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Adelaide Brighton Ltd
ACN 007 596 018

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15 February 2006

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

Dear Sir/Madam

Adelaide Brighton Appendix 4E Preliminary final report December 2005

We attach the following documents:

- ☐ Media Release
- ☐ Preliminary Final Report – Appendix 4E
- ☐ Results announcement for the year ended 31 December 2005 and management discussion

Yours faithfully

MRD Clayton
Company Secretary

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MEDIA STATEMENT

15 February 2006

Adelaide Brighton announces full year record net profit of \$87.8 million

Adelaide Brighton Ltd today reported a record net profit after tax and before tax consolidation benefits, of \$87.8 million for the full year ended 31 December 2005, an 10.8% increase over the corresponding prior period.

A fully franked increased dividend of 6.25 cents, payable on 5th April 2006, has been declared. This raises the 2005 full year dividend to 10.5 cents per share fully franked, a 40% increase over the previous year and reflects both the improved profitability and continuing strong operating cash flows of the company. The dividend payout ratio has been increased progressively over the last three years from a 47.3% base in 2003 to the current 62.6% for 2005.

The increase in dividend is backed by an 11% growth in earnings per share to 16.2 cents.

The profit increase of 10.8% before tax consolidation benefits reflects the strength of the company's broad national geographical spread, exposure to the growing resources sector and improvement in operating performance.

Commenting on the result, Mr Mark Chellew, Managing Director of Adelaide Brighton Ltd said, "This is a good result.

"The increase of 5% in sales revenues was achieved through growth in cement demand in our core markets and this, together with the continued improvement in operating performance, was the fundamental driver of the increase in profit.

"Cement demand increased overall due to strong growth in Western Australia, both from the construction and resources sectors and in South Australia and the Northern Territory from the resources sector. Demand in Victoria and Queensland continued to be robust, though demand in New South Wales was significantly below 2004 due to the decline in residential construction activity. The reduction in demand in New South Wales had a direct impact upon the performance of our Hy-Tec concrete and C&M Brick masonry products businesses.

"Overall lime volumes were level with 2004 as some periodic interruptions in key customers' demand in Western Australia offset by increased demand in the Northern Territory.

"Cement pricing improved during the year as selective price increases were achieved across most markets, recovering the impact of material, labour and energy cost increases, and provided some margin growth", said Mr Chellew.

"The company remains focussed on its strategy of limited downstream integration, operational improvement and the development of its lime business. The operational improvement programme made further advances in 2005 with the Birkenhead plant delivering record output and the Munster, Dongara, Angaston and Mataranka operations all performing either on or ahead of targets.

"An important part of Adelaide Brighton's downstream strategy is the expansion into aggregates. Phase 1 of the Austen Quarry development was completed in late 2005 with the commencement of commercial operations initially supplying internally to selected Hy-Tec plants to the west of Sydney.

"Commenting on the outlook for 2006, Mr Chellew said, "Cement demand is forecast to continue at similar levels to that of 2005 with growing pressures nationally for increased investment in infrastructure which may provide further balance to any regional weaknesses in the residential sector.

"A recovery in the housing sector is anticipated in New South Wales in the second half of 2006, and this improvement will have a direct benefit on the performance of Hy-Tec and C&M Brick.

"Lime demand in Western Australia is predicted to increase by over 300k tonnes by 2010 due to the planned capacity increases in the steel, aluminium, gold and nickel sector.

Adelaide Brighton Ltd is a leading integrated construction materials company with operations in all mainland states and territories of Australia and trades under the symbol ABC on the Australian Stock Exchange.

FOR FURTHER INFORMATION CONTACT:

**LUBA PRZEDWORSKI
GROUP CORPORATE AFFAIRS ADVISER
TELEPHONE 0418 535 636**



Adelaide Brighton Ltd

ACN 007 596 018

Adelaide Brighton Ltd

Preliminary Final Report

Appendix 4E

Year ended 31 December 2005

Results for announcement to the market

Company Name:	Adelaide Brighton Ltd
ABN:	15 007 596 018
Reporting period:	Financial year ended 31 December 2005
Previous corresponding period:	Financial year ended 31 December 2004
Release date:	15 February 2006

