ADELAIDE BRIGHTON LTD
AND ITS CONTROLLED ENTITIES
ABN 15 007 596 018

FINANCIAL REPORT
FOR THE 12 MONTH PERIOD
1 JANUARY 2013 TO 31 DECEMBER 2013

Adelaide Brighton Ltd registered office:

Level 1, 157 Grenfell Street, Adelaide SA 5000

Directors' report

The Directors present their report on the consolidated entity (the Group) consisting of Adelaide Brighton Ltd (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2013.

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

L V Hosking
R D Barro
G F Pettigrew
K B Scott-Mackenzie
A M Tansey
M P Chellew

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

Review of operations
A summary of the financial results for the year ended 31 December 2013 is set out below:

	2013 $ million	2012[1] $ million
Revenue	**1,228.0**	1,183.1
Depreciation and amortisation	**(70.6)**	(65.2)
Earnings before interest and tax ("EBIT")	**222.7**	222.1
Net interest	**(14.1)**	(14.6)
Profit before tax	**208.6**	207.5
Income tax expense	**(57.5)**	(54.6)
Net profit after tax	**151.1**	152.9
Attributable to:		
Members of Adelaide Brighton Ltd	**151.1**	153.0
Non-controlling interests	**-**	(0.1)
Basic earnings per share (cents)	**23.7**	24.0
Ordinary dividend per share (cents)	**16.5**	16.5
Special dividend per share (cents)	**3.0**	-
Franking (%)	**100%**	100%
Net debt	**248.0**	310.5
Net debt/equity (%)	**23.4%**	30.9%

[1] Financial information for the 31 December 2012 year has been restated due to changes in accounting policies as set out in Note 42 to the Financial Statements.

2013 net profit after tax attributable to members of the Company decreased 1.2% compared to the prior year to $151.1 million. Excluding a $7.6 million gain in 2012 from fair value accounting on an acquisition, net profit after tax (NPAT) was $5.8 million (3.9%) higher than 2012. Revenue of $1,228.0 million increased by 3.8% due to continued demand from project work in South Australia and the resources sector in Western Australia and the Northern Territory and a recovery in residential construction in New South Wales which offset lower demand in Victoria. Demand from the non-residential building sector remain subdued, while residential building generally improved across the majority of markets in the second half of the year.

Earnings before interest and tax (EBIT) increased by 0.3% to $222.7 million. Excluding the gain on acquisition of $7.6 million in 2012, EBIT margin (EBIT divided by revenue) was stable despite input cost pressures, particularly energy and labour costs, higher depreciation costs and a reduction in contribution from joint ventures. The benefit from the Company's capital investments and operational improvement program and modest increases in selling prices offset the impact of the higher costs. Operational improvement initiatives delivered $20.2 million in benefits in the year, including $8.0 million in cost savings resulting from the newly commissioned grinding mill at Birkenhead, South Australia.

Profit before tax increased 0.5% to $208.6 million. Net interest decreased by 3.4% to $14.1 million due to reduced borrowings and historically low interest rates that more than offset the impact of a reduction in capitalised interest.

Cement

Cement and clinker sales volumes increased marginally due to demand from projects in South Australia and resource projects in Western Australia and the Northern Territory. While non-residential demand remained subdued, residential demand improved in the second half of the year. Despite an improvement in the second half of the year, sales to Victoria declined for the year, negatively impacted by a weak residential sector. Clinker sales to Sunstate Cement improved throughout the year, with strengthening demand in south east Queensland.

Selling price increases were modest due to competitive pressures and the high Australian Dollar. EBIT margins were in line with 2012 as higher input costs were offset by the benefits of operational improvements. Energy costs increased at almost 10% over the prior year, driven by higher electricity prices in South Australia and the $4.2 million NPAT impact of the carbon tax. The Company employs a number of strategies to mitigate rising energy costs including the use of fixed price contracts for a portion of energy requirements, the use of alternate fuels, management of demand during extreme price movements and the continual review for operational improvement.

Operational improvement programs delivered benefits of $20.2 million. Of this, approximately $8 million relates to the new cement mill at Birkenhead, approximately $5 million to the management of energy costs, including the use of alternative fuels and circa $3 million from labour and overhead savings.

