

FINANCIAL STATEMENTS

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

¹ 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 ¹	7	7	4	4					2	2	3	3
M P Chellew	7	7							2	2	3	3

¹ 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 ¹	59,000 ²	6,500	5,125

¹ The Chairman receives no additional fees for Committee work.

² 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 ¹	Post-employment benefits	Other long term benefits	Termination benefits	Share-based payments	Total
	\$	\$	\$	\$	\$	\$	\$	\$
M A Kinnaird (Chairman)	2005	190,483	-	-	-	-	-	190,483
	2006	212,500	-	-	-	-	-	212,500
C L Harris	2005	52,657	21,500	7,416	-	-	-	81,573
	2006	59,000	23,250	8,225	-	-	-	90,475
D Barro	2005	53,317	-	-	-	-	-	53,317
	2006	59,000	-	-	-	-	-	59,000
J D McNerney	2005	46,385	4,750	-	-	-	-	51,135
	2006	51,500	5,125	-	-	-	-	56,625
L V Hosking	2005	52,803	16,750	6,955	-	-	-	76,508
	2006	59,000	18,125	7,712	-	-	-	84,837
G F Pettigrew	2005	52,983	10,750	6,373	-	-	-	70,106
	2006	59,000	11,625	7,063	-	-	-	77,688
Total	2005	448,629	53,750	20,744	-	-	-	523,123
	2006	500,000	58,125	23,000	-	-	-	581,125

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

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^{4,5,6}</i>	<i>Number of Awards granted¹</i>	<i>Future years in which awards may vest</i>	<i>Maximum value of awards²</i>
A D Poulter	300,000 ³	2009, 2010, 2011 ³	\$385,000
M R D Clayton	300,000 ³	2009, 2010, 2011 ³	\$385,000
M A Finney	300,000 ³	2009, 2010, 2011 ³	\$385,000
M Kelly	300,000 ³	2009, 2010, 2011 ³	\$385,000
S J Toppenberg	300,000 ³	2009, 2010, 2011 ³	\$385,000
Total	1,500,000		\$1,925,000

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 executive⁵</i>	<i>Balance at 31 Dec 2005</i>	<i>Granted¹</i>	<i>Exercised / vested²</i>	<i>Lapsed / forfeited³</i>	<i>Balance at 31 Dec 2006</i>	<i>Exercise date</i>	<i>Value per share at the date of exercise⁴</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	-	-
Total	2,345,000	1,500,000	725,000	-	3,120,000		

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\$) ¹	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) ^{2,3}	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 ¹	31 Dec 03 ¹	31 Dec 02 ¹
	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 ²	90.9 ²	81.5 ²	57.7	50.7

¹ 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).

² 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.

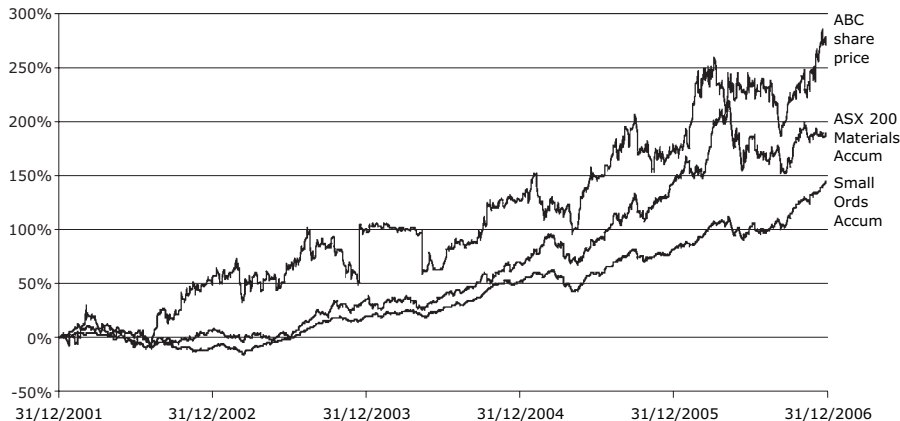
Adelaide Brighton's executive management have continued to drive for improved returns through the optimisation of the Company strategy of selective downstream integration into concrete, aggregates and concrete products, focus on operational

