

*Level 1
157 Grenfell Street
Adelaide SA 5000*

*GPO Box 2155
Adelaide SA 5001*



Adelaide Brighton Ltd
ACN 007 596 018

*Telephone (08) 8223 8000
International +618 8223 8000
Facsimile (08) 8215 0030
www.adbri.com.au*

18 August 2005

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

Dear Sir/Madam

RESULT FOR HALF YEAR ENDED JUNE 2005

We attach the following documents:

- Appendix 4D and management discussion.
- Half year report ended 30 June 2005.

Yours faithfully

MRD Clayton
Company Secretary



Adelaide Brighton Ltd

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Appendix 4D (rule 4.2A)

Half year financial report 30 June 2005

Results for announcement to the market

Company Name: Adelaide Brighton Ltd
ABN: 15 007 596 018
Reporting period: Half year ended 30 June 2005
Previous corresponding period: Half year ended 30 June 2004

This is the first half-year financial report based on Australian equivalents to International Financial Reporting Standards ("AIFRS"), and comparatives for the half-year ended 30 June 2004 and full year ended 31 December 2004 have been restated accordingly.

A\$'000

Revenue from continuing operations and other income	up	8.64%	to	351,405
Profit from continuing operations after tax attributable to members	up	14.23%	to	38,530
Net profit for the period attributable to members	up	14.23%	to	38,530

Dividends/distributions	Amount per security	Franked amount per security
Interim dividend (current reporting period)	4.25¢	100%
Interim dividend (previous corresponding period)	3.50¢	100%

Record date for determining entitlements to the interim dividend	7 September 2005
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	30 June 2005	30 June 2004
Net tangible asset backing per ordinary share	\$0.82	\$0.71



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Half year financial report 30 June 2005

KEY FEATURES OF INTERIM RESULT

- ABL has reported these half year results for the first time in accordance with the Australian equivalent to International Financial Reporting Standards (AIFRS)
- The change to reporting under AIFRS does not effect the cash flow generated by Adelaide Brighton's operations
- Sales revenue \$350.4 million (\$322.6 million in pcg) up 8.6%
- Net profit after tax \$38.5 million (\$33.7 million in pcg) up 14.2%
- Earnings per share increased to 7.1 cents (5.9 cents in pcg) up 20.3%
- Interim dividend increased to 4.25 cents, franked to 100% (vs 3.5 cents, 100% franked in pcg)
- No change in gearing¹ after payment of 2004 final dividend (2003 final delayed until August 2004)
- Decrease in free cash flow to \$14.4 million from \$32.1 million (increased tax payable 2005, Pavement Technology sale benefit 2004)

FINANCIAL SUMMARY	6 months ended 30 June		
(A\$millions)	2005	2004	% change pcg
Sales Revenue²	350.4	322.6	8.6
Depreciation	(23.0)	(24.0)	(4.2)
Earnings before Interest and Tax ("EBIT")	59.2	50.2	17.9
Net interest ³	(6.7)	(7.4)	(9.5)
Profit Before Tax	52.5	42.8	22.7
Tax expense	(14.2)	(10.1)	40.6
Net Profit After Tax ("NPAT")	38.3	32.7	17.1
Profit from discontinued operations	-	1.5	
Minority interest	0.2	(0.5)	
Net Profit Attributable to Members	38.5	33.7	14.2
Earnings per share (cents)	7.1	5.9	20.3
Dividends per share (cents)	4.25	3.5	21.4
Franking (%)	100%	100%	
Net Debt (A\$millions)	203.2	185.0	9.8
Net Debt/Equity (%)	33.4%	33.7%	(0.9)

¹ Net Debt/Equity

² Sales revenue excludes interest revenue (included in revenue from ordinary activities in Appendix 4D)

³ Interest charge shown gross in Appendix 4D with interest income included in sales revenue



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Half year financial report 30 June 2005

REVIEW OF OPERATIONS

Overall, demand for cement continued to be buoyant during the first half year with continued strong demand from both Western Australia and the resources sector in South Australia and Northern Territory offsetting weaknesses in the New South Wales residential sector. The first half also benefited from the bulk cement price increases implemented in the final quarter of 2004, which were complemented by selective increases in packed cement prices during the first half of 2005.

A return to more typical seasonal weather patterns adversely affected demand in the eastern states and this, together with the downturn in residential demand in New South Wales, had a direct impact on the Hy-Tec concrete and C&M Brick volumes and profitability.

Expected increases in lime volumes were delayed due to the extended commissioning programmes in the steel sector and some short term operational issues in the alumina sector. It is believed these issues have largely been resolved.

The net increase in operating revenue over the previous corresponding period resulted from the combination of increases in both cement volume and price within specific markets and sectors.

6 months to 30 June (A\$millions)	2005	2004	% change
Operating revenue – sale of goods	347.2	321.1	8.1
Other revenue	3.2	1.5	
Sales revenue	350.4	322.6	8.6

EBIT has now been reported under Australian International Financial Reporting Standards. A significant change for Adelaide Brighton has been the cessation of amortisation of goodwill from 2005 and this charge has been reversed in the restatement of the 2004 half year result. On a like for like basis EBIT has increased by 17.9% to \$59.2 million.