Adelaide Brighton is Australia's largest importer of cement and clinker and has an unmatched network of import terminals that provide cost competitive access to all mainland capital city markets and regional north west Western Australia. Adelaide Brighton imports of cementitious products, including clinker, cement and blast furnace slag, were approximately 1.6 million tonnes in 2013.

The use of foreign exchange hedges initiated in the first half of the year and a higher proportion of imports being denominated in Japanese Yen maintained margins on imported products despite the weakening of the Australian Dollar.

Lime

Lime sales volumes were consistent with 2012 which was below expectations. Sales volumes to the non-alumina sector declined during the year with gold mine closures resulting in an annualised reduction in overall volumes of 3%. Demand from the alumina sector improved versus the previous year.

The Company completed the capital investment in the two lime kilns at the Munster, Western Australia plant, delivering a benefit to EBIT of $3.0 million during the year. In addition to increasing production capacity by 25%, the upgrade has provided significant operating and environmental improvements, positioning the Company to effectively compete with imported product.

Modest price growth and efficiency improvements offset rising input costs, including energy, labour and depreciation, to increase EBIT and EBIT margins.

Concrete and Aggregates

Concrete volumes improved modestly, as a recovery in demand in the second half of the year offset a soft first half. Volumes increased in New South Wales and Queensland, offsetting subdued conditions in Victoria. Demand from the housing sector has improved in most markets, led by strength in the multi-residential market in Sydney.

Aggregate sales volumes declined marginally due to delays in sales to sections of the Pacific Highway upgrade until late in the year and into 2014. Returns from the Austen quarry in New South Wales continue to improve with better pricing and volumes increasing in line with market demand.

Modest price increases were achieved across the majority of markets despite the mixed operating environment. Pricing pressure was evident in Queensland and Victoria.

Concrete Products

Sales volumes declined in 2013 due to subdued demand. Sales to the commercial sector declined, while the residential sector improved, particularly in the second half of the year, led by New South Wales.

Profitability improved modestly over 2012 through improved prices and cost savings. Redundancy costs as a result of the continued rightsizing of the business were $1.5 million, compared to $1.2 million in 2012. The mothballing of excess capacity and reduction in labour costs led to an improvement in profitability in the second half of the year. The restructuring reduced costs, while maintaining flexibility to participate in the market recovery.

Joint Ventures and Associates

Independent Cement and Lime (ICL) reported a decline in earnings as demand softened due to weakness in the Victorian market, higher input costs and competitive pressures on prices and volumes.

Sunstate Cement reported lower earnings, with the south east Queensland market continuing to be challenging although a recovery in demand was evident in the second half of the year. Competitive pressures limited the ability to recover increases to input costs.

The Mawsons concrete and aggregates joint venture reported a decline in earnings and volumes as a result of the weaker general construction market, completion of flood reconstruction projects and pressure on prices.

Aalborg Portland Malaysia Sdn. Bhd. (APM) earnings were better than expected and broadly in line with 2012. The prior year was supported by the recognition of government investment allowances, while 2013 reflects the first full year of returns from Adelaide Brighton's investment in APM.

Operational results

Cash Flow

Cash flow from operations increased by $40.4 million to $227.3 million due to strong underlying operating performance and management of working capital. The substantial completion of the major capital expenditure program in the Cement and Lime division and improved proceeds from the sale of property reduced the cash outflow from investing activities by $86.0 million. Capital expenditure of $67.9 million included:

- $13.9 million for the upgrade of Munster kiln 5 and 6 projects;
- $4.7 million on the upgrade of Birkenhead, including new cement mill and upgrade of ship loading facilities; and
- $0.9 million relating to deferred settlement on acquisitions from prior years.

The improvement in operating cash flow and reduction in cash outflow from investing allowed for the repayment of $60.2 million in borrowings throughout the year.

Balance Sheet

Working capital decreased in 2013 primarily due to the timing of cash flows related to the carbon tax. Inventory, trade and other receivables and trade and other payables increased by $1.5 million, $12.2 million and $10.4 million respectively. Carbon tax assets and liabilities at December 2013 reflect a full year of the carbon tax, compared to only a half year at December 2012, with a resulting increase in provisions, while carbon tax assets are relatively stable given the timing of industry assistance.