				A\$'000
Revenue from continuing operations and other income	up	5.0%	to	725,242
Profit after tax attributable to members before tax consolidation ¹	up	10.8%	to	87,833
Profit after tax attributable to members	down	-2.6%	to	90,924
Net profit for the period attributable to members	down	-2.6%	to	90,924

Dividends	Amount per security	Franked amount per security
Final dividend (current reporting period)	6.25¢	100%
Interim dividend (current reporting period)	4.25¢	100%
Final dividend (previous corresponding period)	4.00¢	100%

Record date for determining entitlements to the final dividend	7 March 2006
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Annual General Meeting

Pursuant to listing rule 3.13.1 notice is hereby given that the 2006 Annual General Meeting of Adelaide Brighton Ltd will be held on Tuesday 30 May 2006 in the Ballroom, Hyatt Regency Adelaide, North Terrace, Adelaide, SA commencing at 11am.

	31 Dec 2005	31 Dec 2004
Net tangible asset backing per ordinary share	\$0.87	\$0.78

¹ **Tax consolidation.** Adelaide Brighton elected to consolidate for tax purposes from year ended 31 December 2004. The calculation of the financial effect on the deferred tax balances of the Group has been recognised in the 2005 financial report, resulting in an additional tax benefit of \$3.1 million. This is in addition to the assessment made in 2004 of a tax benefit of \$14.0 million.



Adelaide Brighton Ltd

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Adelaide Brighton Ltd

Preliminary final report summary

Year ended 31 December 2005

KEY FEATURES OF FULL YEAR RESULT

- Record net profit after tax before tax consolidation of \$87.8 million ¹ - an increase of 10.8%
- Record sales revenue of \$723.2 million - an increase of 5.0%
- 40.0% increase in full year dividend to 10.5 cents per share
- 11.0% increase in earnings per share to 16.2 cents ¹ (14.6 cents pcg)
- A 2.7% increase in gearing² to 35.8% due to strategic asset acquisitions in the final quarter
- Interest cover increased to 9.6 times on an EBIT basis (8.1 times pcg)
- ABL has reported the full year results and 2004 comparatives for the first time in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS)
- The change to reporting under AIFRS does not affect the company's cash flow

FINANCIAL SUMMARY	12 Months ended 31 December		
(A\$millions)	2005	2004	% change pcg
Sales revenue ³	723.2	689.0	5.0
Depreciation	(47.0)	(51.4)	(8.6)
Earnings before interest and tax ("EBIT")	134.1	119.6	12.1
Net interest ⁴	(14.0)	(14.7)	(4.8)
Profit before tax	120.1	104.9	14.5
Tax expense on profit before tax	(32.3)	(25.8)	25.2
Net profit after tax before tax consolidation	87.8	79.1	11.0
Profit from discontinued operations	-	1.3	
Minority interest	-	(1.1)	
Net profit to members before tax consolidation	87.8	79.3	10.8
Tax benefit on implementation tax consolidation ⁵	3.1	14.0	
Net profit attributable to members	90.9	93.3	(2.6)
Earnings per share (cents) ¹	16.2	14.6	11.0
Dividends per share (cents)	10.5	7.5	40.0
Franking (%)			
- interim	100%	100%	-
- final	100%	100%	-
Net Debt (A\$ millions)	226.8	195.1	16.2
Net Debt/Equity (%)	35.8%	33.1%	2.7

¹ Before adjustment for the tax benefit on implementation of tax consolidation

² Net Debt/Equity

³ Sales revenue excludes interest revenue (included in revenue from continuing operations in financial report)

⁴ Net interest includes interest revenue (included in revenue from continuing operations in financial report)

⁵ Assessed adjustment to deferred tax balances on the implementation of tax consolidation



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Preliminary final report summary

Year ended 31 December 2005

REVIEW OF OPERATIONS

Operating revenue increased by 5.0% over the prior year to \$717.3 million as Adelaide Brighton benefited from its broad national geographical spread and exposure to the growing resources sector. Cement demand increased overall due to strong growth in Western Australia, both from the construction and resources sector.

Demand from the resource sector in South Australia and the Northern Territory also increased, though underlying construction activity in these markets was similar to those of 2004. Demand in Victoria and Queensland continued to be robust driven by continued levels of construction, though adverse weather in Queensland impacted sales the first quarter of the year.