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

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

Balance sheets

As at 31 December 2006

(\$ Million)	Notes	Consolidated		The Company	
		2006	2005	2006	2005
Current assets					
Cash and cash equivalents	5	24.2	24.6	0.5	0.1
Receivables	6	119.7	111.0	483.9	421.5
Inventories	7	80.8	75.4	-	-
Total current assets		224.7	211.0	484.4	421.6
Non-current assets					
Receivables	8	27.5	23.3	162.2	159.3
Investments accounted for using the equity method	9	40.8	38.1	-	-
Other financial assets	10	-	-	349.7	349.7
Property, plant and equipment	11	694.2	665.6	4.8	4.8
Deferred tax assets	12	22.8	19.0	3.3	-
Intangible assets	13	164.6	165.0	-	-
Retirement benefit assets	22(b)	0.1	-	-	-
Total non-current assets		950.0	911.0	520.0	513.8
Total assets		1,174.7	1,122.0	1,004.4	935.4
Current liabilities					
Payables	14	85.4	73.1	178.7	171.3
Borrowings	15	40.4	250.4	40.0	253.5
Current tax liabilities	16	15.4	20.3	15.7	24.3
Provisions	17	25.5	24.1	-	-
Other	18	13.2	13.8	-	-
Total current liabilities		179.9	381.7	234.4	449.1
Non-current liabilities					
Borrowings	19	210.7	1.0	210.0	-
Deferred tax liabilities	20	84.3	79.3	-	-
Provisions	21	24.7	24.5	-	-
Retirement benefit liabilities	22(b)	-	1.4	-	-
Other		0.1	0.1	-	-
Total non-current liabilities		319.8	106.3	210.0	-
Total liabilities		499.7	488.0	444.4	449.1
Net assets					
		675.0	634.0	560.0	486.3
Equity					
Contributed equity	23	513.3	513.3	506.1	506.1
Reserves	24(a)	13.3	14.0	0.9	1.6
Retained profits (losses)	24(b)	139.8	98.4	53.0	(21.4)
Parent entity interest		666.4	625.7	560.0	486.3
Minority interests	25	8.6	8.3	-	-
Total equity		675.0	634.0	560.0	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>	
	2006	2005	2006	2005
Exchange differences taken to equity, net of tax	(0.1)	0.1	-	-
Actuarial gain (loss) on defined benefit plan, net of tax	0.3	(1.9)	-	-
Net income (expense) recognised directly in equity	0.2	(1.8)	-	-
Net profit for the year	102.6	90.9	135.4	40.0
Total recognised income and expense for the year	102.8	89.1	135.4	40.0
Attributable to:				
Members of Adelaide Brighton Ltd	102.3	89.1	135.4	40.0
Minority interests	0.5	-	-	-

