.

This additional tax benefit has resulted from the step up of the detailed asset revaluations within the Company asset registers. The re-calculation of the future tax depreciation charge has supported management's previous assessments and given rise to the quantification of this additional deferred income tax benefit in 2006.

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>5 Current assets - cash and cash equivalents</b>				
Cash at bank and in hand	<b>21.5</b>	21.5	<b>0.5</b>	0.1
Deposits at call	<b>2.7</b>	3.1	-	-
	<b>24.2</b>	24.6	<b>0.5</b>	0.1
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>24.2</b>	24.6	<b>0.5</b>	0.1
Less: Bank overdrafts and advances (note 15)	-	-	-	(3.5)
Balances per statements of cash flows	<b>24.2</b>	24.6	<b>0.5</b>	(3.4)
<b>6 Current assets - receivables</b>				
Trade receivables	<b>113.8</b>	103.6	<b>0.1</b>	0.1
Less: Provision for doubtful receivables	<b>(2.1)</b>	(2.0)	-	-
	<b>111.7</b>	101.6	<b>0.1</b>	0.1
Amounts due by joint ventures	<b>0.5</b>	0.4	-	-
Loans to controlled entities	-	-	<b>451.3</b>	388.7
Tax amounts receivable from wholly-owned entities	-	-	<b>31.7</b>	30.8
Prepayments	<b>3.7</b>	5.2	-	1.9
Other receivables	<b>3.8</b>	3.8	<b>0.8</b>	-
	<b>119.7</b>	111.0	<b>483.9</b>	421.5

##### (a) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in note 28.

#### 7 Current assets - inventories

Raw materials and stores - at cost	<b>37.6</b>	35.6	-	-
Work in progress - at cost	<b>16.4</b>	15.8	-	-
Finished goods - at cost	<b>26.8</b>	24.0	-	-
	<b>80.8</b>	75.4	-	-

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>8 Non-current assets - receivables</b>				
Loans to controlled entities	-	-	<b>159.7</b>	156.7
Loans to joint ventures	<b>25.0</b>	20.7	-	-
Other debtors	<b>2.5</b>	2.6	<b>2.5</b>	2.6
	<b>27.5</b>	23.3	<b>162.2</b>	159.3

(a) **Fair values**

Details of the fair value of non-current assets are set out in note 28.

(b) **Effective interest rates and credit risk**

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in note 28.

**9 Non-current assets - investments accounted for using the equity method**

Interest in joint venture entities (note 38)	<b>40.8</b>	38.1	-	-
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Interests in joint ventures are accounted for in the Group's financial statements using the equity method and are carried at cost by the respective parent entity (see note 38).

**10 Non-current assets - other financial assets**

**Other (non-traded) investments**

Shares in controlled entities - at cost	-	-	<b>349.7</b>	349.7
	-	-	<b>349.7</b>	349.7

Controlled entities are listed in note 35.

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>11 Non-current assets - property, plant and equipment</b>				
<b>Land and buildings</b>				
Freehold land				
At cost	<b>86.3</b>	86.6	-	-
	<b>86.3</b>	86.6	-	-
Buildings				
At cost	<b>68.6</b>	68.8	-	-
Less: Accumulated depreciation	<b>(30.0)</b>	(28.2)	-	-
	<b>38.6</b>	40.6	-	-
Mineral reserves				
At cost	<b>98.4</b>	94.6	-	-
Less: Accumulated depreciation	<b>(8.9)</b>	(7.4)	-	-
	<b>89.5</b>	87.2	-	-
Leasehold property				
At cost	<b>5.8</b>	2.8	-	-
Less: Accumulated amortisation	<b>(1.8)</b>	(1.5)	-	-
	<b>4.0</b>	1.3	-	-
Asset retirement cost				
At cost	<b>3.6</b>	3.1	-	-
Less: Accumulated depreciation	<b>(1.4)</b>	(1.3)	-	-
	<b>2.2</b>	1.8	-	-
<b>Total land and buildings</b>	<b>220.6</b>	217.5	-	-
<b>Plant and equipment</b>				
At cost	<b>916.4</b>	833.0	-	-
Less: Accumulated depreciation	<b>(495.7)</b>	(449.3)	-	-
	<b>420.7</b>	383.7	-	-
Leased plant and equipment				
At cost	<b>0.7</b>	0.8	-	-
Less: Accumulated depreciation	<b>(0.6)</b>	(0.5)	-	-
	<b>0.1</b>	0.3	-	-
Plant and equipment in the course of construction	<b>52.8</b>	64.1	<b>4.8</b>	4.8
<b>Total plant and equipment</b>	<b>473.6</b>	448.1	<b>4.8</b>	4.8
<b>Total property, plant and equipment</b>	<b>694.2</b>	665.6	<b>4.8</b>	4.8

## 11 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.

(\$ Million)	Freehold land	Buildings	Leasehold property	Plant & equipment	Leased assets	Mineral reserves	Asset retirement cost	In course of con- struction	Total
<b>Consolidated</b>									
Carrying amount at									
1 January 2006	86.6	40.6	1.3	383.7	0.3	87.2	1.8	64.1	665.6
Additions	-	0.2	0.2	47.9	-	3.8	0.5	29.4	82.0
Disposals	(0.6)	(0.6)	-	(0.4)	-	-	-	-	(1.6)
Reclassification	0.3	0.3	2.8	37.3	-	-	-	(40.7)	-
Depreciation/amortisation expense (note 3)	-	(1.9)	(0.3)	(47.8)	(0.2)	(1.5)	(0.1)	-	(51.8)
<b>Carrying amount at 31 December 2006</b>	<b>86.3</b>	<b>38.6</b>	<b>4.0</b>	<b>420.7</b>	<b>0.1</b>	<b>89.5</b>	<b>2.2</b>	<b>52.8</b>	<b>694.2</b>

### Reconciliations

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

(\$ Million)	Freehold land	Buildings	Leasehold property	Plant & equipment	Leased assets	Mineral reserves	Asset retirement cost	In course of con- struction	Total
<b>Consolidated</b>									
Carrying amount at									
1 January 2005	69.8	39.3	1.6	386.3	0.4	88.5	1.4	26.1	613.4
Additions	16.9	3.5	-	24.5	-	-	0.5	57.8	103.2
Disposals	(0.4)	(0.1)	-	(3.5)	-	-	-	-	(4.0)
Reclassification	0.3	(0.3)	-	19.8	-	-	-	(19.8)	-
Depreciation/amortisation expense (note 3)	-	(1.8)	(0.3)	(43.4)	(0.1)	(1.3)	(0.1)	-	(47.0)
<b>Carrying amount at 31 December 2005</b>	<b>86.6</b>	<b>40.6</b>	<b>1.3</b>	<b>383.7</b>	<b>0.3</b>	<b>87.2</b>	<b>1.8</b>	<b>64.1</b>	<b>665.6</b>

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>12 Non-current assets - deferred tax assets</b>				
<b>The balance comprises temporary differences attributable to:</b>				
<i>Amounts recognised in profit or loss</i>				
Depreciation	0.2	0.4	-	-
Share option reserve	0.3	0.3	-	-
Defined benefit obligations	-	0.8	-	-
Provisions	18.2	17.4	-	-
Tax losses	3.3	-	3.3	-
	<b>22.0</b>	18.9	<b>3.3</b>	-
<i>Amounts recognised directly in equity</i>				
Share option reserve	0.8	0.4	-	-
Defined benefit obligations	-	(0.3)	-	-
	<b>0.8</b>	0.1	-	-
<b>Deferred tax assets</b>	<b>22.8</b>	19.0	<b>3.3</b>	-
<b>Movements:</b>				
Opening balance at 1 January	19.0	19.7	-	-
Credited (charged) to the income statement (note 4)	3.2	(0.9)	3.3	-
Credited to equity	0.2	-	-	-
Over provision in prior year	0.4	0.2	-	-
Closing balance at 31 December	<b>22.8</b>	19.0	<b>3.3</b>	-

### 13 Non-current assets - intangible assets

Goodwill	164.4	164.4	-	-
Lease right	1.8	1.8	-	-
Less: Accumulated amortisation	(1.6)	(1.2)	-	-
	<b>0.2</b>	0.6	-	-
	<b>164.6</b>	165.0	-	-

The carrying amount movement from \$165.0 million to \$164.6 million is due to amortisation charge of lease rights.

#### (a) Impairment tests for goodwill

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

A segment level summary of the goodwill allocation is presented below.