6 months to 30 June (A\$millions)	2005	2004	% change
EBIT	59.2	44.6	
2004 restatement under AIFRS		5.6	
Reported EBIT	59.2	50.2	17.9



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The improvement in EBIT resulted from three key contributory factors:

- (i) The continued strength of demand for cement in Adelaide Brighton's core geographical markets and industry sectors together with the impact of specific price increases. The ability to supply the underlying increases in cement demand at optimal cost was also made possible by improved logistics planning together with the operation of the long term clinker import supply contract set in place during the final quarter of 2004.
- (ii) The continued efficient operation of the cement and lime kilns. The Birkenhead maintenance shutdown was completed with a reduction in the critical path to twenty three days, thus recovering the output lost earlier in the year caused by an unplanned refractory stoppage. An additional benefit in the first half of 2005 was the deferral of the Munster lime kiln shutdowns into the second half year; the equivalent maintenance was completed in the first half of 2004.
- (iii) The absence of specific one off costs in 2005 with regard to logistics and the legal and advisory costs incurred by the Boral takeover bid.

The company continues to focus on costs both from an operational efficiency and procurement perspective and also benefited from the stability of electricity supply and costs over the summer months in South Australia.

The development of the alternative fuels programme continues to build momentum. The commissioning of a new demolition wood waste shredder was completed in June and this new plant is, as forecast, delivering increased output. The construction of the Birkenhead demolition wood receival, storage and feed system is on target for completion in the final quarter of 2005. Combustion trials have successfully been completed with a 50% increase in fuel throughput to 15 tonnes per hour.

The company also managed key operational changes over the first half year with the successful transition to the outsourcing of the shellsand dredging operations at Woodman Point in Western Australia. The introduction of more efficient dredging technology will allow the re-working of previously dredged shellsand reserves while maintaining lime quality.

A similar challenge has been to improve the rate of limestone supply in South Australia through the optimisation of the limestone quarrying at Klein Point and the logistics of its seaborne supply to Birkenhead. These changes have resulted in an improvement in the alignment of supply between the quarry and the demand from Birkenhead.

Work has continued on the upgrading of the C&M Brick plants with the commissioning of a new block plant at Adelaide and the closure of the Horsham operations. Work also continued on the upgrade of the Newcastle plant. These upgrades will establish both operations with the capability to supply the full C&M Brick product range in New South Wales and South Australia thus promoting the growth of masonry products in the construction materials sector.

Good progress has been made on the construction of the Austen Quarry at Hartley in New South Wales. Extraction has begun on a pilot basis for the purposes of conducting trials and testing of the quality of the manufactured aggregates and road base. To date, test results have exceeded expectations and construction is well advanced on the primary crushing and conveying plant. The project is on track for scale production for supply to the Hy-Tec operations in mid 2006.



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STRATEGIC DEVELOPMENTS

Adelaide Brighton's strategy continues to be focused on selected vertical integration into downstream markets, operational improvement, cost reduction and the expansion of the lime operations. The company continues to evaluate downstream opportunities, though none of those evaluated in the first half year met the strict internal acquisition hurdle criteria.

The development of the Austen Quarry is aligned with this strategy and management are pleased with the progress to date. While providing an immediate benefit to the Hy-Tec cost base when scale production begins in 2006, the business will not deliver material profits until full-scale outputs are achieved progressively over the following three years.

FINANCIAL REVIEW

Australian Equivalents to International Financial Reporting Standards (AIFRS)

The financial accounts for the half-year to 30 June 2005 have been prepared for the first time under AIFRS. The balance sheet at the transition date of 1 January 2004 and the balance sheet and profit and loss accounts for 30 June 2004 and 31 December 2004 have been restated in accordance with these standards. These restated financial accounts together with their reconciliation to the statements as previously reported under Australian Generally Accepted Accounting Provisions (AGAAP) are set out in detail in section 9 of the notes to this financial report.

The cessation of amortisation of goodwill and its replacement with rigorous impairment testing has had the largest impact on the accounts, increasing the reported profits for both the current and prior year as shown in the table on page 3. The reversal of the 2004 goodwill amortisation charge has been taken to retained earnings in accordance with the standard. The DCF based impairment testing of the defined cash generating units has confirmed the carrying value of goodwill in the balance sheet at both the transition and the current reporting dates.

Other impacts on future profits will arise from the application of AASB 137 with regard to the provision for contingent liabilities and assets. The standard requires the recognition of a provision for the net present value of the future costs of quarry remediation. Each year the unwinding of the discount factor used to calculate the provision's net present value will reduce profit by \$0.7 million, recognised through an increased interest expense charge. This standard has also required the establishment of a \$1.573 million quarry remediation asset at the transition date, which will be depreciated over the future life of the quarries.

A third material impact on future profits arises from the application of AASB 119 with regard to employee benefits. This standard requires for the first time the inclusion of superannuation defined benefit plans and specifically, the recognition of plan surpluses or deficits on the balance sheet. The actuarial valuations are based upon the net present value of a future defined benefit obligation. Each year the unwinding of the discount factor used to calculate this valuation will reduce profits by \$2.0 million recognised through an increased interest expense charge.

The other major changes required by AIFRS have not affected reported profits but have had a direct impact on equity through a reduction of either retained earnings or revaluation reserves at the transition date. The principal AIFRS impacts are as follows:

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- (i) AASB 137 the need to recognise the future costs of quarry remediation and, where finite leases mandate a future cessation of operations, operating plant closures. The first time adoption of this standard at the transition date resulted in a net \$10.806 million increase in provisions and a corresponding \$7.565 million reduction in retained earnings after providing for deferred tax.
- (ii) AASB 112 for tax effect accounting has changed the calculation of deferred taxes from a P&L to balance sheet based approach. Under previous AGAAP deferred tax was not provided for upon amounts that were recognised directly in equity. This change has, therefore, required the first time recognition of deferred tax liabilities on both revaluations of fixed assets and fair value accounting adjustments. This has had a significant impact upon ABL principally due to its revalued mineral reserves which have a small tax asset base and large book asset value. The first time recognition of this standard gave rise to a \$28.879 million net increase in the company's deferred tax liability.
- (iii) Adelaide Brighton has a defined benefit superannuation plan, which was closed to new members in August 2000. Under AGAAP, cumulative actuarial gains and losses were not recognised on the balance sheet, but under AASB 119, cumulative actuarial gains and losses must be recognised in the balance sheet. Adelaide Brighton has elected to take annual actuarial gains and losses directly to retained earnings.
- (iv) Under AASB 119 the actuarial valuation methodology for future retirement obligations has also changed and at the transition date this has created a \$4.246 million shortfall in plan assets compared with what had been a small surplus under AGAAP. As at 31 December 2004 the actuarial valuation shortfall had reduced to \$0.829 million with the net actuarial gains being taken to retained earnings and the associated tax effect to tax expense.