Statements of cash flows

For the year ended 31 December 2006

(\$ Million)	Notes	Consolidated		The Company	
		2006	2005	2006	2005
Cash flows from operating activities					
Receipts from customers		859.8	784.4	0.4	0.1
(inclusive of goods and services tax)					
Payments to suppliers and employees		(694.8)	(643.2)	(2.1)	(3.0)
(inclusive of goods and services tax)					
Dividends received		18.8	17.2	135.0	43.5
Interest received		2.6	1.9	14.7	13.8
Other revenue		4.7	5.0	-	-
Interest paid		(12.6)	(13.9)	(12.5)	(13.7)
Income taxes paid		(34.2)	(28.0)	(10.7)	(7.9)
Net cash inflow from operating activities	37	144.3	123.4	124.8	32.8
Cash flows from investing activities					
Payments for property, plant and equipment		(81.5)	(102.7)	-	(4.8)
Payments for controlled entities and operations		-	(6.0)	-	(6.0)
Proceeds from sale of property, plant and equipment		2.5	2.9	-	-
Loans to joint venture entities	34(d)	(4.3)	(3.9)	-	-
Loans to other related parties	34(d)	0.2	(0.3)	0.2	(0.3)
Loans to controlled entities	34(d)	-	-	(60.1)	(16.6)
Net cash (outflow) from investing activities		(83.1)	(110.0)	(59.9)	(27.7)
Cash flows from financing activities					
Proceeds from issue of shares	23(b)	-	0.4	-	0.4
Proceeds from borrowings	15 & 19	250.0	250.0	250.0	250.0
Repayment of borrowings	15 & 19	(250.3)	(215.2)	(250.0)	(215.0)
Dividends paid to Company's shareholders	26	(61.0)	(44.7)	(61.0)	(44.7)
Dividends paid to minority interests in controlled entities		(0.2)	(1.0)	-	-
Net cash (outflow) from financing activities		(61.5)	(10.5)	(61.0)	(9.3)
Net (decrease) increase in cash held					
Cash at the beginning of the financial year	5	24.6	21.6	(3.4)	0.8
Effects of exchange rate changes on cash and cash equivalents		(0.1)	0.1	-	-
Cash at the end of the financial year	5	24.2	24.6	0.5	(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
2 Revenue and other income				
Revenue				
Sale of goods	791.2	717.3	0.4	0.1
Other income				
Interest from controlled entities	-	-	25.4	23.7
Interest from joint ventures	1.4	1.1	-	-
Interest from other parties	1.3	0.9	0.1	0.1
Dividends from controlled entities	-	-	135.0	43.5
Net gain on disposal of property, plant and equipment	0.9	0.9	-	-
Other income	4.7	5.0	-	-
	8.3	7.9	160.5	67.3
Revenue and other income (excluding shares of equity accounted net profits of joint ventures)	799.5	725.2	160.9	67.4
3 Expenses				
Profit before income tax includes the following specific expenses:				
<i>Depreciation</i>				
Buildings	1.9	1.8	-	-
Plant and equipment	48.4	43.9	-	-
Mineral reserves	1.5	1.3	-	-
Total depreciation	51.8	47.0	-	-
<i>Amortisation</i>				
Other intangibles	0.4	0.5	-	-
Total amortisation	0.4	0.5	-	-
Other charges against assets				
Write down of inventories	0.3	0.3	-	-
Bad and doubtful debts - trade debtors	0.5	0.9	-	-
Write down of loans to controlled entities	-	-	10.8¹	10.0 ¹
Total other charges against assets	0.8	1.2	10.8	10.0
Finance costs				
Interest and finance charges paid / payable	17.3	13.9	14.7	13.7
Unwinding of the discount on restoration provisions and retirement benefit obligation	3.0	2.1	-	-
Exchange gains on foreign currency contracts	-	(0.1)	-	-
Less				
Interest capitalised in respect of qualifying assets	(2.4)	-	-	-
Total finance costs	17.9	15.9	14.7	13.7
Rental expense relating to operating leases	3.1	5.1	-	-

¹ 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
4 Income tax				
(a) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	133.6	120.1	134.2	42.5
Tax at the Australian tax rate of 30%	40.1	35.9	40.1	12.7
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Defined benefit obligations	-	(0.5)	-	-
Non allowable expenses	0.2	0.2	-	-
Rebateable dividends	(4.4)	(3.0)	(40.5)	(13.0)
Bad and doubtful debts	-	-	3.3	3.0
Research and development allowance	(0.6)	-	-	-
Sundry items	0.7	(0.2)	-	(0.1)
	36.0	32.4	2.9	2.6
Prior year tax losses not recognised now recouped	(4.1)	-	(4.1)	-
Under (over) provided in prior years	1.2	(0.1)	-	(0.1)
Income tax expense (benefit)	33.1	32.3	(1.2)	2.5
Adjustments to deferred tax balances on implementation of tax consolidation	(2.1)	(3.1)	-	-
Aggregate income tax expense (benefit)	31.0	29.2	(1.2)	2.5
Aggregate income tax expense comprises:				
Current taxation provision	35.3	39.6	2.2	2.6
Deferred tax liabilities (note 20)	(0.2)	(11.2)	-	-
Deferred tax assets (note 12)	(3.2)	0.9	(3.3)	-
(Over) provided in prior year	(0.9)	(0.1)	(0.1)	(0.1)
	31.0	29.2	(1.2)	2.5
(b) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit and loss but directly (credited) to equity				
Net deferred tax	(0.2)	-	-	-
	(0.2)	-	-	-
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised:				
■ Capital losses	22.4	22.4	22.4	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
5 Current assets - cash and cash equivalents				
Cash at bank and in hand	21.5	21.5	0.5	0.1
Deposits at call	2.7	3.1	-	-
	24.2	24.6	0.5	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	24.2	24.6	0.5	0.1
Less: Bank overdrafts and advances (note 15)	-	-	-	(3.5)
Balances per statements of cash flows	24.2	24.6	0.5	(3.4)
6 Current assets - receivables				
Trade receivables	113.8	103.6	0.1	0.1
Less: Provision for doubtful receivables	(2.1)	(2.0)	-	-
	111.7	101.6	0.1	0.1
Amounts due by joint ventures	0.5	0.4	-	-
Loans to controlled entities	-	-	451.3	388.7
Tax amounts receivable from wholly-owned entities	-	-	31.7	30.8
Prepayments	3.7	5.2	-	1.9
Other receivables	3.8	3.8	0.8	-
	119.7	111.0	483.9	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	37.6	35.6	-	-
Work in progress - at cost	16.4	15.8	-	-
Finished goods - at cost	26.8	24.0	-	-
	80.8	75.4	-	-