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
Construction and mining materials	163.3	163.3	-	-
Building products	1.1	1.1	-	-
	<b>164.4</b>	164.4	-	-

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on 2006 actual results and 2007 financial budgets approved by management. Cash flows beyond the financial year 2007 are extrapolated using the estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

**13 Non-current assets - intangible assets (continued)**

	<i>Gross margin</i> <sup>1</sup>		<i>Growth rate</i> <sup>2</sup>		<i>Discount rate</i> <sup>3</sup>	
	<b>2006</b>	2005	<b>2006</b>	2005	<b>2006</b>	2005
	<b>%</b>	%	<b>%</b>	%	<b>%</b>	%
Construction and mining materials	<b>36.5</b>	36.5	<b>2.5</b>	2.5	<b>10.0</b>	10.0
Building products	<b>59.5</b>	55.0	<b>2.5</b>	2.5	<b>10.0</b>	10.0

1 Budgeted gross margin (excluding fixed production costs)

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

3 Pre-tax discount rate applied to cash flow projections

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

**14 Current liabilities - payables**

<i>(\$ Million)</i>	<i>Consolidated</i>		<i>The Company</i>	
	<b>2006</b>	2005	<b>2006</b>	2005
Trade payables	<b>85.3</b>	72.2	-	-
Loans to controlled entities	-	-	<b>178.3</b>	171.3
Other payables and accruals	<b>0.1</b>	0.9	<b>0.4</b>	-
	<b>85.4</b>	73.1	<b>178.7</b>	171.3

**15 Current liabilities - borrowings****Secured**

Lease liabilities (note 30)	<b>0.4</b>	0.4	-	-
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**Unsecured**

Bank overdrafts and advances (note 5)	-	-	-	3.5
Bank loans (note 19(a))	<b>40.0</b>	250.0	<b>40.0</b>	250.0
	<b>40.4</b>	250.4	<b>40.0</b>	253.5

**(a) Interest rate risk exposures**

Details of the Group's exposure to interest rate changes on borrowings are set out in note 28.

**(b) Fair value disclosures**

Details of the fair value of borrowings for the Group are set out in note 28.

**16 Current liabilities - current tax liabilities**

Income tax	<b>15.4</b>	20.3	<b>15.7</b>	24.3
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(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>17 Current liabilities - provisions</b>				
Employee benefits	<b>16.8</b>	16.1	-	-
Workers' compensation (note 1(w)(ii))	<b>0.9</b>	1.4	-	-
Restoration provisions (note 1(w)(iv))	<b>2.5</b>	1.6	-	-
Other provisions	<b>5.3</b>	5.0	-	-
	<b>25.5</b>	24.1	-	-

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

(\$ Million)	Workers' compensation	Restoration	Other
Opening balance at 1 January	1.4	1.6	5.0
Additional provision recognised	0.4	-	0.8
Provisions reclassified from non-current	-	1.0	-
Payments	(0.9)	(0.1)	(0.5)
Closing balance at 31 December	0.9	2.5	5.3

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>18 Current liabilities - other</b>				
Deferred income	<b>0.1</b>	0.5	-	-
Limited recourse loan	<b>12.3</b>	12.3	-	-
Other	<b>0.8</b>	1.0	-	-
	<b>13.2</b>	13.8	-	-

A limited recourse loan of \$12.3 million was owing to Rugby Holdings Ltd at 31 December 2006 (2005 - \$12.3 million) by Cockburn Cement Ltd, a subsidiary of Adelaide Brighton Ltd. This is in respect of real property belonging to Rugby Holdings Ltd on loan to Cockburn Cement Ltd. The loan is non-interest bearing. Rugby Holdings Ltd was the direct parent company of Adelaide Brighton Ltd in the period from July 1999 to December 2003.

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>19 Non-current liabilities - borrowings</b>				
<b>Secured</b>				
Lease liabilities (note 30)	0.7	1.0	-	-
<b>Unsecured</b>				
Bank loans (note 19(a))	210.0	-	210.0	-
	<b>210.7</b>	1.0	<b>210.0</b>	-

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default. The carrying amount of plant & equipment under finance lease is \$0.1 million (2005 - \$0.3 million).

(a) **Financing arrangements**

Unrestricted access was available at balance date to the following lines of credit:

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>(i) Credit standby arrangements</b>				
Total facilities				
Bank overdrafts (ii)	4.0	4.0	4.0	4.0
Bank facilities - external parties (ii)	340.0	260.0	340.0	260.0
Lease liabilities	1.1	1.4	-	-
	<b>345.1</b>	265.4	<b>344.0</b>	264.0
Used at balance date				
Bank overdrafts (ii)	-	-	-	3.5
Bank facilities - external parties (ii)	250.0	250.0	250.0	250.0
Lease liabilities	1.1	1.4	-	-
	<b>251.1</b>	251.4	<b>250.0</b>	253.5
Unused at balance date				
Bank overdrafts (ii)	4.0	4.0	4.0	0.5
Bank facilities - external parties (ii)	90.0	10.0	90.0	10.0
	<b>94.0</b>	14.0	<b>94.0</b>	10.5

(ii) **Bank loan facilities**

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

The Group replaced its \$260 million short-term bank arrangements with a \$300 million three year facility and \$40 million 364 day working capital facility at 31 March 2006. At 31 December 2006, the total of the bank facility drawn down was \$250 million (2005: \$250 million). The short-term working capital facility is scheduled to expire on 29 March 2007.

(b) **Interest rate risk exposures**

Details of the Group's exposure to interest rate changes on borrowings are set out in note 28.

(c) **Fair values**

Details of the fair value of non-current borrowings for the Group are set out in note 28.

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>20 Non-current liabilities - deferred tax liabilities</b>				
<b>The balance comprises temporary differences attributable to:</b>				
<i>Amounts recognised in profit or loss</i>				
Depreciation	75.0	69.8	-	-
Inventories	4.0	3.4	-	-
Other	5.3	6.1	-	-
<b>Net deferred tax liabilities</b>	<b>84.3</b>	79.3	-	-
<b>Movements:</b>				
Opening balance at 1 January	79.3	90.4	-	-
(Credited) to the income statement (note 4)	(0.2)	(11.2)	-	-
Under provision in prior year	5.2	0.1	-	-
Closing balance at 31 December	84.3	79.3	-	-
<b>21 Non-current liabilities - provisions</b>				
Employee benefits	3.0	2.9	-	-
Restoration provisions (note 1(w)(iv))	21.7	21.6	-	-
	24.7	24.5	-	-

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

(\$ Million)	Restoration
Opening balance at 1 January	21.6
Additional capitalised provision (note 11)	0.5
Discount unwinding to finance costs	0.6
Provisions reclassified to current	(1.0)
Payments	-
Closing balance at 31 December	21.7

## 22 Non-current liabilities - retirement benefit liabilities

### (a) Superannuation plan

The majority of Adelaide Brighton Ltd employees are members of the consolidated superannuation entity being the Adelaide Brighton Group Superannuation Plan ("the Plan"), 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 Plan commenced in the MST on 1 August 2001.

Membership is in either the Defined Benefit or Accumulation categories of the Plan, with the membership distribution as at 31 December 2006, being:

Defined Benefit (including Hybrid members)	316
Accumulation	580
<b>Total Membership</b>	<b>896</b>

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

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

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>22 Non-current liabilities - retirement benefit liabilities</b> (continued)				
<b>(b) Balance sheet amounts</b>				
Present value of the defined benefit liabilities	<b>55.9</b>	52.8	-	-
Fair value of defined benefit plan assets	<b>(56.0)</b>	(51.4)	-	-
Net (asset) / liability in the balance sheet	<b>(0.1)</b>	1.4	-	-

The Group has no legal obligation to settle this liability with an immediate contribution or additional one-off contributions.

The Group intends to contribute to the defined benefit section of plan at a rate of 12% of salaries in line with the actuary's latest recommendations.