Cash flow and gearing

After the adjustments for AIFRS, gearing at 30 June was 33.4% versus 33.7% at 30 June 2004. However, prior year gearing benefited from the delayed timing of the 2004 final dividend, which was paid on 5 July 2004. On a like for like basis, adjusting for the 2004 delayed dividend payment, the prior year comparative gearing would have been 37.1%.

Cash flow from operating activities for the period was \$52.1 million (\$56.3 million pcp). This reduction over the prior period was due to an increase in working capital following the higher cement sales in the second quarter of 2005 and an increase in tax payments following the return to a full tax charge in 2004. Last year also benefited from the \$7.8 million divestment of Pavement Technology Ltd. Net debt has increased by \$8.3 million to \$203.2 million since 31 December 2004 due to the planned increases in capital expenditure.

Dividend

An increased interim dividend for 2005 to 4.25 cents (3.5 cents pcp) has been declared, franked to 100% (100% pcp). During the period the Directors declared a fully franked final dividend of 4.0 cents (3.25 cents pcp), for the year ended 31 December 2004. This dividend was paid on 30 March 2005. This further increase in dividend reflects both the continued improvement in performance and confidence in the consolidated entity's future prospects. The full franking of future dividends will continue following the consolidated entity's return to full tax payment in 2004.



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Capital expenditure

Capital expenditure totalled \$38.2 million (\$24.5 million pc). This planned increase in expenditure relates to the investments in the Austen Quarry at Hartley in New South Wales; the environmental expenditure on the Munster kiln 3 electrostatic precipitator upgrade; the Birkenhead demolition wood waste receipt, storage and feed facility and the C&M Brick plant upgrades at both Adelaide and Newcastle. During the period a \$12 million three year environmental capital investment plan was announced for Birkenhead demonstrating the consolidated entity's commitment to continuous improvement of its environmental performance.

Taxation payment and charges

Increased tax payments of \$14.7 million were made in 2005 (\$9.2 million pc) reflecting both the increase in company profitability and the finalisation of 2004 tax instalments. The 2005 first half result and prior year comparatives incorporate the accounting tax charge calculation and provisioning under AIFRS. This change has resulted in an increase in the company's deferred tax liabilities, which have been booked to retained earnings under the AIFRS transition provisions.

This deferred tax effect has been mitigated by the recent adoption of tax consolidations where a large proportion of tax assets have been revalued under the tax consolidation rules. This change, together with the cessation of amortisation of goodwill, will in future result in a more uniform tax charge closer to the base 30% rate, offset by the benefit of fully franked dividends received from the Sunstate joint venture.

OUTLOOK

Adelaide Brighton remains of the view that demand for cement will continue at current levels over the medium term as demand from the resources, commercial, engineering and infrastructure sectors compensates for any regional downturns in the residential sector. As predicted last year, this has been the pattern in 2005.

It is anticipated that inflationary cost pressures and the tightness of global cement supply will continue to provide momentum for future cement price increases during 2005.

The demand for lime is still encouraging despite the timing delays experienced in the first half of 2005. The continued global demand for primary resource materials, together with the competitiveness of the Australian resource industry will see the progressive implementation of the Australian resource sector expansion plans. These investments continue to project a steady increase in lime demand over the next five years. Internal projections predict that Adelaide Brighton will be selling about 300,000 additional tonnes of lime annually in Western Australia by 2009.

The outlook for the Hy-Tec operations continues to be challenging in the short term due to the softness of the New South Wales market and competitive pressures in Victoria. While we predict a recovery of volumes in Central Queensland following the recent wet season, the necessary volume improvements in the other Hy-Tec markets will be difficult to achieve in the short term. Management will, however, continue to focus on the cost base in order to maximise profitability.



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C&M Brick has also been affected by the New South Wales market weakness though through its programme of plant upgrades and improvement in production costs through efficiency gains and announced price increases is now better positioned to meet increased profit targets going forward.

Adelaide Brighton continues to remain positive about the second half of 2005 and is on track to meeting its NPAT targets, as measured under AIFRS, within the range of \$82 - \$85 million.

M Chellew
Managing Director

18 August 2005

FOR FURTHER INFORMATION CONTACT:

ANDREW POULTER
CHIEF FINANCIAL OFFICER
0439 492 392

LUBA PRZEDWORSKI
GROUP CORPORATE AFFAIRS ADVISER
0418 535 636



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Half year financial report 30 June 2005

DIRECTORS' REPORT

The Directors present their report on the consolidated entity ("the Group") consisting of Adelaide Brighton Ltd ("the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2005.

Directors

The Directors of the Company at any time during or since the end of the half-year and up to the date of this report are:

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

Review of operations

A review of the operations of the Group during the half-year ended 30 June 2005 is set out on pages 3 to 8 of this report.

Auditor's independence declaration

A copy of auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 39.

Rounding off

The Company is of a kind referred to in Class Order 98/0100 issued by ASIC, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the director's report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Dated at Sydney this 18th day of August 2005.