Demand in New South Wales was below 2004 due to the decline in residential construction activity. This had a direct impact on the performance of both Hy-Tec and C&M Brick's results, both of which are more dependent on the residential sector in New South Wales.

Lime volume was level with 2004 with some periodic interruptions in demand in Western Australia offset by increased demand in the Northern Territory, the latter providing an important contribution to the overall company result.

Cement pricing improved during the year as selective price increases were achieved across most markets, recovering the impact of material, labour and energy cost increases, and providing some margin growth.

12 months to 31 December (A\$ millions)	2005	2004	% change
Operating revenue – sale of goods	717.3	683.3	5.0
Other revenue	5.9	5.7	
Sales revenue	723.2	689.0	5.0

The 2005 full year EBIT has been reported for the first time under Australian equivalents to International Financial Reporting Standards. A material 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 result. On a like for like basis EBIT has increased by 12.1% to \$134.1 million.

12 months to 31 December (A\$ millions)	2005	2004	% change
EBIT	134.1	107.0	
2004 restatement under AIFRS		12.6	
Reported EBIT	134.1	119.6	12.1

The increase in sales revenues together with the continued improvement in operating performance were the fundamental drivers behind the 14.5% increase in net profit before tax to \$120.1 million (2004 \$104.9 million). Underlying NPAT also increased by 10.8% before the impact of the one off tax consolidation benefits. 2004 took benefit from the \$1.3m profit on sale of Pavement Technology Limited.



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Year ended 31 December 2005

STRATEGIC DEVELOPMENTS

The company remains focussed on its strategy of limited downstream integration, operational improvement and the development of its lime business. The operational improvement programme made further advances in 2005 with the Birkenhead plant delivering record output and the Munster, Dongara, Mataranka (Western Australia) and Angaston (South Australia) operations all performing on or ahead of targets. This consistency in performance and improvements in supply logistics were key factors in meeting market demand and delivering the 2005 overall result.

The focus on cost improvement continues with regard to the alternative fuels programme at Birkenhead. The \$5.6 million investment in the demolition wood waste fuel handling and firing plant was completed in the final quarter of 2005 and achieved target volume throughput during the commissioning phase. Further investment in the alternative fuel joint venture has increased the supply capacity to meet the increase in Birkenhead demand.

Investment continued at Munster in improving kiln uptime in order to increase lime capacity and this improvement programme will continue into 2006. This investment will position the company to meet the next phase of increased lime demand from the Western Australian resource sector, projected from 2006.

The expansion into aggregates has become an important part of the downstream strategy and phase one of the Austen Quarry development was completed in late 2005. The quarry has now begun commercial operation and is supplying aggregates internally to selected internal Hy-Tec plants to the west of Sydney.

FINANCIAL REVIEW

Cash flow and borrowings

Cash flow from operations increased to \$123.4 million (\$115.7 million pcp) as improved profitability was offset by a \$7.0 million increase in income tax paid and \$22.7 million increase in working capital. The working capital increase was partly due to higher closing cement inventories resulting from the receipt of two import shipments in December and higher Birkenhead clinker inventories. The inventory increase results from timing differences and is not a permanent increase in working capital. Accounts receivable increased slightly in line with higher fourth quarter sales, though debtor days sales outstanding were level versus prior year. Accounts payable decreased due to lower capital expenditure related balances at the year end.

Year end borrowings increased to \$226.8 million (\$195.1 million pcp) due to the \$8.1 million increase in dividends paid, higher tax payments and a \$52.6 million increase in capital investment.

Capital expenditure

Capital expenditure of \$102.7 million for the year exceeded the \$80.0 million half year guidance due to the \$21.0 million investment in the leasehold site and assets at Port Kembla, and the Mascot ready mixed plant site. Adelaide Brighton's ownership of these sites substantially improves the company's long-term strategic position in the New South Wales market. In addition a \$4.5 million investment was made acquiring strategic sand reserves in New South Wales.

Other major capital expenditure projects also included phase one of the Austen quarry, Birkenhead alternative fuel handling, Munster electrostatic precipitator and the C&M Brick plant upgrade investments. The underlying sustaining capital expenditure for the year was \$32.5 million.