**(c) Reconciliations**

*Reconciliation of the present value of defined benefit liability, which is wholly funded:*

Opening balance at 1 January	<b>52.8</b>	44.9	-	-
Current service costs	<b>2.0</b>	2.1	-	-
Interest costs	<b>2.4</b>	2.1	-	-
Actuarial gains and losses	<b>2.0</b>	5.2	-	-
Contributions by plan participants	<b>1.3</b>	1.2	-	-
Benefits, expenses and insurance premiums paid	<b>(4.7)</b>	(2.8)	-	-
Transfers in	<b>0.1</b>	0.1	-	-
Closing balance at 31 December	<b>55.9</b>	52.8	-	-

*Reconciliation of the fair value of plan assets*

Opening balance at 1 January	<b>51.4</b>	44.1	-	-
Expected return on plan assets	<b>3.3</b>	2.9	-	-
Actuarial gains and losses	<b>2.4</b>	3.7	-	-
Employer contributions	<b>2.2</b>	2.2	-	-
Contributions by plan participants	<b>1.3</b>	1.2	-	-
Benefits, expenses and insurance premiums paid	<b>(4.7)</b>	(2.8)	-	-
Transfers in	<b>0.1</b>	0.1	-	-
Closing balance at 31 December	<b>56.0</b>	51.4	-	-

**(d) Amounts recognised in income statement**

The amounts recognised in the income statement are as follows:

Current service costs	<b>2.0</b>	2.1	-	-
Interest costs	<b>2.4</b>	2.1	-	-
Expected return on plan assets	<b>(3.3)</b>	(2.9)	-	-
Total included in employee benefits expense	<b>1.1</b>	1.3	-	-
Actual return on plan assets	<b>5.7</b>	6.6	-	-

**(e) Categories of plan assets**

The major categories of plan assets are as follows:

Australian Equity	<b>20.2</b>	17.5	-	-
International Equity	<b>15.7</b>	15.4	-	-
Fixed income	<b>8.4</b>	7.7	-	-
Property	<b>4.5</b>	3.6	-	-
Cash	<b>7.2</b>	7.2	-	-
	<b>56.0</b>	51.4	-	-

## 22 Non-current liabilities - retirement benefit liabilities (continued)

### (f) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2006 %	2005 %	2006 %	2005 %
Discount rate	4.9	4.4	-	-
Expected return on plan assets	6.7	6.7	-	-
Future salary increases	4.0	4.0	-	-

The expected rate of return on assets is based on historical and future expectations of returns for each of the major categories of asset classes (equities, property, fixed interest and cash) as well as the expected actual allocation of plan assets to these major categories.

This resulted in the selection of a 6.7% rate of return net of tax and expenses. The discount rate used to value the defined benefit obligation is based on the 10 year government bond rate.

### (g) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary.

Actuarial assessments are made at no more than three yearly intervals, and the last assessment was made as at 1 July 2004.

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

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

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

Total employer contributions expected to be paid by Group companies for the year ended 31 December 2007 are \$2.6 million (parent entity: \$Nil).

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

### (h) Net financial position of plan

In accordance with AAS 25 *Financial Reporting by Superannuation Plans*, the plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation plan (1 July 2004), and a deficit of \$0.1 million was reported.

The deficit, as at 1 July 2004, under AAS 25 differs from the net asset of \$0.1 million recognised in the balance sheet as at 31 December 2006 due to different measurement rules in the relevant accounting standards AAS 25 and AASB 119 *Employee Benefits* and different measurement dates.

### (i) Historic summary

During the 12 months to 31 December 2006 all new employees have become members of the accumulation category of the Plan.

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

The latest full actuarial investigation was completed as at 1 July 2004. The next actuarial valuation is due as at 1 July 2007.

(\$ Million)

2006

2005

2004

**22 Non-current liabilities - retirement benefit liabilities** (continued)

**Adelaide Brighton Group Superannuation Plan**

**Latest full actuarial investigation**

Plan assets at 1 July 2004	<b>56.6</b>	56.6	56.6
Accrued benefits at 1 July 2004	<b>56.7</b>	56.7	56.7
Net surplus / (deficit)	<b>(0.1)</b>	(0.1)	(0.1)

**Latest financial statements**

Plan assets at 30 June	<b>74.4</b>	64.0	57.1
Vested benefits at 30 June	<b>71.6</b>	62.4	55.7
Employer contributions to the plan (1 July to 30 June)	<b>6.7</b>	6.3	4.6
Employer contributions payable to the Plan <sup>1</sup>	<b>n/a</b>	n/a	n/a

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

(\$ Million)	Notes	Consolidated		The Company	
		2006	2005	2006	2005

**23 Contributed equity**

(a) **Share capital**

Issued and paid up capital 542,153,567 (2005: 542,153,567) ordinary shares, fully paid		<b>513.3</b>	513.3	<b>506.1</b>	506.1
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(b) **Movements in ordinary share capital**

Opening balance at 1 January		<b>513.3</b>	512.9	<b>506.1</b>	505.7
Shares issued					
Nil shares issued under Executive Performance Share Plan (2005: 292,560)	(i)	-	0.4	-	0.4
Closing balance at 31 December		<b>513.3</b>	513.3	<b>506.1</b>	506.1

(c) **Other equity securities**

Former share premium account included in equity	(ii)	<b>82.5</b>	82.5	<b>75.4</b>	75.4
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(i) Ordinary shares issued under the Adelaide Brighton Ltd Executive Performance Share Plan (refer note 31).

(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.

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>24 Reserves and retained profits</b>				
(a) <b>Reserves</b>				
Asset revaluation reserve	12.4	12.4	-	-
Foreign currency translation reserve	-	-	-	-
Share-based payment reserve	0.9	1.6	0.9	1.6
	<b>13.3</b>	14.0	<b>0.9</b>	1.6
Share-based payment reserve				
Opening balance at 1 January	1.6	0.4	1.6	0.4
Awards expense	0.6	0.8	-	-
Deferred tax	0.6	0.4	-	-
Group transactions	(1.9)	-	(0.7)	1.2
Closing balance at 31 December	<b>0.9</b>	1.6	<b>0.9</b>	1.6
(b) <b>Retained profits (losses)</b>				
Movements in retained profits were as follows:				
Opening balance at 1 January	98.4	54.1	(21.4)	(16.7)
Net profit for the year	102.1	90.9	135.4	40.0
Actuarial gain / (loss) on defined benefit plan	0.3	(1.9)	-	-
Dividends	(61.0)	(44.7)	(61.0)	(44.7)
Closing balance at 31 December	<b>139.8</b>	98.4	<b>53.0</b>	(21.4)

(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. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) *Foreign currency translation reserve*

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

(iii) *Share-based payment reserve*

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

(\$ Million)	Consolidated	
	2006	2005
<b>25 Minority interests</b>		
Interest in:		
Share capital	1.3	1.3
Reserves	2.3	2.3
Retained profit	5.0	4.7
	<b>8.6</b>	8.3

(\$ Million)	The Company	
	2006	2005
<b>26 Dividends</b>		
<b>Dividends paid during the year</b>		
2006 interim dividend of 5.0 cents (2005 - 4.25 cents) per fully paid ordinary share, franked at 100% (2005 - 100%) paid on 11 October 2006	27.1	23.0
2005 final dividend of 6.25 cents (2004 - 4.0 cents) per fully paid ordinary share, franked at 100% (2004 - 100%) paid on 5 April 2006	33.9	21.7
<b>Total dividends paid</b>	<b>61.0</b>	44.7
Dividends paid in cash	61.0	44.7

#### Dividends not recognised at year end

Since the end of the year the Directors have recommended the payment of a final dividend of 7.5 cents (2005 - 6.25 cents) per fully paid share, franked at 100% (2005 - 100%).

The aggregate amount of the proposed final dividend expected to be paid on 12 April 2007, not recognised as a liability at the end of the reporting period, is

40.7 33.9

In addition a special dividend of 6.0 cents franked at 100%, was declared payable coincident with the 2006 final dividend. The aggregate amount of the proposed special dividend expected to be paid on 12 April 2007, not recognised as a liability at the end of the reporting period, is

32.5 -

#### Franked dividends

The franked portions of the dividends proposed as at 31 December 2006 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 2007.

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
Franking credits available for subsequent financial years based on a tax rate of 30%	33.7	16.5	33.7	16.5

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

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

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$31.4 million (2005: \$14.5 million).

#### 27 Financial risk

The Group's activities expose it to the following financial risks: foreign exchange risk, credit risk and interest rate risk. Derivative financial instruments such as forward exchange contracts are used to mitigate exposure to fluctuations in foreign exchange rates. Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Directors.

##### (a) Foreign exchange risk

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

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

##### (b) Credit risk

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

##### (c) Interest rate risk

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

## 28 Financial risk management

### (a) Foreign exchange risk management

The Group enters into forward exchange contracts 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.

These contracts are fair valued by comparing the contracted rate to the closing rate at the balance sheet date. Any changes in fair values are taken to the income statement.

### (b) Credit risk management

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

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

Foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Group pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Group.

### (c) Interest rate risk exposures

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate assets and liabilities to maturity.