Signed in accordance with a resolution of the Directors:

M Chellew
Managing Director

Adelaide Brighton Ltd
Consolidated income statement
For the half-year ended 30 June 2005

	Half-year June 2005 \$'000	Half-year June 2004 \$'000
Revenue	347,194	321,123
Cost of sales	(226,624)	(208,812)
Freight and distribution costs	(47,367)	(46,956)
Gross Profit	73,203	65,355
Other income	4,211	2,540
Marketing costs	(5,326)	(5,104)
Administration costs	(20,767)	(19,753)
Other expenses		-
Finance costs	(7,672)	(8,111)
Shares of net profits of joint venture entities accounted for using the equity method	8,877	7,970
Profit before income tax	52,526	42,897
Income tax expense	(14,159)	(10,145)
Profit from continuing operations	38,367	32,752
Profit / (loss) from discontinued operations	-	1,480
Profit for the half-year	38,367	34,232
Loss / (Profit) attributable to minority interest	163	(502)
Profit attributable to members of Adelaide Brighton Ltd	38,530	33,730
	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:		
Basic earnings per share	7.1	5.9
Diluted earnings per share	7.1	5.9
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	7.1	6.2
Diluted earnings per share	7.1	6.2

The above consolidated income statement should be read in conjunction with the accompanying notes.

Adelaide Brighton Ltd
Consolidated balance sheet
As at 30 June 2005

	30 June 2005 \$'000	31 December 2004 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	23,426	21,646
Receivables	110,714	107,738
Inventories	66,634	66,706
Derivative financial instruments	99	-
Other	29	89
Total current assets	200,902	196,179
Non-current assets		
Receivables	20,612	19,108
Investments accounted for using the equity method	37,889	35,595
Other financial assets	32	32
Property, plant and equipment	629,823	613,420
Deferred tax assets	21,443	19,717
Intangible assets	165,246	165,498
Total non-current assets	875,045	853,370
Total assets	1,075,947	1,049,549
LIABILITIES		
Current liabilities		
Payables	78,415	79,080
Interest bearing liabilities	225,454	215,501
Current tax liabilities	8,837	8,734
Provisions	16,426	16,971
Derivative financial instruments	-	105
Other	14,307	15,154
Total current liabilities	343,439	335,545
Non-current liabilities		
Interest bearing liabilities	1,141	1,094
Deferred tax liabilities	89,807	88,855
Provisions	33,835	32,572
Retirement benefit obligations	14	829
Other	102	102
Total non-current liabilities	124,899	123,452
Total liabilities	468,338	458,997
Net assets	607,609	590,552
EQUITY		
Contributed equity	513,255	512,775
Reserves	13,356	12,769
Retained profits	72,918	55,700
Parent entity interest	599,529	581,244
Minority interest	8,080	9,308
Total equity	607,609	590,552

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Adelaide Brighton Ltd
Consolidated statement of changes in equity
For the half-year ended 30 June 2005

	Half-year June 2005 \$'000	Half-year June 2004 \$'000
Total equity at the beginning of the half-year	590,552	530,720
Actuarial gains and losses recognised directly through retained earnings	363	1,834
Exchange differences on translation of foreign operations	17	31
Employee share options	569	-
Net income recognised directly in equity	949	1,865
Profit for the half-year	38,367	34,232
Total recognised income and expense for the year	39,316	36,097
Dividends provided or paid to Minority interests in subsidiaries	(1,065)	(736)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity	480	-
Dividends provided for or paid	(21,674)	(17,610)
	(21,194)	(17,610)
Total equity at the end of the half-year	607,609	548,471
Total recognised income and expense for the half-year is attributable to:		
Members of Adelaide Brighton Ltd	39,479	35,595
Minority interest	(163)	502
	39,316	36,097

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Adelaide Brighton Ltd
Consolidated cash flow statement
30 June 2005

	Half-year June 2005 \$'000	Half-year June 2004 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	379,562	351,179
Payments to suppliers and employees (inclusive of goods and services tax)	(315,510)	(286,696)
Interest received	952	781
Joint venture partnership distributions received	6,583	5,977
Other revenue	1,767	1,370
Interest paid	(6,548)	(7,177)
Income taxes paid	(14,674)	(9,169)
Net cash inflow from operating activities	52,132	56,265
Cash flows from investing activities		
Payments for property, plant and equipment	(38,220)	(24,453)
Payments for controlled entities and operations	-	(5,848)
Proceeds from sale of property, plant and equipment	546	349
Proceeds from sale of controlled entities	-	7,800
Loans to joint venture entities	(1,502)	(1,413)
Net cash (outflow) from investing activities	(39,176)	(23,565)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	480	-
Proceeds from borrowings	10,000	240,000
Repayment of borrowings	-	(244,456)
Dividends paid to company's shareholders	(21,674)	-
Dividends paid to minority interests in controlled entities	-	(736)
Net cash (outflow) from financing activities	(11,194)	(5,192)
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the half-year	21,646	14,167
Cash balances in controlled entities acquired or disposed	-	(30)
Effects of exchange rate changes on cash and cash equivalents	18	107
Cash and cash equivalents at end of the half-year	23,426	41,752

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 30 June 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2004 and any public announcements made by Adelaide Brighton Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of preparation of half-year financial report

A summary of the significant accounting policies of the consolidated entity under AIFRS are disclosed below:

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

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

Financial statements of Adelaide Brighton Ltd until 31 December 2004 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Adelaide Brighton Ltd interim financial report for the half year ended 30 June 2005, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. The comparatives for the half year end 30 June 2004 and full year ended 31 December 2004 have been restated accordingly.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in note 9.