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
8 Non-current assets - receivables				
Loans to controlled entities	-	-	159.7	156.7
Loans to joint ventures	25.0	20.7	-	-
Other debtors	2.5	2.6	2.5	2.6
	27.5	23.3	162.2	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)	40.8	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	-	-	349.7	349.7
	-	-	349.7	349.7

Controlled entities are listed in note 35.

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
11 Non-current assets - property, plant and equipment				
Land and buildings				
Freehold land				
At cost	86.3	86.6	-	-
	86.3	86.6	-	-
Buildings				
At cost	68.6	68.8	-	-
Less: Accumulated depreciation	(30.0)	(28.2)	-	-
	38.6	40.6	-	-
Mineral reserves				
At cost	98.4	94.6	-	-
Less: Accumulated depreciation	(8.9)	(7.4)	-	-
	89.5	87.2	-	-
Leasehold property				
At cost	5.8	2.8	-	-
Less: Accumulated amortisation	(1.8)	(1.5)	-	-
	4.0	1.3	-	-
Asset retirement cost				
At cost	3.6	3.1	-	-
Less: Accumulated depreciation	(1.4)	(1.3)	-	-
	2.2	1.8	-	-
Total land and buildings	220.6	217.5	-	-
Plant and equipment				
At cost	916.4	833.0	-	-
Less: Accumulated depreciation	(495.7)	(449.3)	-	-
	420.7	383.7	-	-
Leased plant and equipment				
At cost	0.7	0.8	-	-
Less: Accumulated depreciation	(0.6)	(0.5)	-	-
	0.1	0.3	-	-
Plant and equipment in the course of construction	52.8	64.1	4.8	4.8
Total plant and equipment	473.6	448.1	4.8	4.8
Total property, plant and equipment	694.2	665.6	4.8	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
Consolidated									
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)
Carrying amount at 31 December 2006	86.3	38.6	4.0	420.7	0.1	89.5	2.2	52.8	694.2

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
Consolidated									
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)
Carrying amount at 31 December 2005	86.6	40.6	1.3	383.7	0.3	87.2	1.8	64.1	665.6

(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
12 Non-current assets - deferred tax assets				
The balance comprises temporary differences attributable to:				
<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	-
	22.0	18.9	3.3	-
<i>Amounts recognised directly in equity</i>				
Share option reserve	0.8	0.4	-	-
Defined benefit obligations	-	(0.3)	-	-
	0.8	0.1	-	-
Deferred tax assets	22.8	19.0	3.3	-
Movements:				
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	22.8	19.0	3.3	-

13 Non-current assets - intangible assets

Goodwill	164.4	164.4	-	-
Lease right	1.8	1.8	-	-
Less: Accumulated amortisation	(1.6)	(1.2)	-	-
	0.2	0.6	-	-
	164.6	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	-	-
	164.4	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> ¹		<i>Growth rate</i> ²		<i>Discount rate</i> ³	
	2006	2005	2006	2005	2006	2005
	%	%	%	%	%	%
Construction and mining materials	36.5	36.5	2.5	2.5	10.0	10.0
Building products	59.5	55.0	2.5	2.5	10.0	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>	
	2006	2005	2006	2005
Trade payables	85.3	72.2	-	-
Loans to controlled entities	-	-	178.3	171.3
Other payables and accruals	0.1	0.9	0.4	-
	85.4	73.1	178.7	171.3

15 Current liabilities - borrowings**Secured**

Lease liabilities (note 30)	0.4	0.4	-	-
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Unsecured

Bank overdrafts and advances (note 5)	-	-	-	3.5
Bank loans (note 19(a))	40.0	250.0	40.0	250.0
	40.4	250.4	40.0	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	15.4	20.3	15.7	24.3
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(\$ Million)	Consolidated		The Company	
	2006	2005	2006	2005
17 Current liabilities - provisions				
Employee benefits	16.8	16.1	-	-
Workers' compensation (note 1(w)(ii))	0.9	1.4	-	-
Restoration provisions (note 1(w)(iv))	2.5	1.6	-	-
Other provisions	5.3	5.0	-	-
	25.5	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
18 Current liabilities - other				
Deferred income	0.1	0.5	-	-
Limited recourse loan	12.3	12.3	-	-
Other	0.8	1.0	-	-
	13.2	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
19 Non-current liabilities - borrowings				
Secured				
Lease liabilities (note 30)	0.7	1.0	-	-
Unsecured				
Bank loans (note 19(a))	210.0	-	210.0	-
	210.7	1.0	210.0	-