2006	(\$ Million)	Weighted average interest rate	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total
				1 year or less	Over 1 to 5 years	More than 5 years		
<b>Financial assets</b>								
		5.51%	21.5	2.7	-	-	-	24.2
		6.35%	27.5	-	-	-	119.7	147.2
			49.0	2.7	-	-	119.7	171.4
<b>Financial liabilities</b>								
		6.76%	250.0	-	-	-	0.1	250.1
		-	-	-	-	-	85.4	85.4
		7.18%	-	0.4	0.7	-	-	1.1
		-	-	-	-	-	12.3	12.3
			250.0	0.4	0.7	-	97.8	348.9
			(201.0)	2.3	(0.7)	-	21.9	(177.5)

2005	(\$ Million)	Weighted average interest rate	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total
				1 year or less	Over 1 to 5 years	More than 5 years		
<b>Financial assets</b>								
		5.15%	21.5	3.1	-	-	-	24.6
		6.03%	23.3	-	-	-	111.0	134.3
			44.8	3.1	-	-	111.0	158.9
<b>Financial liabilities</b>								
		6.03%	250.0	-	-	-	0.1	250.1
		-	-	-	-	-	73.1	73.1
		7.16%	-	0.4	1.0	-	-	1.4
		-	-	-	-	-	12.3	12.3
			250.0	0.4	1.0	-	85.5	336.9
			(205.2)	2.7	(1.0)	-	25.5	(178.0)

## 28 Financial risk management (continued)

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

#### Valuation Approach

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

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

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

(\$ Million)	Notes	Consolidated			
		2006 Carrying amount	2006 Net fair value	2005 Carrying amount	2005 Net fair value
<b>Financial assets</b>					
Cash	5	24.2	24.2	24.6	24.6
Receivables	6	119.7	119.7	111.0	111.0
Other debtors	8	2.5	2.5	2.6	2.6
Loans to joint ventures	8	25.0	25.0	20.7	20.7
<b>Non-traded financial assets</b>		<b>171.4</b>	<b>171.4</b>	158.9	158.9
<b>Financial liabilities</b>					
Payables	14	85.4	85.4	73.1	73.1
Lease liabilities	15 & 19	1.1	1.1	1.4	1.4
Bank loans - current	15	40.0	40.0	250.0	250.0
Bank loans - non-current	19	210.0	210.0	-	-
Other non-current liabilities		0.1	0.1	0.1	0.1
Limited Recourse Loan	18	12.3	12.3	12.3	12.3
<b>Non-traded financial liabilities</b>		<b>348.9</b>	<b>348.9</b>	336.9	336.9

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.

## 29 Contingent liabilities and contingent assets

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

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>(a) Guarantees</b>				
Bank guarantees	11.7	11.0	2.1	1.7

### (b) Litigation

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

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

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
<b>30 Commitments for expenditure</b>				
<b>Capital commitments - Property, plant and equipment</b>				
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:				
Within one year	8.1	8.7	-	-
<b>Finance leases</b>				
Commitments in relation to finance leases are payable as follows:				
Within one year	0.4	0.4	-	-
Later than one year but not later than 5 years	0.7	1.0	-	-
Later than 5 years	-	-	-	-
Minimum lease payments	1.1	1.4	-	-
Less: Future finance charges	-	-	-	-
Recognised as a liability	1.1	1.4	-	-
Representing lease liabilities:				
Current (note 15)	0.4	0.4	-	-
Non current (note 19)	0.7	1.0	-	-
	1.1	1.4	-	-
<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	2.8	3.1	-	-
Later than one year but not later than 5 years	5.3	5.2	-	-
Later than 5 years	8.0	8.3	-	-
	16.1	16.6	-	-
Commitments for operating lease payments relate mainly to rental leases on property.				
<b>31 Employee benefits</b>				
<b>Employee benefit liabilities</b>				
Provision for employee benefits				
Current (note 17)	16.8	16.1	-	-
Non-current (note 21)	3.0	2.9	-	-
Aggregate employee benefit liability	19.8	19.0	-	-
Employee Numbers				
Average number of employees during the year	1,281	1,346	-	-

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

	Consolidated		The Company	
	2006	2005	2006	2005
Long service leave				
Weighted average rates of increase in annual employee benefits to settlement of the liabilities	2.9%	2.6%	-	-
Weighted average discount rates	5.5%	5.2%	-	-
Weighted average years to settlement of the liabilities	10	10	-	-

### 31 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 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 (2005 - 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) provides for grants of awards to the Managing Director and senior executives. This plan was approved by shareholders at the Annual General Meeting held on 19 November 1997. In accordance with the requirements of the ASX Listing Rules, the Awards since granted to the Managing Director have been approved by shareholders.

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

#### 2007 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 2009, 1 May 2010 and 1 May 2011 respectively. The total number of Awards granted under the 2007 Award was 1,500,000 with none exercised at 31 December 2006. The grant date of the 2007 Awards is set out in the Remuneration Report on page 41.

#### 2004 Award

Under the Plan, Participants were invited to apply to take up an Award up to a maximum number of shares, divided into three equal tranches exercisable no

earlier than 1 May 2006, 1 May 2007 and 1 May 2008 respectively. The total number of Awards granted under the 2004 Award was 2,705,000 with 760,000 exercised during the period. 255,000 Awards lapsed in the previous financial period. The 2004 Award expires on 28 May 2008.

#### Performance conditions

Detailed discussion of 2004 Award and 2007 Award performance conditions is set out in the Remuneration Report on pages 39 to 41.

#### Awards exercised to date

During 2006, 760,000 shares were issued under the Plan on the exercise of Tranche 1 under the 2004 Award, following the Board's determination that:

- Earnings per share exercise condition applicable to 50% of exercisable Awards had been satisfied for Tranche 1.
- Total Shareholder Return exercise condition applicable to 50% of exercisable Awards had been satisfied for Tranche 1. The value per share at the date of exercise is the Volume Weighted Average Price (VWAP) calculated by the Australian Stock Exchange Limited for the 5 day trading period ending on the exercise date. The aggregate value of Awards exercised during the year is \$1,783,279 based on the VWAP values per share.

#### Balance of Awards

As at 31 December 2006, if the exercise conditions are satisfied and the remaining balance of all currently approved Awards are exercised, the Company would be obliged to transfer:

- 1,690,000 shares to the Participants, under the 2004 Award (2005 - 2,450,000 shares); and

Name	Position
------	----------

#### Senior executives

A D Poulter	Chief Financial Officer
M R D Clayton	General Counsel & Company Secretary
M Brydon	Executive General Manager, Cement & Lime
T Douglas	Executive General Manager, Marketing and Sales (from 14 August 2006) Executive General Manager, Strategy & Business Development (until 14 August 2006)
M A Finney	Executive General Manager, Concrete and Aggregates
M Kelly	Executive General Manager, Strategy & Business Development (from 14 August 2006)
S J Toppenberg	Executive General Manager, Human Resources
C Kupke	Managing Director C&M Brick Pty Ltd

All of the above persons, except M Kelly were also executives during the year ended 31 December 2005.

- 1,500,000 shares to the Participants, under the 2007 Award (2005 - Nil). The Plan does not entitle the Participants to participate in any other share issues of the Company and the unexercised Awards do not attract dividend or voting rights. The Plan is accounted for by the Company in accordance with note 1(x)(iv), with \$638,402 (2005 - \$1,315,746) recognised as an expense during the year.

### 32 Key management personnel disclosures

The Remuneration Report prepared in accordance with Section 300A of the *Corporations Act* is set out on pages 34 to 46 of this report, including discussion on the Group performance.

#### Details of key management personnel

##### (a) Directors

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

#### Chairman - non-executive

M A Kinnaird AO

#### Non-executive Directors

C L Harris

D Barro AO

J D Mc Nerney

L V Hosking

G F Pettigrew

#### Executive Director

M P Chelley, Managing Director

##### (b) Executives

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

### 32 Key management personnel disclosures (continued)

#### Compensation of key management personnel

The Company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the Directors' report. The relevant information is set out in the Remuneration report on pages 34 to 46.

#### Awards holdings of key management personnel

The number of Awards granted as compensation and details of Awards vested, exercised or lapsed during the year 2006 are disclosed in the Remuneration Report on page 42.