Early adoption of standard

The Group has elected to apply AASB 119 *Employee Benefits* (issued in December 2004) to the reporting periods beginning on 1 July 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value through profit or loss.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adelaide Brighton Ltd ("the Company") as at 30 June 2005 and the results of all subsidiaries for the half-year then ended. Adelaide Brighton Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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.

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

1 Summary of significant accounting policies (continued)

(ii) Joint venture entities

The interest in a joint venture partnership 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 partnership is recognised in the income statement, and the share of movements in post acquisition reserves is recognised in consolidated reserves in the balance sheet. The cumulative post acquisition movements are adjusted against the cost of the investment.

Profits or losses on transactions establishing the joint venture partnership 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 venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

Upon 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 the 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 consolidated entity is disclosed 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.

1 Summary of significant accounting policies (continued)

(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.

(h) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

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

(i) Acquisitions of assets

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(t)). 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.

1 Summary of significant accounting policies (continued)

(j) Impairment of assets

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

(k) Cash and cash equivalents

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

(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.

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

(m) Inventories

(i) 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: financial assets at fair value through profit or loss and loans and receivables. 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) Financial assets at fair value through profit or loss

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

(ii) 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.

(o) Derivatives

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

1 Summary of significant accounting policies (continued)

(p) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(q) 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.

(r) Property, plant and equipment

The transitional provisions of AASB 1041 Revaluation of Non-current Assets have been applied to property, plant and equipment re-valued prior to 1 January 2001. These assets are stated at the deemed cost less accumulated amortisation and any recognised impairment losses.

Property, plant and equipment acquired after year 2001 is carried at historical cost less accumulated depreciation and any recognised impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

1 Summary of significant accounting policies (continued)

(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, net of their residual values, over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(s) Overhaul of complex assets

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

(t) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised.

Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment by each primary reporting segment.

(ii) Licences and trademarks

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, not exceeding five years.

(iii) Other intangible assets

Intangible assets, including lease rights acquired, are amortised on straight-line basis over the period of their estimated useful lives, not exceeding five years.

(u) 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.

(v) 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.

1 Summary of significant accounting policies (continued)

(w) 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, nil in the current period (June 2004 - nil).

(x) 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 half-year 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. Close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the quarry development or during the extraction phase, based on the net present value of estimated future costs.

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 calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

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. Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

(v) Contingent liabilities

Contingent liabilities are not recognised in the financial statements. A contingent liability is 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.

1 Summary of significant accounting policies (continued)

(y) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability has been calculated at nominal amounts based on wage and salary rates expected when the obligations are settled and includes related on-costs.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

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

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

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

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

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

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 (eg taxes on investment income and employer contributions) are taken into account in measuring the relevant components of the employer's defined benefit liability (asset).

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

(iv) Share-based payments

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

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

Where shares are to be issued, or acquired on market, as remuneration for past services, a liability is recognised in other creditors when there is no realistic alternative but to settle the liability. The expense is recognised in the financial year the services are performed at the assessed cost to the Company of acquisition or issue of the shares.

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

1 Summary of significant accounting policies (continued)

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

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

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

The fair value of the options granted excludes the impact of any non-market vesting conditions (e.g. earning per 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.

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

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

(v) Profit-sharing and bonus plans

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

(z) 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.

(aa) 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 half-year, adjusted for bonus elements in ordinary shares issued during the half-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.

(ab) Rounding of amounts

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

2 Segment reporting

Half-year 2005	Construction and Mining Materials \$'000	Building Products \$'000	Other \$'000	Inter- segment eliminations/ unallocated \$'000	Total continuing operations \$'000	Discontinued operation (note 6) \$'000	Consolidated \$'000
Total segment revenue	303,122	44,072	-	-	347,194	-	347,194
Shares of net profits of associates and joint venture partnership	8,877	-	-	-	8,877	-	8,877
Unallocated revenue	1,658	1,565	22	-	3,245	-	3,245
Total revenue and other income	313,657	45,637	22	-	359,316	-	359,316
Segment result	55,315	1,404	3,058	(545)	59,232	-	59,232
Net interest expense				(6,706)	(6,706)	-	(6,706)
Profit before income tax					52,526	-	52,526

Half-year 2004	Construction and Mining Materials \$'000	Building Products \$'000	Other \$'000	Inter- segment eliminations/ unallocated \$'000	Total continuing operations \$'000	Discontinued operation (note 6) \$'000	Consolidated \$'000
Total segment revenue	276,837	44,286	-	-	321,123	-	321,123
Shares of net profits of associates and joint venture partnership	7,970	-	-	-	7,970	-	7,970
Unallocated revenue	1,077	33	575	-	1,685	1,480	3,165
Total revenue and other income	285,884	44,319	575	-	330,778	1,480	332,258
Segment result	55,036	4,057	(5,340)	(5,084)	48,669	1,480	50,149
Net interest expense				(7,253)	(7,253)	-	(7,253)
Profit before income tax					41,416	1,480	42,896

3 Dividends

	Half-year 2005 \$'000	2004 \$'000
Ordinary shares		
Dividends provided for or paid during the half-year		
Final dividend of 4.0 cents (June 2004: 3.25 cents) per fully paid share	21,674	17,610
Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 4.25 cents per fully paid ordinary share (June 2004 – 3.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 6 October 2005 out of retained profits, but not recognised as a liability at the end of the half-year, is	23,042	18,965

4 Equity securities issued

	Half-year June 2005 Shares	June 2004 Shares	Half-year June 2005 \$'000	June 2004 \$'000
Issues of ordinary shares during the half-year				
Exercise of options issued under the Adelaide Brighton Ltd Executive Performance Share Plan	292,560	-	480	-
	292,560	-	480	-

5 Investments in joint venture partnerships

Investments in joint venture partnerships are accounted for in the consolidated financial statements using the equity method of accounting.