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Year ended 31 December 2005

Dividend

The final fully franked dividend has been increased to 6.25 cents per share, raising the full year dividend to 10.5 cents per share, a 40% increase over 2004. This increased dividend reflects the improved profitability and continuing strong cash flow of the company and the increase in earnings per share to 16.2 cents (14.6 cents pcg). Dividend cover at 1.5 compares with the 2.0 for the pcg. The payout ratio has been increased progressively over the last three years from a 47.3% base in 2003 to 62.6% for 2005.

Tax

The tax consolidation legislation gives wholly owned groups the option to be treated as a single tax Group. Adelaide Brighton elected to consolidate for tax purposes from the year ended 31 December 2004. The calculation of the financial effect on the deferred tax balances of the Group has been recognised in this financial report, resulting in a further one-off tax benefit of \$3.1 million. This tax credit is additional to the \$14.0 million tax benefit reported in the accounts for the year ended 31 December 2004.

This additional tax benefit has resulted from the step up of the detailed asset revaluations within the company asset registers and the calculation of tax depreciation on this revised tax base. The re-calculation of the future tax depreciation charge has supported our 2004 assessment and given rise to the quantification of this additional deferred income tax benefit.

OUTLOOK

Cement demand is forecast to continue at similar levels to that of 2005. There are also growing pressures nationally for increased investment in infrastructure which may provide further balance to any regional weaknesses in the residential sector.

A recovery in the housing sector is anticipated in New South Wales in the second half of 2006, and this will have a direct benefit on the performance of Hy-Tec and C&M Brick. Lime demand in Western Australia is predicted to increase by over 300k tonnes by 2010 due to the planned capacity increases in the steel, aluminium, gold and nickel sector.

World cement supply remains tight and while shipping costs have reduced to more normal levels, import competition activity is expected to remain at low levels due to the strong vertical integration in the market. This together with increasing cost pressures from labour, materials and energy will provide the impetus for price increases in most markets.

M Chellew

Managing Director

15 February 2006

For further information contact:

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Mobile 0439 492 392

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Group Corporate Affairs Adviser
Mobile: 0418 535 636



Adelaide Brighton Ltd

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Preliminary final report summary

Year ended 31 December 2005

Consolidated income statement

For the year ended 31 December 2005

	Notes	2005 \$'000	2004 \$'000
Revenue	3	717,336	683,350
Cost of sales		(464,360)	(444,727)
Freight and distribution costs		(94,885)	(92,050)
Gross profit		158,091	146,573
Other income		7,906	7,381
Marketing costs		(10,952)	(9,890)
Administration costs		(38,571)	(38,579)
Other expenses		-	(940)
Finance costs		(15,942)	(16,411)
Share of net profits of joint venture entities accounted for using the equity method	7	19,629	16,761
Profit before income tax		120,161	104,895
Income tax expense		(29,205)	(11,748)
Profit from continuing operations		90,956	93,147
Profit from discontinued operations		-	1,265
Net profit		90,956	94,412
Net (profit) attributable to minority interests		(32)	(1,099)
Net profit attributable to members of Adelaide Brighton Ltd		90,924	93,313
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share		16.8	17.0
Diluted earnings per a share		16.7	17.0
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	5	16.8	17.2
Diluted earnings per a share	5	16.7	17.2
Alternative basic earnings per share	5	16.2	14.6

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

Consolidated balance sheet

As at 31 December 2005

	2005 \$'000	2004 \$'000
Current assets		
Cash assets	24,603	21,646
Receivables	110,957	107,738
Inventories	75,391	66,706
Other	31	89
Total current assets	<u>210,982</u>	<u>196,179</u>
Non-current assets		
Receivables	23,365	19,108
Investments accounted for using the equity method	38,062	35,595
Other financial assets	32	32
Property, plant and equipment	665,619	613,420
Deferred tax assets	18,963	19,717
Intangible assets	164,995	165,498
Total non-current assets	<u>911,036</u>	<u>853,370</u>
Total assets	<u>1,122,018</u>	<u>1,049,549</u>
Current liabilities		
Payables	72,988	79,080
Interest bearing liabilities	250,425	215,501
Current tax liabilities	20,347	8,734
Provisions	24,146	24,171
Derivative financial instruments	31	105
Other	13,784	15,154
Total current liabilities	<u>381,721</u>	<u>342,745</u>
Non-current liabilities		
Interest bearing liabilities	971	1,094
Deferred tax liabilities	79,293	90,459
Provisions	24,537	25,372
Retirement benefit obligations	1,418	829
Other	102	102
Total non-current liabilities	<u>106,321</u>	<u>117,856</u>
Total liabilities	<u>488,042</u>	<u>460,601</u>
Net assets	<u>633,976</u>	<u>588,948</u>
Equity		
Parent entity interest		
Contributed equity	513,255	512,775
Reserves	14,034	12,769
Retained profits	98,412	54,096
Total parent entity interest	<u>625,701</u>	<u>579,640</u>
Minority interests	8,275	9,308
Total equity	<u>633,976</u>	<u>588,948</u>