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

#### 2004 Awards grant - pricing model inputs

	<i>Number of awards</i>	<i>Grant date</i>	<i>Exercise price</i>	<i>Value per award at grant date</i>	<i>Expected annual dividends</i>	<i>Risk-free interest rate</i>	<i>Lack of marketability discount</i>	<i>TSR condition discount</i>
			\$	\$	\$	%	%	%
MP Chellew								
Tranche 2	300,000	19/5/05	1.61	0.945	0.08	5.22	6.0	45.0
Tranche 3	300,000	19/5/05	1.61	0.785	0.08	5.22	9.0	50.0
A D Poulter								
Tranche 2	85,000	30/8/04	1.42	0.72	0.08	5.28	6.0	45.0
Tranche 3	85,000	30/8/04	1.42	0.58	0.08	5.28	9.0	50.0
M R D Clayton								
Tranche 2	85,000	2/9/04	1.41	0.715	0.08	5.18	6.0	45.0
Tranche 3	85,000	2/9/04	1.41	0.58	0.08	5.18	9.0	50.0
M Brydon								
Tranche 2	85,000	4/9/04	1.41	0.715	0.08	5.21	6.0	45.0
Tranche 3	85,000	4/9/04	1.41	0.58	0.08	5.21	9.0	50.0
T Douglas								
Tranche 2	85,000	1/9/04	1.40	0.705	0.08	5.21	6.0	45.0
Tranche 3	85,000	1/9/04	1.40	0.57	0.08	5.21	9.0	50.0
M A Finney								
Tranche 2	85,000	2/9/04	1.41	0.715	0.08	5.18	6.0	45.0
Tranche 3	85,000	2/9/04	1.41	0.58	0.08	5.18	9.0	50.0
S J Toppenberg								
Tranche 2	85,000	1/12/05	1.98	1.28	0.08	5.36	6.0	45.0
Tranche 3	85,000	1/12/05	1.98	1.07	0.08	5.36	9.0	50.0

#### 2007 Awards grant - pricing model inputs

Pricing model inputs below were used to value 2007 Awards granted to each of the following senior executives: A D Poulter, M R D Clayton, M A Finney, M Kelly and S J Toppenberg.

	<i>Number of awards</i>	<i>Grant date</i>	<i>Exercise price</i>	<i>Value per award at grant date</i>	<i>Expected annual dividends</i>	<i>Risk-free interest rate</i>	<i>Lack of marketability discount</i>	<i>TSR condition discount</i>
			\$	\$	\$	%	%	%
Tranche 1	100,000	31/12/06	2.81	1.495	0.125	6.10	3.0	50.0
Tranche 2	100,000	31/12/06	2.81	1.275	0.125	6.10	6.0	50.0
Tranche 3	100,000	31/12/06	2.81	1.080	0.125	6.10	9.0	50.0

### 32 Key management personnel disclosures (continued)

#### Shareholdings of key management personnel

##### Number of shares held in Adelaide Brighton Limited at 31 December 2006

	<i>Balance at start of year</i>	<i>Received on exercise of EPSP</i>	<i>Other changes</i>	<i>Balance at end of year</i>
<b>Non-executive Directors</b>				
M A Kinnaird	74,286	-	-	74,286
C L Harris	110,001	-	-	110,001
D Barro	124,600,591	-	596,115	125,196,706
J D McNerney	101,000	-	-	101,000
L V Hosking	2,000	-	-	2,000
G F Pettigrew	5,000	-	-	5,000
<b>Managing Director</b>				
M P Chellew	799,143	300,000	(298,994)	800,149
<b>Senior executives</b>				
A D Poulter	150,000	85,000	2,500	237,500
M R D Clayton	-	85,000	(63,663)	21,337
M Brydon	49,715	85,000	(75,000)	59,715
T Douglas	150,000	85,000	-	235,000
M A Finney	100,000	85,000	(100,000)	85,000
M Kelly	-	-	-	-
S J Toppenberg	-	-	-	-
C Kupke	-	-	-	-
<b>Total</b>	<b>126,141,736</b>	<b>725,000</b>	<b>60,958</b>	<b>126,927,694</b>

##### Number of shares held in Adelaide Brighton Limited at 31 December 2005

	<i>Balance at start of year</i>	<i>Received on exercise of EPSP</i>	<i>Other changes</i>	<i>Balance at end of year</i>
<b>Non Directors</b>				
M A Kinnaird	74,286	-	-	74,286
C L Harris	110,001	-	-	110,001
D Barro	107,886,274	-	16,714,317	124,600,591
J D McNerney	101,000	-	-	101,000
L V Hosking	2,000	-	-	2,000
G F Pettigrew	5,000	-	-	5,000
<b>Executive Director</b>				
M P Chellew	688,622	110,521	-	799,143
<b>Senior executives</b>				
A D Poulter	156,131	43,869	(50,000)	150,000
M R D Clayton	10,679	26,321	(37,000)	-
M Brydon	12,500	37,215	-	49,715
T Douglas	112,541	37,459	-	150,000
M A Finney	187,825	37,175	(125,000)	100,000
M Kelly	-	-	-	-
S J Toppenberg	-	-	-	-
C Kupke	-	-	-	-
<b>Total</b>	<b>109,346,859</b>	<b>292,560</b>	<b>16,502,317</b>	<b>126,141,736</b>

### 32 Key management personnel disclosures (continued)

#### Other transactions with key management personnel

D Barro AO, a Director of Adelaide Brighton Ltd, is Executive Chairman of Barro Group Pty Ltd, a Company in which he has significant influence. Barro Group Pty Ltd and Adelaide Brighton Ltd, through its 100% owned subsidiary, Adelaide Brighton Management Ltd, each control 50% of Independent Cement and Lime Pty Ltd, a distributor of cement and lime in Victoria and New South Wales. During the year, the Barro Group of Companies purchased goods and materials from and sold goods, materials and services to Independent Cement and Lime Pty Ltd. The Barro Group of Companies also purchased goods and materials from Sunstate Cement Ltd, a Company in which the Group has a 50% share.

M P Chellew, a Director of Adelaide Brighton Ltd, is also a Director of Sunstate Cement Ltd. During the year, the Group traded significantly with both Independent Cement and Lime Pty Ltd and Sunstate Cement Ltd.

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

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

	Consolidated		The Company	
Aggregate amounts of the above transactions with the Directors and their related parties:	2006	2005	2006	2005
	\$	\$	\$	\$
Sales to Director related parties	31,952,742	30,653,950	-	-
Purchases from Director related parties	4,536,382	5,709,181	-	-

### 33 Remuneration of auditors

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

#### (a) Assurance services

##### Audit services

PricewaterhouseCoopers Australian firm

Audit and review of financial reports and other audit work under the Corporations Act 2001

	577,513	483,983	61,275	48,950
Total remuneration for audit services	577,513	483,983	61,275	48,950

##### Other assurance services

PricewaterhouseCoopers Australian firm

Audit of the transition to AIFRS

Audit of tax consolidation compliance

Other

	-	140,000	-	-
	-	64,200	-	-
	9,500	15,054	-	-
	9,500	219,254	-	-

#### (b) Taxation services

PricewaterhouseCoopers Australian firm

Tax compliance services

	11,647	48,000	-	-
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### 34 Related parties

#### (a) Key management personnel

Disclosures relating to key management personnel are set out in note 32.

#### (b) Controlled entities

Details of interests in controlled entities are set out in note 35. The ultimate parent Company is Adelaide Brighton Ltd.

#### (c) Joint venture entities

Details of interests in joint venture entities are set out in note 38(a).

- Adelaide Brighton Cement Ltd and Morgan Cement International Ltd supplied finished products and raw materials to Sunstate Cement Ltd and Independent Cement and Lime Pty Ltd; and

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

- Alternative Fuel Company Pty Ltd supplied waste fuel materials to Adelaide Brighton Cement 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.

### 34 Related parties (continued)

#### (d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Sales of goods</i>				
- Controlled entities	4,517	3,605	-	-
- Joint venture entities	126,388	122,249	-	-
<i>Purchases of materials and goods</i>				
- Joint venture entities	31,332	28,247	-	-
<i>Interest revenue</i>				
- Controlled entities	-	-	25,401	23,735
- Joint venture entities	1,409	1,073	-	-
- Other related parties	176	175	176	175
<i>Dividend income</i>				
- Controlled entities	-	-	135,000	43,489
- Joint venture entities	18,811	17,162	-	-
<i>Bad and doubtful debts</i>				
- Controlled entities	-	-	(10,849)	(10,046)
<i>Loans advanced to:</i>				
- Controlled entities	-	-	60,119	16,604
- Joint venture entities	4,314	3,937	-	-
- Other related parties	(203)	320	(203)	320

#### (e) Outstanding balances with related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

<i>Current receivables</i>				
- Controlled entities (trade)	-	-	451,315	388,721
- Controlled entities (tax amounts receivable under tax consolidation legislation)			31,717	30,859
- Joint venture entities (interest)	500	417	-	-
- Joint venture entities (trade)	10,204	11,186	-	-
<i>Non-current receivables</i>				
- Controlled entities (loans)	-	-	159,716	156,716
- Joint venture entities (loans)	25,021	20,707	-	-
- Other related parties (loans)	2,455	2,658	2,455	2,658
<i>Current payables</i>				
- Controlled entities (trade)	-	-	(178,278)	(171,312)
- Joint venture entities (trade)	5,612	4,773	-	-

#### (f) Loans to related parties

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.