Name of joint venture company	Ownership interest		Aggregate share of profits		Contribution to net profit	
	2005 %	2004 %	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Sunstate Cement Ltd	50	50	5,029	4,050	5,029	4,050
Independent Cement & Lime Pty Ltd	50	50	4,269	3,862	4,269	3,862
Alternative Fuel Company Pty Ltd	50	-	-	-	-	-
Unrealised profit in inventory					(421)	58
Share of profits equity accounted					8,877	7,970

6 Discontinued operation

(a) Description

The consolidated group divested its interest in Pavement Technology Ltd, a controlled entity, effective 1 January 2004, resulting in the discontinuation of operations in specialised road construction, maintenance and rehabilitation services.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(b) Financial performance and cash flow information

	June 2005 \$'000	Half-year June 2004 \$'000
Revenue	-	-
Expenses	-	-
Profit before income tax	-	-
Income tax expense	-	-
Profit after income tax of discontinued operations	-	-
Gain on sale of the division before income tax	-	1,480
Income tax expense	-	-
Gain on sale of the division after income tax	-	1,480
Profit from discontinued operations	-	1,480
		-
Net cash inflow from ordinary activities	-	-
Net cash inflow (outflow) from investing activities	-	1,480
Net cash (outflow) from financing activities	-	-
Net increase in cash generated by the division	-	1,480

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at 1 January 2004.

Property, plant and equipment	-	4,780
Deferred tax asset	-	416
Trade receivables	-	5,156
Inventories	-	27
Cash	-	30
Total assets	-	10,409
		-
Trade creditors	-	2,292
Deferred tax liability	-	779
Provision for employee benefits	-	1,018
Total liabilities	-	4,089
		-
Net assets	-	6,320

(d) Details of the sale of the division

	Half-year	
	June	June
	2005	2004
	\$'000	\$'000
Consideration received or receivable:		
Cash	-	7,800
Total disposal consideration	-	7,800
Carrying amount of net assets sold	-	(6,320)
Gain on sale before income tax	-	1,480
Income tax expense	-	-
Gain on sale after income tax	-	1,480

7 Contingent liabilities

The Company has not notified Australian Taxation Office of its intentions to enter tax consolidations. Financial statements have been prepared on the basis that the company has entered tax consolidations. Should the Company not enter tax consolidations, the unfranked portion of dividends received from wholly owned controlled entities post 30 June 2003 (\$66,870,000) will be assessable, resulting in a tax liability of \$20,061,000.

8 Events occurring after the balance sheet date

No matter or circumstance has arisen since 30 June 2005 that has significantly affected, or may significantly affect:

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

9 Explanation of transition to Australian equivalents to IFRS

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

(a) At the date of transition to AIFRS: 1 January 2004		Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
	Notes			
ASSETS				
Current assets				
Cash and cash equivalents		14,167	-	14,167
Receivables		101,154	1,589	102,743
Inventories		56,241	-	56,241
Other		1,700	(1,589)	111
Total current assets		173,262	-	173,262
Non-current assets				
Receivables		12,189	-	12,189
Investments accounted for using the equity method		33,643	-	33,643
Other financial assets		32	-	32
Property, plant and equipment	(j)	620,064	1,573	621,637
Deferred tax assets	(i)	17,091	5,008	22,099
Intangible assets	(d)	166,442	(762)	165,680
Total non-current assets		849,461	5,819	855,280
Total assets		1,022,723	5,819	1,028,542
LIABILITIES				
Current liabilities				
Payables		76,498	-	76,498
Interest bearing liabilities		229,840	-	229,840
Current tax liabilities		8,236	-	8,236
Provisions	(j)	30,421	(10,655)	19,766
Derivative financial instruments	(k)	-	215	215
Other		3,606	-	3,606
Total current liabilities		348,601	(10,440)	338,161
Non-current liabilities				
Payables		6,000	-	6,000
Interest bearing liabilities		1,360	-	1,360
Deferred tax liabilities	(i)	67,550	33,887	101,437
Provisions	(j)	11,177	23,034	34,211
Retirement benefit obligations	(e)	-	4,246	4,246
Other		12,407	-	12,407
Total non-current liabilities		98,494	61,167	159,661
Total liabilities		447,095	50,727	497,822
Net assets		575,628	(44,908)	530,720
EQUITY				
Contributed equity		512,775	-	512,775
Reserves	(a)	30,453	(17,997)	2,456
Retained earnings	(l)	22,417	(26,113)	(3,696)
Parent entity interest		565,645	(44,110)	521,535
Minority interest		9,983	(798)	9,185
Total equity		575,628	(44,908)	530,720

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

(b) At the end of the last half-year reporting period under previous AGAAP: 30 June 2004