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

Consolidated statement of recognised income and expense

For the year ended 31 December 2005

	2005 \$'000	2004 \$'000
Exchange differences taken to equity	59	(42)
Actuarial gain / (loss) on defined benefit plan	(1,564)	2,657
Employee share options	836	257
Income tax on items taken directly to or transferred from equity	43	98
Net income recognised directly in equity	(626)	2,970
Net profit for the period	90,956	94,412
Total recognised income and expense for the period	90,330	97,382
Attributable to:		
Members of Adelaide Brighton Ltd	90,298	96,283
Minority interests	32	1,099

The above consolidated statement of recognised income and expense should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 31 December 2005

	2005 \$'000	2004 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	783,288	744,144
Payments to suppliers and employees (inclusive of goods and services tax)	(642,238)	(615,804)
Joint venture distributions received	17,162	14,809
Interest received	1,930	1,610
Other revenue	4,997	5,699
Interest paid	(13,864)	(13,983)
Income taxes paid	(27,843)	(20,795)
Net cash inflow from operating activities	<u>123,432</u>	<u>115,680</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(102,731)	(50,126)
Payments for controlled entities and operations	(6,000)	(5,819)
Proceeds from sale of property, plant and equipment	2,939	660
Proceeds from sale of controlled entities	-	6,217
Loans to joint ventures and other related parties	(4,257)	(6,919)
Net cash (outflow) from investing activities	<u>(110,049)</u>	<u>(55,987)</u>
Cash flows from financing activities		
Proceeds from issue of shares	480	-
Proceeds from borrowings	250,000	240,000
Repayment of borrowings	(215,199)	(254,606)
Dividends paid to company's shareholders	(44,716)	(36,576)
Dividends paid to outside equity interests in controlled entities	(1,064)	(889)
Net cash inflow (outflow) from financing activities	<u>(10,499)</u>	<u>(52,071)</u>
Net increase in cash held	2,884	7,622
Cash at the beginning of the reporting period	21,646	14,167
Cash balances in controlled entities acquired or disposed	-	(91)
Effects of exchange rate changes on cash and cash equivalents	73	(52)
Cash at the end of the reporting period	<u>24,603</u>	<u>21,646</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 31 December 2005

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Appendix 4E are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Appendix 4E includes preliminary financial statements for the consolidated entity consisting of Adelaide Brighton Ltd and its subsidiaries.

(a) Basis of preparation

This report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

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

These preliminary financial statements are the first Adelaide Brighton Ltd financial statements 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 2005 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. The comparative figures in respect of 2004 have been restated to reflect these adjustments.

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 10.

Early adoption of standard

The Group has elected to apply AASB 119 *Employee Benefits* (issued in December 2004) to the annual reporting period beginning on 1 January 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.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Adelaide Brighton Ltd ("the Company") as at 31 December 2005 and the results of all controlled entities for the year then ended. The Company and its controlled entities together are referred to in this preliminary 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)).

Notes to the financial statements

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

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.

(ii) Joint venture entities

The interest in joint ventures is accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of the post acquisition profits or losses of the joint venture is recognised in the income statement, and the share of movements in post acquisition reserves is recognised in consolidated reserves in the balance sheet. The cumulative post acquisition movements are adjusted against the cost of the investment.

Profits or losses on transactions establishing the joint ventures and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint ventures on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Notes to the financial statements

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(e) Revenue recognition

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

(i) Sales revenue

Sales revenue comprises revenue earned from the provision of goods to entities outside the consolidated entity 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.

(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.

Notes to the financial statements

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

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(s)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

Notes to the financial statements

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(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) Loans and receivables

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

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

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.