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 \$5,112,000 (2005: \$4,417,000).

A loan to Independent Cement and Lime Pty Ltd has interest charged at the ruling commercial rates on the outstanding balance. Interest revenue brought to account by the Group during the reporting year on this loan was \$943,000 (2005: \$794,000).

A loan to Alternative Fuel Company Pty Ltd has interest charged at the ruling commercial rates on the outstanding balance. Interest revenue brought to account by the Group during the reporting year on this loan was \$466,000 (2005: \$279,000).

The Company has provided MCB Wingfield Pty Ltd (MCBW), other related party, with a loan of \$2.75 million to fund the construction of the waste processing plant at the site owned by MCBW at Wingfield, South Australia. The site and the plant are leased to Alternative Fuel Company Pty Ltd and Resourceco. MCBW's obligations to the Company under the loan documents are secured by various securities including a deed of charge over all of the assets and undertaking of MCBW and a real property mortgage over the entire parcel of land. Interest revenue brought to account by the Group during the reporting year on this loan was \$176,000 (2005: \$175,000).

### 35 Investments in controlled entities

Name of entity	Place of incorporation	Class of shares	Equity holding	
			2006 %	2005 %
<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>				
Accendo Pty Ltd	South Aust <sup>1</sup>	Ord	100	100
Adba Pty Ltd	NSW <sup>1</sup>	Ord	100	100
<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>				
CRC2 Pty Ltd	Vic <sup>1</sup>	Ord	100	-
CRC3 Pty Ltd	Vic <sup>1</sup>	Ord	100	-
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

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

2 Controlled entities of which PricewaterhouseCoopers has not acted as auditor.

3 These controlled entities have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities & Investments Commission. For further information see note 36.

### 36 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) issued by the Australian Securities & Investments Commission.

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

Set out below is a consolidated balance sheet as at 31 December 2006 of the Closed Group.

<i>(\$ Million)</i>	<b>2006</b>	2005
<b>Current assets</b>		
Cash and cash equivalents	<b>17.1</b>	19.7
Receivables	<b>191.4</b>	113.3
Inventories	<b>54.9</b>	53.7
<b>Total current assets</b>	<b>263.4</b>	186.7
<b>Non-current assets</b>		
Receivables	<b>104.6</b>	97.4
Investments accounted for using the equity method	<b>36.8</b>	34.1
Other financial assets	<b>32.5</b>	32.5
Property, plant and equipment	<b>530.0</b>	516.8
Deferred tax assets	<b>21.8</b>	12.2
Intangible assets	<b>155.4</b>	155.9
Defined benefit assets	<b>0.1</b>	-
<b>Total non-current assets</b>	<b>881.2</b>	848.9
<b>Total assets</b>	<b>1,144.6</b>	1,035.6
<b>Current liabilities</b>		
Payables	<b>127.9</b>	53.8
Borrowings	<b>40.0</b>	250.1
Current tax liabilities	<b>19.9</b>	24.4
Provisions	<b>22.5</b>	22.4
Other	<b>12.9</b>	13.6
<b>Total current liabilities</b>	<b>223.2</b>	364.3
<b>Non-current liabilities</b>		
Borrowings	<b>210.0</b>	-
Deferred tax liabilities	<b>69.2</b>	66.9
Provisions	<b>24.2</b>	22.9
Retirement benefit liabilities	<b>-</b>	1.4
Other	<b>0.1</b>	0.1
<b>Total non-current liabilities</b>	<b>303.5</b>	91.3
<b>Total liabilities</b>	<b>526.7</b>	455.6
<b>Net assets</b>	<b>617.9</b>	580.0
<b>Equity</b>		
Contributed equity	<b>513.3</b>	513.3
Reserves	<b>14.7</b>	15.0
Retained profits	<b>89.9</b>	51.7
<b>Total equity</b>	<b>617.9</b>	580.0

(\$ Million)

2006

2005

### 36 Deed of cross guarantee (continued)

Set out below is a condensed consolidated income statement and a summary of movements in consolidated retained profits for the year ended 31 December 2006 of the Closed Group.

<b>Profit before income tax</b>	<b>130.7</b>	<b>124.1</b>
Income tax expense	<b>(31.8)</b>	(32.6)
<b>Profit for the year</b>	<b>98.9</b>	91.5
<b>Retained profits 1 January</b>	<b>51.7</b>	6.8
Profit for the year	<b>98.9</b>	91.5
Transactions recognised directly in retained earnings	<b>0.3</b>	(1.9)
Dividends provided for or paid	<b>(61.0)</b>	(44.7)
<b>Retained profits 31 December</b>	<b>89.9</b>	51.7

### 37 Notes to the statements of cash flows

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

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
Profit after tax for the year	<b>102.6</b>	90.9	<b>135.4</b>	40.0
Doubtful debts	<b>0.1</b>	(0.4)	<b>10.8</b>	10.0
Depreciation and amortisation	<b>52.2</b>	47.5	-	-
(Gain) loss on sale of non-current assets	<b>(0.9)</b>	(0.9)	-	-
Share of joint venture entities' net profit	<b>(2.7)</b>	(2.5)	-	-
Other	<b>(0.8)</b>	0.3	<b>(11.1)</b>	(5.3)
Net cash provided by operating activities before change in assets and liabilities	<b>150.5</b>	134.9	<b>135.1</b>	44.7
Changes in operating assets and liabilities:				
(Increase) in inventories	<b>(5.4)</b>	(8.7)	-	-
Decrease / (increase) in prepayments	<b>1.4</b>	(0.5)	<b>1.1</b>	-
(Increase) in trade/term debtors	<b>(10.3)</b>	(2.2)	-	(20.7)
Increase / (decrease) in trade creditors	<b>12.4</b>	0.4	<b>0.4</b>	(5.9)
(Decrease) in provisions	<b>(0.6)</b>	(2.2)	-	-
(Decrease) / increase in taxes payable	<b>(5.0)</b>	12.0	<b>(8.5)</b>	14.7
Increase / (decrease) in deferred taxes payable	<b>1.3</b>	(10.3)	<b>(3.3)</b>	-
Net cash inflow from operating activities	<b>144.3</b>	123.4	<b>124.8</b>	32.8

### 38 Investments in joint ventures

#### (a) Carrying amounts

Investments in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting (see note 9).

Name of company	Principal activity	Ownership interest		Consolidated		Parent entity	
		2006 %	2005 %	2006 \$ Million	2005 \$ Million	2006 \$ Million	2005 \$ Million
Sunstate Cement Ltd	Cement manufacture	<b>50</b>	50	<b>15.8</b>	14.8	-	-
Independent Cement and Lime Pty Ltd	Cement distribution	<b>50</b>	50	<b>25.0</b>	23.3	-	-
Alternative Fuel Company Pty Ltd	Processing waste materials	<b>50</b>	50	-	-	-	-
				<b>40.8</b>	38.1	-	-

Each of above joint ventures is incorporated in Australia.