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
Current assets				
Cash and cash equivalents		41,752	-	41,752
Receivables		95,962	6,130	102,092
Inventories		58,903	-	58,903
Derivative financial instruments	(k)	-	57	57
Other		7,689	(6,130)	1,559
Total current assets		204,306	57	204,363
Non-current assets				
Receivables		13,601	-	13,601
Investments accounted for using the equity method	(c)	35,137	498	35,635
Other financial assets		32	-	32
Property, plant and equipment	(j)	615,547	1,518	617,065
Deferred tax assets	(i)	15,895	4,403	20,298
Intangible assets	(b),(d)	161,232	4,337	165,569
Total non-current assets		841,444	10,756	852,200
Total assets		1,045,750	10,813	1,056,563
LIABILITIES				
Current liabilities				
Payables		86,034	-	86,034
Interest bearing liabilities		225,620	-	225,620
Current tax liabilities		5,246	-	5,246
Provisions	(j)	46,791	(10,185)	36,606
Other		2,419	-	2,419
Total current liabilities		366,110	(10,185)	355,925
Non-current liabilities				
Interest bearing liabilities		1,125	-	1,125
Deferred tax liabilities	(i)	69,685	33,279	102,964
Provisions	(j)	10,860	22,824	33,684
Retirement benefit obligations	(e)	-	1,988	1,988
Other		12,407	-	12,407
Total non-current liabilities		94,077	58,091	152,168
Total liabilities		460,187	47,906	508,093
Net assets		585,563	(37,093)	548,470
EQUITY				
Contributed equity		512,775	-	512,775
Reserves	(a)	30,484	(17,997)	12,487
Retained earnings	(l)	32,525	(18,267)	14,258
Parent entity interest		575,784	36,264	539,520
Minority interest	(l)	9,779	(829)	8,950
Total equity		585,563	(37,093)	548,470

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

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

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
Current assets				
Cash and cash equivalents		21,646	-	21,646
Receivables		103,088	4,650	107,738
Inventories		66,706	-	66,706
Other		4,739	(4,650)	89
Total current assets		196,179	-	196,179
Non-current assets				
Receivables		19,108	-	19,108
Investments accounted for using the equity method	(c)	34,599	996	35,595
Other financial assets		32	-	32
Property, plant and equipment	(j)	611,957	1,463	613,420
Deferred tax assets	(i)	15,412	4,305	19,717
Intangible assets	(b),(d)	156,024	9,474	165,498
Total non-current assets		837,132	16,238	853,370
Total assets		1,033,311	16,238	1,049,549
LIABILITIES				
Current liabilities				
Payables		79,080	-	79,080
Interest bearing liabilities		215,501	-	215,501
Current tax liabilities		8,734	-	8,734
Provisions	(j)	26,661	(9,690)	16,971
Derivative financial instruments	(k)		105	105
Other		15,154	-	15,154
Total current liabilities		345,130	(9,585)	335,545
Non-current liabilities				
Interest bearing liabilities		1,094	-	1,094
Deferred tax liabilities	(i)	56,225	32,630	88,855
Provisions	(j)	9,977	22,595	32,572
Retirement benefit obligations	(e)		829	829
Other		102	-	102
Total non-current liabilities		67,398	56,054	123,452
Total liabilities		412,528	46,469	458,997
Net assets		620,783	(30,231)	590,552
EQUITY				
Contributed equity		512,775	-	512,775
Reserves	(a), (f)	30,499	(17,730)	12,769
Retained earnings	(l)	67,333	(11,633)	55,700
Parent entity interest		610,607	(29,363)	581,244
Minority interest	(l)	10,176	(868)	9,308
Total equity		620,783	(30,231)	590,552

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

(2) Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRS (AIFRS)

(a) Reconciliation of profit for the half-year ended 30 June 2004

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
Revenue	(h)	327,263	(6,140)	321,123
Cost of sales	(h)	(214,898)	6,085	(208,813)
Freight and distribution costs		(46,956)		(46,956)
Gross profit		65,409	(55)	65,354
Other income	(g)	4,051	(1,511)	2,540
Marketing costs		(5,104)	-	(5,104)
Administration costs	(e)	(21,270)	1,518	(19,752)
Other expenses	(b),(d)	(5,129)	5,129	-
Finance costs	(j),(k)	(7,031)	(1,080)	(8,111)
Share of profit (loss) from joint venture entities accounted for using the equity method	(c)	7,472	498	7,970
Profit before income tax		38,398	4,499	42,897
Income tax expense	(i)	(10,147)	2	(10,145)
Profit from continuing operations		28,251	4,501	32,752
Profit from discontinued operations	(g)	-	1,480	1,480
Profit for the half-year		28,251	5,981	34,232
Profit attributable to minority interest	(l)	(533)	31	(502)
Profit attributable to members of Adelaide Brighton Ltd		27,718	6,012	33,730

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

(b) Reconciliation of profit for the year ended 31 December 2004

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

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

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

(4) Notes to the reconciliations

(a) Foreign currency translation reserve: cumulative translation differences

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

(i) At 1 January 2004

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

(ii) At 30 June 2004

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

(iii) At 31 December 2004

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

(iv) For the half-year ended 30 June 2004

There is no effect on the Group.

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

(v) For the year ended 31 December 2004

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

(b) Goodwill amortisation

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

(i) At 1 January 2004

There is no effect on the Group.

(ii) At 30 June 2004

For the Group the balance in the intangibles is increased by \$5,074,213. Retained earnings are increased by the same amount.

(iii) At 31 December 2004

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

(iv) For the half-year ended 30 June 2004

The other expense for the half-year has decreased by \$5,074,213.

(v) For the year ended 31 December 2004

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

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

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

(i) At 1 January 2004

There is no effect on the Group.

(ii) At 30 June 2004

For the Group the balance in the investments is increased by \$498,000. Retained earnings are increased by this amount.

(iii) At 31 December 2004

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

(iv) For the half-year ended 30 June 2004

The share of profit from joint venture entities accounted for using the equity method for the half-year has increased by \$498,000.

(v) For the year ended 31 December 2004

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

(d) Impairment

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

(i) At 1 January 2004

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

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

(ii) At 30 June 2004

For the Group there has been a decrease in intangibles of \$737,057. Retained earnings has decreased by \$737,057.

(iii) At 31 December 2004

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

(iv) For the half-year ended 30 June 2004

The other expense for the half-year has decreased by \$24,570.