(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.

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

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

Notes to the financial statements

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(q) 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(r)).

(i) Mineral reserves

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

(ii) Complex assets

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

(iii) Leasehold improvements

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

(iv) Other fixed assets

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

(r) 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(q). All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the financial statements

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(s) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/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.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(u) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, nil in the current period (2004 - nil).

(v) Trade and other payables

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

(w) Provisions

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

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

Notes to the financial statements

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(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.

Notes to the financial statements

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(x) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave, sick leave and other current employee entitlements are accrued in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. 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 (e.g. taxes on investment income and employer contributions) are taken into account in measuring the relevant components of the employer's defined benefit liability (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.

Notes to the financial statements

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(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.

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 a 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.

(y) Contributed equity

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

Notes to the financial statements

For the year ended 31 December 2005

1 Summary of significant accounting policies (continued)

(z) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

(aa) Rounding of amounts

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

Notes to the financial statements

For the year ended 31 December 2005

2 Segment reporting

Year 2005	Construction and Mining Materials \$'000	Building Products \$'000	Other \$'000	Inter- segment eliminations/ unallocated \$'000	Total continuing operations \$'000	Discontinued operation (note 8) \$'000	Consolidated \$'000
Total segment revenue	626,167	91,169	-	-	717,336	-	717,336
Shares of net profits of associates and joint ventures	19,629	-	-	-	19,629	-	19,629
Unallocated revenue	5,016	727	172	-	5,915	-	5,915
Total revenue and other income	650,812	91,896	172	-	742,880	-	742,880
Segment result	141,449	2,951	(10,228)	-	134,112	-	134,112
Net interest expense				(13,951)	(13,951)	-	(13,951)
Profit before income tax					120,161	-	120,161

Year 2004	Construction and Mining Materials \$'000	Building Products \$'000	Other \$'000	Inter- segment eliminations/ unallocated \$'000	Total continuing operations \$'000	Discontinued operation (note 8) \$'000	Consolidated \$'000
Total segment revenue	591,366	91,984	-	-	683,350	-	683,350
Inter-segment sales	2,464	-	-	(2,464)	-	-	-
Shares of net profits of associates and joint ventures	16,761	-	-	-	16,761	-	16,761
Unallocated revenue	4,583	488	622	-	5,693	1,265	6,958
Total revenue and other income	615,174	92,472	622	(2,464)	705,804	1,265	707,069
Segment result	124,524	8,666	(13,574)	-	119,616	1,265	120,881
Net interest expense				(14,721)	(14,721)	-	(14,721)
Profit before income tax					104,895	1,265	106,160

Notes to the financial statements

For the year ended 31 December 2005

3 Operating profit

	Consolidated	
	2005	2004
	\$'000	\$'000
Revenue from continuing operations		
Sale of goods	717,336	683,350
<i>Other income</i>		
Interest revenue	1,991	1,690
Other income	5,915	5,691
	<u>7,906</u>	<u>7,381</u>
Revenue from continuing operations	<u>725,242</u>	<u>690,731</u>

Net gains and expenses

Profit before income tax includes the following expenses;

Depreciation		
Buildings	1,815	2,204
Plant and equipment	43,897	48,038
Mineral reserves	1,284	1,204
	<u>46,996</u>	<u>51,446</u>
Amortisation		
Other intangibles	500	449
Total amortisation	<u>500</u>	<u>449</u>
Finance costs		
Interest and finance charges paid / payable	13,864	13,811
Exchange gains on foreign currency forward contracts	(74)	(110)
Unwinding of the discount on restoration provisions and retirement benefit obligation	2,152	2,710
Total finance costs	<u>15,942</u>	<u>16,411</u>

Items requiring specific disclosure

Net profit includes the following items and their disclosure is relevant in explaining the financial performance of the Group:

Tax benefit resulting from adjustment to deferred tax balances on implementation of tax consolidation	3,091	13,969
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4 Dividends

Dividends provided or paid during the year

2005 interim dividend of 4.25 cents (2004 – 3.5 cents) per fully paid ordinary share, franked at 100% (2004 – 100%) paid on 6 October 2005.	23,042	18,965
2004 final dividend of 4.0 cents (2003 – 3.25 cents) per fully paid ordinary share, franked at 100% (2003 – 100%) paid on 30 March 2005.	21,674	17,610
	<u>44,716</u>	<u>36,575</u>