<i>(\$ Million)</i>	<b>2006</b>	<i>2005</i>
<b>38 Investments in joint ventures (continued)</b>		
<b>(b) Movements in carrying amounts</b>		
Carrying amount at 1 January	<b>38.1</b>	35.7
Share of net profits	<b>21.5</b>	19.6
Dividends received	<b>(18.8)</b>	(17.2)
Carrying amount at 31 December	<b>40.8</b>	38.1
<b>(c) Share of joint ventures' profits</b>		
Revenues	<b>185.2</b>	169.8
Expenses	<b>(157.6)</b>	(144.8)
Profit before income tax	<b>27.6</b>	25.0
Income tax expense	<b>(6.1)</b>	(5.3)
Profit after income tax - as disclosed by joint ventures	<b>21.5</b>	19.7
Adjustments:		
Unrealised profit in inventory	-	(0.1)
Share of net profit - equity accounted	<b>21.5</b>	19.6
Retained profits at 1 January	<b>4.0</b>	1.6
Dividends and distributions	<b>(18.8)</b>	(17.2)
Share of retained profits at 31 December	<b>6.7</b>	4.0
<b>(d) Summarised financial information of joint ventures</b>		
Total assets	<b>135.5</b>	130.4
Total liabilities	<b>(68.5)</b>	(68.8)
Group's 50% share of joint ventures net assets	<b>33.5</b>	30.8
Adjustments arising from equity accounting:		
Goodwill	<b>7.4</b>	7.4
Unrealised profit in inventory	<b>(0.1)</b>	(0.1)
Net assets - equity adjusted	<b>40.8</b>	38.1
<b>(e) Share of joint ventures' expenditure commitments</b>		
Capital commitments	<b>3.2</b>	-
	<i>Consolidated</i>	
<i>(Cents)</i>	<b>2006</b>	<i>2005</i>
<b>39 Earnings per share</b>		
Basic earnings per share	<b>18.8</b>	16.8
Diluted earnings per share	<b>18.7</b>	16.7
	<i>The Company</i>	
<i>(Number)</i>	<b>2006</b>	<i>2005</i>
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>542,153,567</b>	542,063,795
Adjustments for calculation of diluted earnings per share:		
Awards	<b>3,190,000</b>	2,450,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<b>545,343,567</b>	544,513,795

(\$ Million)	Consolidated	
	2006	2005
<b>39 Earnings per share (continued)</b>		
<b>Reconciliations of earnings used in calculating earnings per share</b>		
<i>Basic and diluted earnings per share</i>		
Profit after tax	<b>102.6</b>	90.9
Profit attributable to minority interests	<b>(0.5)</b>	-
Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	<b>102.1</b>	90.9

#### 40 Critical accounting estimates and assumptions

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

##### (a) Provisions for close down and restoration costs

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

##### (b) Impairment of assets

The Group tests annually whether goodwill and other non-current assets have suffered any impairment, in accordance with the accounting policies stated in notes 1(j) and 1(s). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. For detailed assumptions refer to note 13.

#### 41 Events occurring after the balance sheet date

On 10 January 2007 Adelaide Brighton exercised its call option to acquire the remaining 30% shareholding in C&M Brick Pty Ltd for \$17,550,000.

As at the date of this report, no other matter or circumstance has arisen since 31 December 2006 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

#### 42 Segment information

##### Business segments

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

##### Construction and mining materials

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

##### Building products

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

##### Other

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

**42 Segment information (continued)**
**Primary reporting - business segments**

2006

(\$ Million)	<i>Construction and mining materials</i>	<i>Building products</i>	<i>Other</i>	<i>Eliminations/ unallocated</i>	<i>Consolidated</i>
External sales revenue	703.0	88.2	-	-	791.2
Inter-segment sales	4.5	-	-	(4.5)	-
Share of net profit of joint ventures	21.5	-	-	-	21.5
Other revenue / income	4.2	0.4	1.0	-	5.6
<b>Total segment revenue / income</b>	<b>733.2</b>	<b>88.6</b>	<b>1.0</b>	<b>(4.5)</b>	<b>818.3</b>
Segment result	151.7	8.8	(11.7)	-	148.8
Net interest expense					(15.2)
Profit before income tax					133.6
Income tax expense					(31.0)
Net profit for the year					102.6
Segment assets	579.4	112.3	848.6	(365.6)	1,174.7
Segment liabilities	435.5	94.1	397.3	(427.2)	499.7
Investments in joint venture entities	40.8	-	-	-	40.8
Acquisitions of fixed assets	75.0	5.0	1.5	-	81.5
Depreciation and amortisation expense	46.6	4.3	1.2	0.1	52.2

No significant non-cash expenses other than depreciation and amortisation.

**Primary reporting - business segments**

2005

(\$ Million)	<i>Construction and mining materials</i>	<i>Building products</i>	<i>Other</i>	<i>Eliminations/ unallocated</i>	<i>Consolidated</i>
External sales revenue	626.1	91.2	-	-	717.3
Inter-segment sales	3.6	-	-	(3.6)	-
Share of net profit of joint ventures	19.6	-	-	-	19.6
Other revenue / income	5.0	0.7	0.2	-	5.9
<b>Total segment revenue / income</b>	<b>654.3</b>	<b>91.9</b>	<b>0.2</b>	<b>(3.6)</b>	<b>742.8</b>
Segment result	141.4	3.0	(10.3)	-	134.1
Net interest expense					(14.0)
Profit before income tax					120.1
Income tax expense					(29.2)
Net profit for the year					90.9
Segment assets	618.7	104.8	768.1	(396.6)	1,122.0
Segment liabilities	413.4	88.1	392.5	(406.0)	488.0
Investments in joint venture entities	38.1	-	-	-	38.1
Acquisitions of fixed assets	88.9	8.2	5.6	-	102.7
Depreciation and amortisation expense	41.6	4.3	1.5	0.1	47.5

No significant non-cash expenses other than depreciation and amortisation.

#### 42 Segment information (continued)

##### Geographical segments

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

##### Secondary reporting - geographical segments

(\$ Million)	Segment revenues - external		Segment assets		Acquisitions of fixed assets	
	2006	2005	2006	2005	2006	2005
Australia	<b>791.2</b>	717.3	<b>1,173.4</b>	1,120.6	<b>81.5</b>	102.7
Other countries	-	-	<b>1.3</b>	1.4	-	-
	<b>791.2</b>	717.3	<b>1,174.7</b>	1,122.0	<b>81.5</b>	102.7

## Directors' declaration

### In the Directors' opinion

- (a) the financial statements and notes set out on pages 47 to 88 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the Company's and Group's financial position as at 31 December 2006 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 34 to 46 of the Directors' report comply with Accounting Standard AASB 124 Related Party Disclosures and Class Order 06/50 issued by the Australian Securities and Investments Commission; and
- (d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 36 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 36.

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

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



M Chellew  
Director

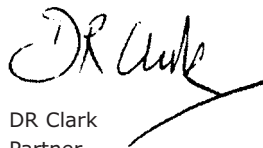
Dated on the 6th day of March 2007.

## Auditor's Independence Declaration

As lead auditor for the audit of Adelaide Brighton Ltd for the year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

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

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



DR Clark  
Partner  
PricewaterhouseCoopers

Adelaide  
6 March 2007

*Liability limited by a scheme approved under Professional Standards Legislation*

# Independent audit report to the members of Adelaide Brighton Ltd

## Audit Opinion

In our opinion:

- 1 the financial report of Adelaide Brighton Ltd:
  - gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Adelaide Brighton Ltd and the Adelaide Brighton Ltd Group (defined below) as at 31 December 2006;
  - is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*; and
- 2 the remuneration disclosures that are contained on pages 34 to 46 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and the *Corporations Regulations 2001*.

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

## Scope

### The financial report, remunerations disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of recognised income and expense, accompanying notes to the financial statements, and the directors' declaration for both the company and the Adelaide Brighton Ltd Group (the consolidated entity), for the year ended 31 December 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 34 to 46 of the directors' report, as permitted by the *Corporations Regulations 2001*.

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

### **Audit approach**

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*.

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

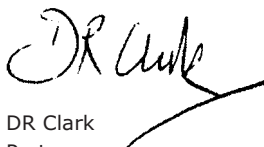
Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