Net debt decreased $62.5 million to $248.0 million, reducing the net debt to equity gearing ratio to 23.4%, which is below the lower end of the Board's target range of 25% to 45%. The Company refinanced its $500 million debt facilities during the year, extending the maturity profile and improving borrowing margins. The maturity profile of the debt facilities is:

Facility expiry date	1 July 2015	1 July 2016
Facility value	$300 million	$200 million

A recovery in the market values of investments of Adelaide Brighton's defined benefit fund, higher discounting rates associated with increasing government bond rates and contributions from the Company have reduced the funding shortfall in the plan from $8.0 million in 2012 to $0.5 million.

Income Statement

Other income declined from $9.7 million to $4.7 million in 2013, as the 2012 other income included the $7.6 million fair value accounting gain.

Finance costs declined from $17.1 million to $15.9 million due to lower levels of debt and low interest rates, offsetting a reduction in capitalised interest associated with the completion of the Company's $112 million capital expenditure program.

Tax expense of $57.5 million increased $2.9 million over 2012, with the effective tax rate increasing from 26.3% to 27.6%. The 2012 effective tax rate benefitted from the non-taxable accounting gain of $7.6 million.

An actuarial gain of $7.6 million was recognised in other comprehensive income as a result of the improvement in investment values and favourable changes in other actuarial assumptions relating to the Group's defined benefit superannuation plan.

Dividends paid or declared by the Company

During the 2013 financial year, the following dividends were paid:

- A final dividend in respect of the year ended 31 December 2012 of 9.0 cents per share (fully franked) was paid on 16 April 2013. This dividend totalled $57,364,874.
- An interim dividend in respect of the year ended 31 December 2013 of 7.5 cents per share (fully franked) was paid on 9 October 2013. This dividend totalled $47,884,281.

Since the end of the financial year the Directors have approved the payment of a final dividend of 12.0 cents per share (fully franked), comprising a final ordinary dividend of 9.0 cents per share and a special dividend of 3.0 cents per share. The final dividend is to be paid on 15 April 2014.

State of affairs

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

Events subsequent to the end of the financial year

In February 2014, the Directors approved a strategy to rationalise the production of clinker at its Munster site in Western Australia. It is proposed to reduce the volume of clinker produced at the site during 2014. Subject to all necessary legal and supply chain arrangements being in place, it is intended that by 2016 all of the 400,000 tonnes of clinker previously produced at Munster will be replaced by imported clinker, which will be milled into cement utilising the Kwinana import facility and the existing cement mills at Munster.

As at the date of this report, no other matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Company anticipates demand for cement and clinker in 2014 to be similar to 2013 levels. Demand from projects in Western Australia and the Northern Territory, and a recovery in the residential sector is expected to balance continued weakness in the non-residential sector and a decline in project demand in South Australia.

The operational improvement program and extracting further benefits from the recently commissioned capital upgrades and enhancements will be a particular focus to support margins in the current financial year. In particular, the Company will focus on consolidating returns from the cement mill upgrade at Birkenhead in South Australia, which were only partly realised in 2013.

Lime sales volumes are expected to be similar to 2013 with increased demand from the alumina sector expected to offset weakness in demand from gold producers. The threat of small scale lime imports in Western Australia and the Northern Territory remains but further price increases are expected from major contracts.

It is anticipated that the removal of the carbon tax by 1 July 2014 could provide an after tax benefit of circa $2 million compared to 2013. However there is political uncertainty around the repeal process and a significant component of these savings is dependent on a reduction in energy costs from suppliers.

While first half 2014 imports have been fully hedged for foreign currency risk, the deterioration in the Australian Dollar will increase the direct cost of imported materials for Adelaide Brighton. Assuming the value of the Australian Dollar remains at around Yen90 and USD0.90, costs are expected to increase by circa $6 million, prior to mitigation through price increases.