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
(i) Credit standby arrangements				
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	-	-
	345.1	265.4	344.0	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	-	-
	251.1	251.4	250.0	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
	94.0	14.0	94.0	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
20 Non-current liabilities - deferred tax liabilities				
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Depreciation	75.0	69.8	-	-
Inventories	4.0	3.4	-	-
Other	5.3	6.1	-	-
Net deferred tax liabilities	84.3	79.3	-	-
Movements:				
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	-	-
21 Non-current liabilities - provisions				
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
Total Membership	896

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
22 Non-current liabilities - retirement benefit liabilities (continued)				
(b) Balance sheet amounts				
Present value of the defined benefit liabilities	55.9	52.8	-	-
Fair value of defined benefit plan assets	(56.0)	(51.4)	-	-
Net (asset) / liability in the balance sheet	(0.1)	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	52.8	44.9	-	-
Current service costs	2.0	2.1	-	-
Interest costs	2.4	2.1	-	-
Actuarial gains and losses	2.0	5.2	-	-
Contributions by plan participants	1.3	1.2	-	-
Benefits, expenses and insurance premiums paid	(4.7)	(2.8)	-	-
Transfers in	0.1	0.1	-	-
Closing balance at 31 December	55.9	52.8	-	-

Reconciliation of the fair value of plan assets

Opening balance at 1 January	51.4	44.1	-	-
Expected return on plan assets	3.3	2.9	-	-
Actuarial gains and losses	2.4	3.7	-	-
Employer contributions	2.2	2.2	-	-
Contributions by plan participants	1.3	1.2	-	-
Benefits, expenses and insurance premiums paid	(4.7)	(2.8)	-	-
Transfers in	0.1	0.1	-	-
Closing balance at 31 December	56.0	51.4	-	-

(d) Amounts recognised in income statement

The amounts recognised in the income statement are as follows:

Current service costs	2.0	2.1	-	-
Interest costs	2.4	2.1	-	-
Expected return on plan assets	(3.3)	(2.9)	-	-
Total included in employee benefits expense	1.1	1.3	-	-
Actual return on plan assets	5.7	6.6	-	-

(e) Categories of plan assets

The major categories of plan assets are as follows:

Australian Equity	20.2	17.5	-	-
International Equity	15.7	15.4	-	-
Fixed income	8.4	7.7	-	-
Property	4.5	3.6	-	-
Cash	7.2	7.2	-	-
	56.0	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	56.6	56.6	56.6
Accrued benefits at 1 July 2004	56.7	56.7	56.7
Net surplus / (deficit)	(0.1)	(0.1)	(0.1)

Latest financial statements

Plan assets at 30 June	74.4	64.0	57.1
Vested benefits at 30 June	71.6	62.4	55.7
Employer contributions to the plan (1 July to 30 June)	6.7	6.3	4.6
Employer contributions payable to the Plan ¹	n/a	n/a	n/a

¹ 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		513.3	513.3	506.1	506.1
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(b) **Movements in ordinary share capital**

Opening balance at 1 January		513.3	512.9	506.1	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		513.3	513.3	506.1	506.1

(c) **Other equity securities**

Former share premium account included in equity	(ii)	82.5	82.5	75.4	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
24 Reserves and retained profits				
(a) Reserves				
Asset revaluation reserve	12.4	12.4	-	-
Foreign currency translation reserve	-	-	-	-
Share-based payment reserve	0.9	1.6	0.9	1.6
	13.3	14.0	0.9	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	0.9	1.6	0.9	1.6
(b) Retained profits (losses)				
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	139.8	98.4	53.0	(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
25 Minority interests		
Interest in:		
Share capital	1.3	1.3
Reserves	2.3	2.3
Retained profit	5.0	4.7
	8.6	8.3

(\$ Million)	The Company	
	2006	2005
26 Dividends		
Dividends paid during the year		
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
Total dividends paid	61.0	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:

- franking credits that will arise from the payment of any current tax liability.
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.
- 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		
Financial assets								
		5.51%	21.5	2.7	-	-	-	24.2
		6.35%	27.5	-	-	-	119.7	147.2
			49.0	2.7	-	-	119.7	171.4
Financial liabilities								
		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		
Financial assets								
		5.15%	21.5	3.1	-	-	-	24.6
		6.03%	23.3	-	-	-	111.0	134.3
			44.8	3.1	-	-	111.0	158.9
Financial liabilities								
		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
Financial assets					
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
Non-traded financial assets		171.4	171.4	158.9	158.9
Financial liabilities					
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
Non-traded financial liabilities		348.9	348.9	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
(a) Guarantees				
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
30 Commitments for expenditure				
Capital commitments - Property, plant and equipment				
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:				
Within one year	8.1	8.7	-	-
Finance leases				
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	-	-
Operating leases				
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.				
31 Employee benefits				
Employee benefit liabilities				
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>
Non-executive Directors				
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
Managing Director				
M P Chellew	799,143	300,000	(298,994)	800,149
Senior executives				
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	-	-	-	-
Total	126,141,736	725,000	60,958	126,927,694

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>
Non Directors				
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
Executive Director				
M P Chellew	688,622	110,521	-	799,143
Senior executives				
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	-	-	-	-
Total	109,346,859	292,560	16,502,317	126,141,736

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 %
Adelaide Brighton Ltd				
Adelaide Brighton Cement Ltd	South Aust ³	Ord	100	100
Adelaide Brighton Cement Inc	Washington USA ²	Ord	80	80
Adelaide Brighton Cement Investments Pty Ltd	South Aust ³	Ord	100	100
Adelaide Brighton Management Ltd	South Aust ³	Ord	100	100
Adelaide Brighton Cement International Pty Ltd	South Aust ¹	Ord	100	100
Adelaide Brighton Intellectual Property Pty Ltd	South Aust ¹	Ord	100	100
Cement Resources Consolidated Pty Ltd	South Aust ¹	Ord	100	100
Cockburn Cement Ltd	Western Aust ³	Ord	100	100
C & M Brick Pty Ltd	Victoria	Ord	70	70
Hy-Tec Industries (Queensland) Pty Ltd	South Aust ³	Ord	100	100
Northern Cement Ltd	Northern Territory ³	Ord	100	100
Premier Resources Ltd	NSW ³	Ord	100	100
Adelaide Brighton Cement Ltd				
Exmouth Limestone Pty Ltd	Western Aust ¹	Ord	51	51
Adelaide Brighton Cement Inc				
Adelaide Brighton Cement (Florida) Inc	Florida USA ²	Ord	100	100
Adelaide Brighton Cement (Hawaii) Inc	Hawaii USA ²	Ord	100	100
Hileah (Florida) Management Inc	Florida USA ²	Ord	100	100
Adelaide Brighton Management Ltd				
Accendo Pty Ltd	South Aust ¹	Ord	100	100
Adba Pty Ltd	NSW ¹	Ord	100	100
Adelaide Brighton Cement International Pty Ltd				
Adelaide Brighton Cement Inc	Wash. State USA ²	Ord	20	20
Fuel & Combustion Technology International Ltd	United Kingdom ²	Ord	100	100
Fuel & Combustion Technology International Ltd				
Fuel & Combustion Technology International Inc	USA ²	Ord	100	100
Northern Cement Ltd				
Mataranka Lime Pty Ltd	South Aust ¹	Ord	100	100
Cockburn Cement Ltd				
Cockburn Waters Pty Ltd	Western Aust ¹	Ord	100	100
Hydrated Lime Pty Ltd	Western Aust ¹	Ord	100	100
Chemical Unit Trust	Western Aust ¹	Units	100	100
Kalgoorlie Lime & Chemical Company Pty Ltd	Western Aust ¹	Ord	100	100
Premier Resources Ltd				
Hy-Tec Industries Pty Ltd	NSW ³	Ord	100	100
Hy-Tec Industries (Victoria) Pty Ltd	NSW ³	Ord	100	100
Bonfoal Pty Ltd	NSW ¹	Ord	100	100
Aus-10 Rhyolite Pty Ltd	NSW ¹	Ord	100	100
Morgan Cement International Pty Ltd	NSW ³	Ord	100	100
Hy-Tec Industries (Victoria) Pty Ltd				
CRC2 Pty Ltd	Vic ¹	Ord	100	-
CRC3 Pty Ltd	Vic ¹	Ord	100	-
Hy-Tec Industries (Victoria) No 1 Pty Ltd	NSW ¹	Ord	100	100
Hy-Tec Industries (Victoria) No 2 Pty Ltd	NSW ¹	Ord	100	100
Sheltacrete Pty Ltd	NSW ¹	Ord	100	100
C&M Brick Pty Ltd				
C&M Masonry Products Pty Ltd	South Aust	Ord	100	100
Betta Brick Pty Ltd	Vic ¹	Ord	100	100
C&M Brick (Bendigo) Pty Ltd	Vic ¹	Ord	100	100
C&M Design/Construct Pty Ltd	Vic ¹	Ord	100	100