### **Independence**

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



PricewaterhouseCoopers



DR Clark  
Partner

Adelaide  
6 March 2007

# Financial history

Year ended (\$ Million unless stated)	Dec 2006	Dec 2005	Dec <sup>15</sup> 2004	Dec 2003	Dec 2002	Dec 2001	Dec <sup>12</sup> 2000	Dec <sup>12</sup> 1999	Jun 1999	Jun 1998	Jun 1997
<b>Statements of financial performance</b>											
Sales revenue	791.2	717.3	683.4	630.6	486.8	387.8	401.9	378.7	313.6	318.2	368.5
Depreciation <sup>13</sup>	51.8	47.0	51.4	52.3	45.1	41.0	43.2	28.5	26.1	23.0	23.0
Earnings before interest and tax	148.8	134.1	119.6	97.0	80.0	46.9	48.6	48.3	35.1	39.1	52.5
Net interest earned (paid)	(15.2)	(14.0)	(14.7)	(12.6)	(13.1)	(16.3)	(19.5)	(18.3)	(14.6)	(14.8)	(20.2)
<b>Profit before tax, abnormal and extraordinary items</b>											
	133.6	120.1	104.9	84.4	66.9	30.6	29.1	30.0	20.5	24.3	32.3
Tax expense <sup>1</sup>	(31.0)	(29.2)	(11.8)	(25.8)	16.2	-	-	3.0	4.0	6.3	9.9
Profit from discontinued operations	-	-	1.3	-	-	-	-	-	-	-	-
Minority interest <sup>1</sup>	(0.5)	-	(1.1)	(0.9)	-	-	-	3.2	5.0	6.0	6.7
<b>Net profit after tax and outside equity interest before abnormal and extraordinary items<sup>1</sup></b>											
	102.1	90.9	93.3	57.7	50.7	30.6	29.1	23.8	11.5	12.0	15.7
Abnormal and extraordinary items after tax and outside equity interest	-	-	-	-	-	-	-	(49.1)	(49.4)	0.3	(8.1)
<b>Net profit (loss) after tax, abnormal and extraordinary items</b>											
	102.1	90.9	93.3	57.7	50.7	30.6	29.1	(25.3)	(37.9)	12.3	7.6
<b>Group balance sheet</b>											
Current assets	224.7	211.0	196.2	173.3	143.3	119.0	136.4	167.9	154.0	117.2	174.0
Property, plant and equipment	694.2	665.6	613.5	620.1	561.3	510.7	509.1	514.7	527.6	405.4	391.9
Receivables	27.5	23.3	19.1	12.2	12.5	11.7	10.9	-	15.3	14.5	14.2
Investments	40.8	38.1	35.6	33.6	30.8	27.6	26.9	34.0	33.3	62.5	62.6
Intangibles	164.6	165.0	165.5	166.4	146.6	147.2	152.7	159.9	163.9	12.5	11.6
Other non-current assets	22.9	19.0	19.7	17.1	28.5	37.0	29.6	26.0	31.5	23.4	20.0
<b>Total assets</b>	<b>1,174.7</b>	<b>1,122.0</b>	<b>1,049.6</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>
Current borrowings and creditors	125.8	323.5	294.6	306.3	58.3	49.9	99.4	54.6	59.5	43.9	78.4
Current provisions	54.1	58.2	48.1	42.3	54.8	43.8	52.2	37.7	26.6	25.6	27.0
Non-current borrowings	210.7	1.0	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
Deferred income tax and other non-current provisions	109.1	105.3	116.8	97.0	83.3	77.0	66.9	83.0	103.8	59.3	51.7
<b>Total liabilities</b>	<b>499.7</b>	<b>488.0</b>	<b>460.6</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>Net assets</b>	<b>675.0</b>	<b>634.0</b>	<b>589.0</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>
Share Capital	513.3	513.3	512.8	512.8	512.1	462.4	462.2	462.2	467.7	78.7 <sup>11</sup>	136.8 <sup>3</sup>
Reserves	13.3	14.0	12.8	30.4	30.6	30.9	30.8	31.2	31.5	140.1	144.6
Retained Profits	139.8	98.4	54.1	22.4	(19.9)	(42.2)	(53.8)	(69.3)	(76.0)	(32.5)	(41.5)
Shareholders' equity attributable to members of the company	666.4	625.7	579.7	565.6	522.8	451.0	439.2	424.1	423.2	186.3	239.9
Outside equity interest	8.6	8.3	9.3	10.0	3.0	3.0	3.0	3.0	3.0	112.0	99.7
<b>Total Shareholders funds</b>	<b>675.0</b>	<b>634.0</b>	<b>589.0</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>Share information</b>											
Asset Backing (A\$/share)	0.94	0.87	0.78	0.76	0.70	0.65	0.61	0.56	0.56	1.10	1.22
Return on shareholders' funds (%)	15.3%	14.5%	16.1%	10.2%	9.7%	6.8%	6.6%	5.6%	2.7%	6.4%	8.6%
Basic earnings per share (¢/share)	18.8	16.8	17.2	10.7	9.9	6.5	6.1	(5.3)	(24.1)	7.8	4.8
Alternative earnings (¢/share)	18.4	16.2	14.6	10.7	9.9	6.5	6.1	5.0	7.3	7.6	10.0
Total dividend (¢/share)	18.5	10.5	7.5	6.0	5.25	4.0	3.0	-	-	5.0	5.0
Interim dividend (¢/share)	5.0 <sup>2</sup>	4.25 <sup>2</sup>	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>6</sup>
Final dividend (¢/share)	7.5 <sup>2</sup>	6.25 <sup>2</sup>	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>
Special dividend (¢/share)	6.0 <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

15 Restated for AIFRS

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*Allan Block is a trade mark of the Allan Block Corporation and is used under licence.*

## Corporate office

### Adelaide Brighton Ltd

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Level 1  
157 Grenfell Street  
Adelaide SA 5000  
GPO Box 2155  
Adelaide SA 5001  
Telephone (08) 8223 8000  
Facsimile (08) 8215 0030  
Email [adelaidebrighton@adbri.com.au](mailto:adelaidebrighton@adbri.com.au)  
Web [www.adbri.com.au](http://www.adbri.com.au)

## Cement and lime operations

### Adelaide Brighton Cement

#### *Birkenhead Operations*

62 Elder Road  
Birkenhead SA 5015  
PO Box 77  
Port Adelaide SA 5015  
Telephone (08) 8300 0300  
Facsimile (08) 8341 1591

#### *Angaston Operations*

Stockwell Road  
Angaston SA 5353  
PO Box 229  
Angaston SA 5353  
Telephone (08) 8561 3100  
Facsimile (08) 8564 3019  
Web [www.adelaidebrighton.com.au](http://www.adelaidebrighton.com.au)

### Northern Cement

#### *Darwin Operations*

Berrimah Road  
East Arm Darwin NT 0828  
PO Box 39631  
Winnellie NT 0821  
Telephone (08) 8984 4722  
Facsimile (08) 8984 4674

#### *Mataranka Operations*

Cnr Roper and Stuart Highways  
Mataranka NT 0852  
Telephone (08) 8975 4575  
Facsimile (08) 8975 4752

### Cockburn Cement

#### *Munster Operations*

Lot 242 Russell Road East  
Munster WA 6166  
PO Box 38  
Hamilton Hill WA 6963  
Telephone (08) 9411 1000  
Facsimile (08) 9411 1150

#### *Dongara Operations*

Kailis Drive  
Dongara WA 6525  
PO Box 530  
Dongara WA 6525  
Telephone (08) 9927 2756  
Facsimile (08) 9927 2761

#### *Kwinana Operations*

Lot 45 Leath Road  
Kwinana WA 6167  
PO Box 528  
Kwinana WA 6167  
Telephone (08) 9499 2222  
Facsimile (08) 9499 2299  
web [www.cockburncement.com.au](http://www.cockburncement.com.au)

## Morgan Cement

Foreshore Road  
Port Kembla NSW 2505  
Telephone (02) 4276 4888  
Facsimile (02) 4276 4399

## Concrete operations

### Hy-Tec

Unit 4, Gateway Business Park  
63 - 79 Parramatta Road  
Telephone (02) 9647 2866  
Facsimile (02) 9647 2924

### Hy-Tec

105 Laurens Street  
North Melbourne VIC 3051  
Telephone (03) 9328 1522  
Facsimile (03) 9328 5200

### Hy-Tec

Fishermans Road  
Maroochydore QLD 4558  
Telephone (07) 5443 4533  
Facsimile (07) 5443 6618

*(Plant locations in Sydney, Melbourne and the Sunshine Coast in Queensland)*

## Concrete products

### C&M Brick

Head Office  
264 Keilor Road  
North Essendon VIC 3041  
Telephone (03) 9375 8500  
Facsimile (03) 9374 4736  
Web [www.cmbrick.com.au](http://www.cmbrick.com.au)  
*(Locations throughout New South Wales, Victoria and South Australia)*

## Joint ventures

### Independent Cement & Lime (50%)

750 Lorimer Street  
Port Melbourne VIC 3207  
GPO Box 523  
Port Melbourne VIC 3207  
Telephone (03) 9676 0000  
Facsimile (03) 9646 4954

### Sunstate Cement (50%)

Port Drive  
Fisherman Islands QLD 4178  
PO Box 350  
Wynnum QLD 4178  
Telephone (07) 3895 1199  
Facsimile (07) 3895 1198

### Alternative Fuel Company (50%)

Wilkins Road  
Wingfield SA 5013  
Telephone (08) 8223 8000  
Facsimile (08) 8215 0030



**Adelaide Brighton Ltd**

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