Management will continue to focus on efficiency in masonry, pre-mixed concrete and aggregates as demand improves due to an anticipated recovery in residential construction. Further improvements in concrete and aggregates, and concrete masonry products prices are expected with price increases announced for 2014.

Adelaide Brighton has implemented a successful long term strategy to grow shareholder value through investment in three key areas:

- Operational improvement;
- Growth in the lime business; and
- Vertical integration into downstream markets.

The Company has recently completed its $112 million investment to improve capacity, efficiency and sustainability in the Cement and Lime division. These programs which are expected to be accretive to long term shareholder value, have improved the environmental performance and provided additional capacity to our lime kilns at Munster, Western Australia, and expanded cement milling capacity at Birkenhead, South Australia.

In 2013, reduced capital expenditure and strong operating cash flow has allowed debt repayments, leading to a reduction in gearing from 30.9% to 23.4%, a position that provides the Company with capacity to undertake value accretive acquisitions. The Company will continue to pursue organic and acquisitive growth in a measured and low risk manner to maximise long term shareholder value. The Company's first priority is enhancing long term shareholder value through growth. Capital management remains an important tool to ensure optimal utilisation of the balance sheet and maximise total shareholder return.

Cement

Operational improvement

The $60 million upgrade and expansion of the Birkenhead, South Australia, site was completed in the first half of 2013. The expenditure increased cement milling capacity by 750,000 tonnes per annum, upgraded ship loading facilities, and installed new facilities to process slag.

The additional milling capacity at Birkenhead allows the replacement of imported cement with domestically produced cement. Returns on this investment are currently below medium term projections due to a cyclical downturn in the key Victorian market. However, returns remain above Adelaide Brighton's cost of capital and it is anticipated that through the cycle, returns from the project will be in line with expectations.

The management of energy costs again delivered significant cost benefits during 2013. Since 2009 increases in the cost of energy, including gas, electricity and the carbon tax incurred by Adelaide Brighton have increased costs by more than $40 million, an increase in excess of 40%. In addition to this, it is estimated that over this period Adelaide Brighton has mitigated a further $27 million in potential energy cost increases through fuel switching and the use of alternative fuels. The Company has a program to reduce energy costs and is actively working on contractual arrangements with suppliers and assessment of the viability of alternate fuels.

Rationalisation of domestic clinker manufacture

The rationalisation of clinker production at the Munster site is expected to result in an annualised EBIT improvement of circa $5 million. In 2014, cement EBIT will also be impacted by a redundancy provision and asset write-off of approximately $8 million.

Import strategy

Adelaide Brighton is Australia's largest importer of cementitious materials (cement, clinker and blast furnace slag), importing 1.6 million tonnes of product in 2013. This is expected to increase to circa 2.0 million tonnes by 2016 due to the rationalisation of clinker production at Munster in Western Australia. This industry leading position underpins supply chain efficiency in procurement, transport, storage and distribution. The use of imported materials allows the Group to supply customers with competitively priced product into a range of markets where demand exceeds the Group's manufacturing capacity.

The import strategy is supported by long term supply agreements with two Japanese suppliers for grey clinker and Aalborg Portland Malaysia Sdn. Bhd. (APM) for white clinker.

APM is an integrated white clinker and white cement producer in Malaysia, 30% owned by Adelaide Brighton. APM is well progressed in its expansion project which will increase its white clinker capacity by 150,000 tonnes per annum to 330,000 tonnes per annum from 2015 at a cost of US$18.6 million. This self funded project is anticipated to be completed in the latter part of 2014. A supply agreement with APM has secured Adelaide Brighton's supply of white clinker for 10 years from 2015. This will provide a replacement for the off-white clinker currently produced at Munster and has enabled the Munster clinker rationalisation. The investment in APM is expected to return in excess of Adelaide Brighton's cost of capital over the long term.

Lime

Capacity improvement and environmental expenditure

Adelaide Brighton has installed dust filters on the two Munster lime kilns at a cost of $46 million. These investments have resulted in an improvement in the environmental performance of the kilns through reduced emissions and have increased lime production capacity by about 250,000 tonnes per annum.