(v) For the year ended 31 December 2004

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

(e) Retirement benefit obligations

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

(i) At 1 January 2004

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

(ii) At 30 June 2004

For the Group there has been an increase of \$1,988,000 in retirement benefit obligations and a decrease in retained earnings of \$1,391,600. Deferred tax assets have increased by \$596,400.

(iii) At 31 December 2004

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

(iv) For the half-year ended 30 June 2004

The employee benefits expense for the half-year has decreased by \$1,516,000, finance costs increased by \$1,092,000 and income tax expense increased by \$677,400.

(v) For the year ended 31 December 2004

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

(f) Share-based payments

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

(i) At 1 January 2004

There is no effect on the Group.

(ii) At 30 June 2004

There is no effect on the Group.

(iii) At 31 December 2004

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

(iv) For the half-year ended 30 June 2004

There is no effect on the Group.

(v) For the year ended 31 December 2004

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

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

(g) Discontinued operations

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

(i) At 1 January 2004

There is no effect on the Group.

(ii) At 30 June 2004

There is no effect on the Group.

(iii) At 31 December 2004

There is no effect on the Group.

(iv) For the half-year ended 30 June 2004

For the Group the other income for the half-year has decreased by \$1,480,309 and profit from discontinued operation has increased by the same amount.

(v) For the year ended 31 December 2004

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

(h) Product swap arrangements

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

(i) At 1 January 2004

There is no effect on the Group.

(ii) At 30 June 2004

There is no effect on the Group.

(iii) At 31 December 2004

There is no effect on the Group.

(iv) For the half-year ended 30 June 2004

The revenue and the cost of sales for the half-year have been decreased by \$6,140,079.

(v) For the year ended 31 December 2004

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

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

(i) Income tax

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

(i) At 1 January 2004, at 30 June 2004 and at 31 December 2004

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

		1 January 2004 \$'000	30 June 2004 \$'000	31 December 2004 \$'000
	Notes			
Adjustments arising from adoption of AASB 112 booked to:				
Retained earnings		12,750	12,165	11,538
Asset Revaluation Reserve		20,644	20,644	20,644
Application of AASB 112 to adjustments arising from				
Provision for restoration costs	(j)	(3,241)	(3,336)	(3,433)
Retirement benefit obligations	(e)	(1,274)	(596)	(249)
Share based payments	(f)			(175)
Net increase in deferred tax liability		28,879	28,877	28,325

(ii) For the half-year ended 30 June 2004

For the Group this has decreased income tax expense by \$2,000.

(iii) For the year ended 31 December 2004

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

(j) Provision for close down and restoration costs

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

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

ABL Group has taken the exemption under AASB 1 and:

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

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

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

(i) At 1 January 2004

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

(ii) At 30 June 2004

For the Group there has been an increase in provisions by \$12,639,000 and increase in property, plant and equipment by \$1,518,000. Retained earnings decreased by \$7,785,000 and net deferred tax asset increased by 3,336,000.

(iii) At 31 December 2004

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

(iv) For the half-year ended 30 June 2004

The depreciation expense for the half-year has increased by \$55,047 and finance costs increased by \$259,444.

(v) For the year ended 31 December 2004

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

(k) Derivative financial instruments

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

(i) At 1 January 2004

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

(ii) At 30 June 2004

For the Group there has been an increase in derivative financial instruments asset by \$57,229 and retained earnings has increased by the same amount.

(iii) At 31 December 2004

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

(iv) For the half-year ended 30 June 2004

The finance costs for the half-year has decreased by \$272,031.

(v) For the year ended 31 December 2004

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

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

(I) Retained earnings

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

	Notes	1 January 2004 \$'000	30 June 2004 \$'000	31 December 2004 \$'000
Foreign currency translation reserve	(a)	(2,647)	(2,647)	(2,558)
Goodwill amortisation	(b)	-	5,074	10,185
Investments in Joint venture entities	(c)	-	498	996
Impairment	(d)	(762)	(737)	(712)
Retirement benefit obligations	(e)	(2,972)	(3,226)	(3,237)
Retirement benefit obligations – actuarial gains and losses	(e)	-	1,834	2,657
Share-based payments	(f)	-	-	(180)
Income tax	(i)	(12,750)	(12,165)	(11,538)
Provision for close down and restoration costs	(j)	(7,565)	(7,784)	(8,009)
Derivative financial instruments	(k)	(215)	57	(105)
Total adjustment		(26,911)	(19,096)	(12,501)
Attributable to:				
Equity holders of the parent		(26,113)	(18,267)	(11,633)
Minority interest		(798)	(829)	(868)
		(26,911)	(19,096)	(12,501)

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 37 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 consolidated entity's financial position as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the half 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.

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

M Chellew
Director

Dated at Sydney on the 18th day of August 2005

Auditors' Independence Declaration

PricewaterhouseCoopers
ABN 52 780 433 757

91 King William Street
ADELAIDE SA 5000
GPO Box 418
ADELAIDE SA 5001
DX 77 Adelaide
Australia
www.pwc.com/au
Telephone +61 8 8218 7000
Facsimile +61 8 8218 7999

As lead auditor for the review of Adelaide Brighton Ltd for the half year ended 30 June 2005,
I declare that to the best of my knowledge and belief, there have been:

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

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



DR Clark
Partner
PricewaterhouseCoopers

Adelaide
18 August 2005

Independent review report to the members of Adelaide Brighton Ltd

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Adelaide Brighton Ltd:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Adelaide Brighton Ltd Group (defined below) as at 30 June 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Adelaide Brighton Ltd Group (the consolidated entity), for the half-year ended 30 June 2005. The consolidated entity comprises both Adelaide Brighton Ltd (the company) and the entities it controlled during that half-year.

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

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present

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

fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



DR Clark
Partner

Adelaide
18 August 2005