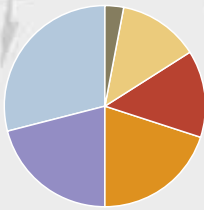


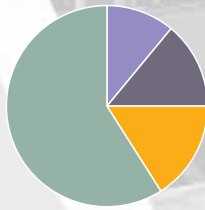
REVIEW OF OPERATIONS

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



Sales by geographical segmentation

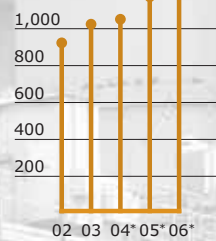
- Western Australia
- Victoria
- South Australia
- New South Wales
- Queensland
- Northern Territory



Turnover segmentation

- Cement
- Lime
- Concrete
- Concrete products

Total assets
\$m



*Reported under AIFRS



Michael Kelly
Executive General Manager
Strategy and Business
Development



Tom Douglas
Executive General Manager
Marketing and Sales

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



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

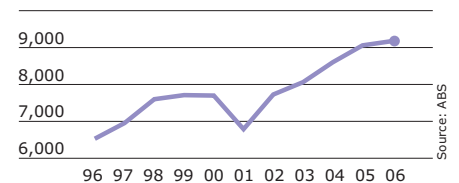
Birkenhead and Angaston met their demanding annual production targets with Birkenhead maintaining output at close to record levels. Angaston reported record production levels following a three year programme of capital investment and process improvement on kiln 3. Further benefits were achieved through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

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



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

Australian cement production
Tonnes '000





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

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

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

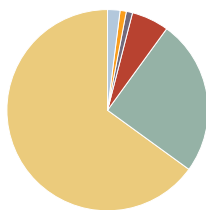
Secondly, it was possible to obtain additional gas supplies from other major users through the off-take of their unused maximum daily quantities.

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

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

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

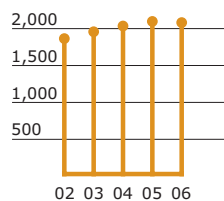
The direct benefits of this increased output will be to displace some of Adelaide Brighton's cement and clinker imports and to defer the need to create additional lime production capacity through the conversion of the existing Munster clinker kilns to lime manufacture until after 2012. This programme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



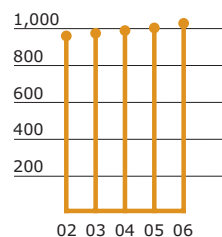
Adelaide Brighton lime sales market sector demand

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

Adelaide Brighton Cement production
Tonnes '000



Adelaide Brighton Lime production
Tonnes '000



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



Mark Finney
Executive General Manager
Concrete and Aggregates



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

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

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

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

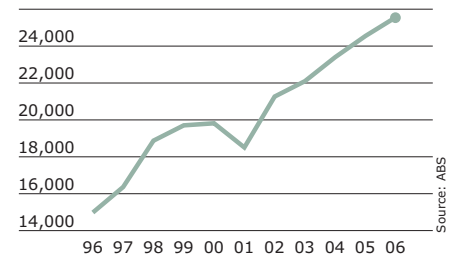
The secondary crushing contract was upgraded during the year resulting in a significant increase in output from mid July. The final phase of the investment was commenced in the second half year and will be commissioned in the second quarter of 2007.

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

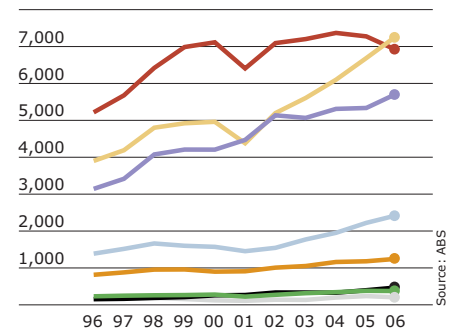


Hy-Tec's North Melbourne plant supplied in excess of 20,000m³ of 32 and 40 mpa concrete for the 'Victoria Point' residential complex at the Docklands in Melbourne

Australian concrete production
Tonnes '000m³



Australian concrete production by state
Tonnes '000m³



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

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



Colin Kupke
Executive General Manager
Concrete Products



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

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

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

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



C&M Brick "Stepstone™" designer paving.

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

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



C&M Brick's "Allan Block™" used in retaining walls.