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

2 Controlled entities of which PricewaterhouseCoopers has not acted as auditor.

3 These controlled entities have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities & Investments Commission. For further information see note 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>	2006	2005
Current assets		
Cash and cash equivalents	17.1	19.7
Receivables	191.4	113.3
Inventories	54.9	53.7
Total current assets	263.4	186.7
Non-current assets		
Receivables	104.6	97.4
Investments accounted for using the equity method	36.8	34.1
Other financial assets	32.5	32.5
Property, plant and equipment	530.0	516.8
Deferred tax assets	21.8	12.2
Intangible assets	155.4	155.9
Defined benefit assets	0.1	-
Total non-current assets	881.2	848.9
Total assets	1,144.6	1,035.6
Current liabilities		
Payables	127.9	53.8
Borrowings	40.0	250.1
Current tax liabilities	19.9	24.4
Provisions	22.5	22.4
Other	12.9	13.6
Total current liabilities	223.2	364.3
Non-current liabilities		
Borrowings	210.0	-
Deferred tax liabilities	69.2	66.9
Provisions	24.2	22.9
Retirement benefit liabilities	-	1.4
Other	0.1	0.1
Total non-current liabilities	303.5	91.3
Total liabilities	526.7	455.6
Net assets	617.9	580.0
Equity		
Contributed equity	513.3	513.3
Reserves	14.7	15.0
Retained profits	89.9	51.7
Total equity	617.9	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.

Profit before income tax	130.7	124.1
Income tax expense	(31.8)	(32.6)
Profit for the year	98.9	91.5
Retained profits 1 January	51.7	6.8
Profit for the year	98.9	91.5
Transactions recognised directly in retained earnings	0.3	(1.9)
Dividends provided for or paid	(61.0)	(44.7)
Retained profits 31 December	89.9	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	102.6	90.9	135.4	40.0
Doubtful debts	0.1	(0.4)	10.8	10.0
Depreciation and amortisation	52.2	47.5	-	-
(Gain) loss on sale of non-current assets	(0.9)	(0.9)	-	-
Share of joint venture entities' net profit	(2.7)	(2.5)	-	-
Other	(0.8)	0.3	(11.1)	(5.3)
Net cash provided by operating activities before change in assets and liabilities	150.5	134.9	135.1	44.7
Changes in operating assets and liabilities:				
(Increase) in inventories	(5.4)	(8.7)	-	-
Decrease / (increase) in prepayments	1.4	(0.5)	1.1	-
(Increase) in trade/term debtors	(10.3)	(2.2)	-	(20.7)
Increase / (decrease) in trade creditors	12.4	0.4	0.4	(5.9)
(Decrease) in provisions	(0.6)	(2.2)	-	-
(Decrease) / increase in taxes payable	(5.0)	12.0	(8.5)	14.7
Increase / (decrease) in deferred taxes payable	1.3	(10.3)	(3.3)	-
Net cash inflow from operating activities	144.3	123.4	124.8	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	50	50	15.8	14.8	-	-
Independent Cement and Lime Pty Ltd	Cement distribution	50	50	25.0	23.3	-	-
Alternative Fuel Company Pty Ltd	Processing waste materials	50	50	-	-	-	-
				40.8	38.1	-	-

Each of above joint ventures is incorporated in Australia.