Attractive competitive position

The improved efficiency and expanded capacity of the lime production facilities at Munster further enhances our cost competitive position relative to lime imports. While the threat of small scale imports continues, the weakening in the Australian Dollar will increase the cost of imported lime, improving the offering of the Company to customers.

Concrete and Aggregates – vertical integration

Adelaide Brighton continues to evaluate potential acquisition opportunities in line with its strategy of selected downstream vertical integration. The expansion of Adelaide Brighton's position in aggregates continues to be a key factor in future strategic growth.

Land sales

The Company expects to realise approximately $130 million from its significant land bank over the next decade. Significant progress was made in 2013 in preparing the properties for the sale process. Cash proceeds from asset sales for the year of $6.5 million mainly relate to the sale of land. Land sale proceeds in 2014 are anticipated to be circa $9 million, mostly in the first half. While there are positive cash flow, efficiency and returns outcomes from the land sale program, the impact on accounting profit was immaterial in 2013 and is expected to remain so in 2014.

Environmental performance

The Group is subject to various Commonwealth, State and Territory laws concerning the environmental performance of Adelaide Brighton's operations.

The Group monitors environmental performance by site and business division, and information about the Group's performance is reported to and reviewed by the Group's senior management, the Board's Safety, Health & Environment Committee, and the Board.

In 2013 Hy-Tec Industries Pty Ltd's Mascot, New South Wales plant received administrative fines and costs of about $5,000, issued by the Mosman Municipal Council arising from concrete spilled on to a local road. Immediately after the spill, Hy-Tec called in cleaning contractors, who cleaned the road.

Cockburn Cement Limited ("Cockburn") has an ongoing dialogue with the WA Department of Environment Regulation ("DER") concerning its Munster operations, and responds as required to investigations and requests for information. DER has asserted non-compliance with Cockburn's environmental licence and alleged breaches of the Environment Protection Act 1986 (WA). Consequently Cockburn is defending legal proceedings brought by DER (when it was the DEC) in the Magistrates Court of WA arising from the conduct of a contractor at Munster in 2010. One charge in these proceedings has been discontinued. A trial of the remaining charge is expected to be held during 2014.

Director profiles

Director	Experience	Special responsibilities
Les Hosking Age 69	Independent non-executive Director since June 2003. Extensive experience in commercial and financial matters with 16 years experience as Chief Executive of the Sydney Futures Exchange and former Chief Executive Officer of Axiss Australia and Managing Director of National Electricity Market Management Company (NEMMCO). Director, AGL Energy Limited (appointed November 2008) and Australian Energy Market Operator Limited (appointed July 2009) and Chairman, Carbon Market Institute Limited (appointed October 2010).	Appointed Chairman 17 May 2012 Member, Audit, Risk and Compliance Committee Member, Nomination, Remuneration and Governance Committee Member, Independent Directors' Committee
Raymond Barro BBus, CPA, FGIA, FCIS Age 52	Non-executive Director since August 2008. Over 24 years experience in the premixed concrete and construction materials industry. Managing Director of Barro Group Pty Ltd.	Member, Safety, Health and Environment Committee
Graeme Pettigrew FIPA, FAIM, FAICD Age 65	Independent non-executive Director since August 2004. Extensive experience in the building materials industry and former Chief Executive Officer of CSR Building Products and broad management experience gained in South East Asia and the United Kingdom through former positions as Managing Director of Chubb Australia Limited and Wormald Security Australia Pty Ltd. Director, Capral Ltd (appointed June 2010) and Holocentric Pty Ltd (appointed 18 September 2012). Former Director, Bisalloy Steel Group Ltd (formerly Atlas Group Holdings Ltd) (appointed April 2006 and resigned 30 September 2013), Knauf Plasterboard Pty Limited (formerly Lafarge Plasterboard Pty Ltd) (appointed June 2005 and resigned November 2012).	Chairman, Audit, Risk and Compliance Committee Member, Nomination, Remuneration and Governance Committee Member, Safety, Health and Environment Committee Member, Independent Directors' Committee
Ken Scott-Mackenzie BE(Mining), Dip Law Age 63	Independent non-executive Director since July 2010. Mining Engineer with over 40 years experience in infrastructure, construction and mining services gained in Australia and South Africa, as well as extensive experience in financial, legal and commercial aspects of projects. Chairman, Macmahon Holdings Limited (appointed Chairman in November 2009 and a Director in May 2009) and Chairman, Linking Melbourne Authority (appointed May 2013). Former Chairman, Murchison Metals Ltd (appointed Director in May 2011 and Chairman in July 2011. Resigned November 2012).	Chairman, Safety, Health and Environment Committee Member, Nomination, Remuneration and Governance Committee Member, Independent Directors' Committee
Arlene Tansey FAICD, MBA, JD, BBA Age 56	Independent non-executive Director since April 2011. Extensive experience as a senior executive in business and the financial services industry gained in Australia and the United States with a background in investment banking and securities law. Director, Primary Health Care (appointed August 2012), Lend Lease Funds Management Limited (appointed October 2010), Lend Lease Real Estate	Chairman, Nomination, Remuneration and Governance Committee Member, Audit, Risk and Compliance Committee