Dividends not recognised at the end of the year

Since the end of the year the Directors have recommended the payment of a final dividend of 6.25 cents (2004 – 4.0 cents) per fully paid ordinary share, franked at 100% (2004 – 100%). The aggregate amount of the proposed final dividend expected to be paid on 5th April 2006, not recognised as a liability at the end of the reporting period, is

33,885	21,674
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Notes to the financial statements

For the year ended 31 December 2005

5 Earnings per share

	2005 Cents	2004 Cents
Basic earnings per share	16.8	17.2
Diluted earnings per share	16.7	17.2
Alternative basic earnings per share	16.2	14.6

The alternative basic earnings per share has been calculated to exclude the impact in the financial report for the implementation of tax consolidation in order to make the earnings per share amount for the current year comparable with the prior year.

Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

	2005 Number	2004 Number
	542,063,795	541,861,007

Reconciliations of earnings used in calculating earnings per share

	Consolidated 2005 \$'000	2004 \$'000
Basic earnings per share		
Net profit before significant items	87,865	80,443
Net profit attributable to outside equity interest	(32)	(1,099)
Earnings used in calculating alternative basic earnings per share	87,833	79,344
Tax benefit on implementation of tax consolidation	3,091	13,969
Earnings used in calculating basic earnings per share	90,924	93,313

6 Retained profits

Accumulated profits (losses) at the beginning of the financial year	54,096	(5,299)
Net profit attributable to members of Adelaide Brighton Ltd	90,924	93,313
Actuarial gain / (loss) on defined benefit plan	(1,892)	2,657
Dividends provided for or paid	(44,716)	(36,575)
Accumulated profits at the end of the financial year	98,412	54,096

7 Investments in joint ventures and associates

Investments in joint ventures and associates 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	10,937	9,070	10,937	9,070
Independent Cement & Lime Pty Ltd	50	50	8,738	7,493	8,738	7,493
Alternative Fuel Company Pty Ltd	50	50	-	-	-	-
Unrealised profit in inventory					(46)	198
Share of profits equity accounted					19,629	16,761

Notes to the financial statements

For the year ended 31 December 2005

8 Discontinued operations

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

The consolidated group divested its interest in Adelaide Brighton Cement (Netherlands) B.V. effective 1 July 2004.

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

	Consolidated 2005 \$'000	2004 \$'000
(a) Financial performance and cash flow information		
Revenue	-	-
Expenses	-	-
Profit before income tax	-	-
Income tax expense	-	-
Profit after income tax of discontinued operations	-	-
Gain on sale of controlled entities before income tax	-	1,265
Income tax expense	-	-
Gain on sale of controlled entities after income tax	-	1,265
Profit from discontinued operations	-	1,265
Net cash inflow (outflow) from ordinary activities	-	-
Net cash inflow (outflow) from investing activities	-	1,265
Net cash inflow (outflow) from financing activities	-	-
Net increase in cash generated by the discontinued operations	-	1,265
(b) Carrying amounts of assets and liabilities		
The carrying amounts of assets and liabilities as at 1 July 2004.		
Property, plant and equipment	-	4,780
Deferred tax asset	-	513
Receivables	-	5,237
Inventories	-	27
Cash	-	39
Total assets	-	10,596
Payables	-	3,846
Deferred tax liability	-	779
Provisions	-	1,018
Total liabilities	-	5,643
Net assets	-	4,952
(c) Details of the sale of the controlled entities		
Consideration received or receivable:		
Cash	-	6,217
Total disposal consideration	-	6,217
Carrying amount of net assets sold	-	(4,952)
Net gain on sale	-	1,265

Notes to the financial statements

For the year ended 31 December 2005

9 Events occurring after reporting date

No matter or circumstance has arisen since 31 December 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.

Audit statement

This report is based on accounts to which one of the following applies.

☐

The accounts have been audited.

☐

The accounts have been subject to review.

☒

The accounts are in the process of being audited or subject to review.

☐

The accounts have not yet been audited or reviewed.