<i>(\$ Million)</i>	2006	2005
38 Investments in joint ventures (continued)		
(b) Movements in carrying amounts		
Carrying amount at 1 January	38.1	35.7
Share of net profits	21.5	19.6
Dividends received	(18.8)	(17.2)
Carrying amount at 31 December	40.8	38.1
(c) Share of joint ventures' profits		
Revenues	185.2	169.8
Expenses	(157.6)	(144.8)
Profit before income tax	27.6	25.0
Income tax expense	(6.1)	(5.3)
Profit after income tax - as disclosed by joint ventures	21.5	19.7
Adjustments:		
Unrealised profit in inventory	-	(0.1)
Share of net profit - equity accounted	21.5	19.6
Retained profits at 1 January	4.0	1.6
Dividends and distributions	(18.8)	(17.2)
Share of retained profits at 31 December	6.7	4.0
(d) Summarised financial information of joint ventures		
Total assets	135.5	130.4
Total liabilities	(68.5)	(68.8)
Group's 50% share of joint ventures net assets	33.5	30.8
Adjustments arising from equity accounting:		
Goodwill	7.4	7.4
Unrealised profit in inventory	(0.1)	(0.1)
Net assets - equity adjusted	40.8	38.1
(e) Share of joint ventures' expenditure commitments		
Capital commitments	3.2	-
	<i>Consolidated</i>	
<i>(Cents)</i>	2006	2005
39 Earnings per share		
Basic earnings per share	18.8	16.8
Diluted earnings per share	18.7	16.7
	<i>The Company</i>	
<i>(Number)</i>	2006	2005
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	542,153,567	542,063,795
Adjustments for calculation of diluted earnings per share:		
Awards	3,190,000	2,450,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	545,343,567	544,513,795

(\$ Million)	Consolidated	
	2006	2005
39 Earnings per share (continued)		
Reconciliations of earnings used in calculating earnings per share		
<i>Basic and diluted earnings per share</i>		
Profit after tax	102.6	90.9
Profit attributable to minority interests	(0.5)	-
Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	102.1	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
Total segment revenue / income	733.2	88.6	1.0	(4.5)	818.3
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
Total segment revenue / income	654.3	91.9	0.2	(3.6)	742.8
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	791.2	717.3	1,173.4	1,120.6	81.5	102.7
Other countries	-	-	1.3	1.4	-	-
	791.2	717.3	1,174.7	1,122.0	81.5	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

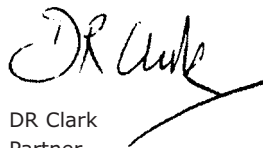
Dated on the 6th day of March 2007.

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.

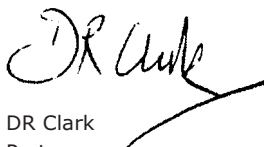
Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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 ¹⁵ 2004	Dec 2003	Dec 2002	Dec 2001	Dec ¹² 2000	Dec ¹² 1999	Jun 1999	Jun 1998	Jun 1997
Statements of financial performance											
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 ¹³	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)
Profit before tax, abnormal and extraordinary items	133.6	120.1	104.9	84.4	66.9	30.6	29.1	30.0	20.5	24.3	32.3
Tax expense ¹	(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 ¹	(0.5)	-	(1.1)	(0.9)	-	-	-	3.2	5.0	6.0	6.7
Net profit after tax and outside equity interest before abnormal and extraordinary items¹	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)
Net profit (loss) after tax, abnormal and extraordinary items	102.1	90.9	93.3	57.7	50.7	30.6	29.1	(25.3)	(37.9)	12.3	7.6
Group balance sheet											
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
Total assets	1,174.7	1,122.0	1,049.6	1,022.7	923.0	853.2	865.6	902.5	925.6	635.5	674.3
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 ³	309.5 ³	208.4 ³	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
Total liabilities	499.7	488.0	460.6	447.1	397.2	399.2	423.4	475.4	499.4	337.2	334.7
Net assets	675.0	634.0	589.0	575.6	525.8	454.0	442.2	427.1	426.2	298.3	339.6
Share Capital	513.3	513.3	512.8	512.8	512.1	462.4	462.2	462.2	467.7	78.7 ¹¹	136.8 ³
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
Total Shareholders funds	675.0	634.0	589.0	575.6	525.8	454.0	442.2	427.1	426.2	298.3	339.6
Share information											
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 ²	4.25 ²	3.5 ²	2.75 ⁴	2.5 ⁹	2.0 ¹⁰	1.5 ²	-	-	2.5 ⁷	2.5 ⁶
Final dividend (¢/share)	7.5 ²	6.25 ²	4.0 ²	3.25 ^{2,14}	2.75 ⁸	2.0 ⁹	1.5 ²	-	-	2.5 ⁹	2.5 ⁵
Special dividend (¢/share)	6.0 ²	-	-	-	-	-	-	-	-	-	-

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