10 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	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
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), (m)	30,421	(3,455)	26,966
Derivative financial instruments	(k)	-	215	215
Other		3,606	-	3,606
Total current liabilities		348,601	(3,240)	345,361
Non-current liabilities				
Payables		6,000	-	6,000
Interest bearing liabilities		1,360	-	1,360
Deferred tax liabilities	(i)	67,550	35,491	103,041
Provisions	(j), (m)	11,177	15,834	27,011
Retirement benefit obligations	(e)	-	4,246	4,246
Other		12,407	-	12,407
Total non-current liabilities		98,494	55,571	154,065
Total liabilities		447,095	52,331	499,426
Net assets		575,628	(46,512)	529,116
EQUITY				
Contributed equity		512,775	-	512,775
Reserves	(a)	30,453	(17,997)	12,456
Retained earnings	(l)	22,417	(27,717)	(5,299)
Parent entity interest		565,645	(45,714)	519,931
Minority interest		9,983	(798)	9,185
Total equity		575,628	(46,512)	529,116

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

(b) 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), (m)	26,661	(2,490)	24,171
Derivative financial instruments	(k)		105	105
Other		15,154	-	15,154
Total current liabilities		345,130	(2,385)	342,745
Non-current liabilities				
Interest bearing liabilities		1,094	-	1,094
Deferred tax liabilities	(i)	56,225	34,234	90,459
Provisions	(j), (m)	9,977	15,395	25,372
Retirement benefit obligations	(e)		829	829
Other		102	-	102
Total non-current liabilities		67,398	50,458	117,856
Total liabilities		412,528	48,073	460,601
Net assets		620,783	(31,835)	588,948
EQUITY				
Contributed equity		512,775	-	512,775
Reserves	(a), (f)	30,499	(17,730)	12,769
Retained earnings	(l)	67,333	(13,237)	54,096
Parent entity interest		610,607	(30,967)	579,640
Minority interest	(l)	10,176	(868)	9,308
Total equity		620,783	(31,835)	588,948

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

(a) 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 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.

(iii) For the year ended 31 December 2004

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

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

(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:

(ii) 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.

(ii) 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 31 December 2004

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

(iii) 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.

(ii) At 31 December 2004

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

(iii) 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 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.

(iii) 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.

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

(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 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.

(ii) 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.

(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 31 December 2004

There is no effect on the Group.

(iii) 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 31 December 2004

There is no effect on the Group.

(iii) For the year ended 31 December 2004

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

(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:

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

(i) At 1 January 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%):

	Notes	1 January 2004 \$'000	31 December 2004 \$'000
Adjustments arising from adoption of AASB 112 booked to:			
Retained earnings		14,354	13,142
Asset Revaluation Reserve		20,644	20,644
Application of AASB 112 to adjustments arising from			
Provision for restoration costs	(j)	(3,241)	(3,433)
Retirement benefit obligations	(e)	(1,274)	(249)
Share based payments	(f)		(175)
Net increase in deferred tax liability		30,483	29,929

(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:

- (a) Measured the liability as at the date of transition to AIFRS in accordance with AASB 137 Provisions, Contingent liabilities and Contingent assets.
- (b) 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.
- (c) 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:

(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 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.

(iii) 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.

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

(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 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.

(iii) For the year ended 31 December 2004

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

(l) Retained earnings

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

		1 January 2004 \$'000	30 June 2004 \$'000	31 December 2004 \$'000
	Notes			
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)	(14,354)	(13,769)	(13,142)
Provision for close down and restoration costs	(j)	(7,565)	(7,784)	(8,009)
Derivative financial instruments	(k)	(215)	57	(105)
Total adjustment		(28,515)	(20,700)	(14,105)
Attributable to:				
Equity holders of the parent		(29,313)	(21,529)	(14,973)
Minority interest		(798)	(829)	(868)
		(28,515)	(20,700)	(14,105)

(m) Annual leave and long service leave provisions

Under previous AGAAP, liabilities for annual leave and long service leave expected to be settled later than 12 months of the reporting date were classified as non-current. Under AIFRS, all annual leave provisions are classified as current and only portion of long service leave liability, for employees with 10 and more years of service, remains to be non-current.

(i) At 1 January 2004

For the Group there has been an increase in current provisions by \$7,200,000 and non-current provisions retained decreased by the same amount.

(ii) At 31 December 2004

For the Group there has been an increase in current provisions by \$7,200,000 and non-current provisions retained decreased by the same amount.