Director	Experience	Special responsibilities
Arlene Tansey FAICD, MBA, JD, BBA Age 56 (cont'd)	Investments Limited (appointed October 2010), Hunter Phillip Japan Limited (appointed March 2013) and Australian Research Alliance for Children and Youth Limited (appointed September 2013). Former Director, Pacific Brands Limited (appointed March 2010 and retired October 2013) and Police Citizens Youth Clubs NSW Ltd (appointed June 2004 and retired in July 2012). External Member, Serco Asia Pacific Advisory Board.	
Mark Chellew BSc, ME, Grad Diploma Mgt Age 57	Managing Director since September 2001. Mechanical Engineer with over 32 years experience in the heavy building materials and related industries gained in Australia and the United Kingdom. Previously held the position of Managing Director of Blue Circle Cement in the United Kingdom and senior management positions within the CSR group of companies in Australia and the United Kingdom. Director, Transpacific Industries Group Ltd (appointed 1 March 2013).	Member, Independent Directors' Committee

Directors' meetings

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

Director	Board Meetings		Audit, Risk and Compliance Committee		Nomination and Remuneration Committee		Corporate Governance Committee		Independent Directors' Committee		SH&E Committee	
	A	**H**	**A**	**H**	**A**	**H**	**A**	**H**	**A**	**H**	**A**	**H**
L V Hosking	10	10	4	4	3	3	3	3	0	0		
R Barro	10	10									2	2
G F Pettigrew	9[1]	10	4	4	3	3			0	0	2	2
K B Scott-Mackenzie	10	10			3	3			0	0	2	2
A M Tansey	10	10	4	4	2	2[2]	3	3				
M P Chellew	8[3]	10							0	0		

A Number of meetings attended
H Number of meetings held during period of office
1 Apology – on leave overseas
2 Appointed a Member and Chairman of Committee from 19 February 2013.
3 Managing Director not required to attend two Board meetings (19 November 2013 and 12 December 2013) due to nature of the business being considered.

Throughout 2013, the general business of the Corporate Governance Committee was dealt with at the Company's Board Meetings and no separate committee meetings were held.

Particulars of the Company's corporate governance practices, including the roles of each Board Committee, are set out on pages 31 to 43 of this report.

Directors' interests

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

	Ordinary shares
L V Hosking	4,739
R D Barro	209,875,800
G F Pettigrew	7,739
K B Scott-Mackenzie	5,000
A M Tansey	10,000
M P Chellew	448,366

Full details of the interests in share capital of Directors of the Company are disclosed in Note 32 to the Financial Statements on pages 85 to 88 of this report. Full details of the Managing Director's interests in Awards of the Company are set out in the Remuneration Report on pages 10 to 30 of this report.

Director and executive remuneration

Details of the Company's remuneration policies and the nature and amount of the remuneration of the Directors and certain senior executives are set out in the Remuneration Report on pages 10 to 30 of this report.

Company Secretaries

The Company's principal Company Secretary is Marcus Clayton, who has been employed by the Company in the two separate offices of General Counsel and Company Secretary since 24 February 2003. He is a legal practitioner admitted in South Australia with 26 years experience.

Two other employees of the Company also hold the office of Company Secretary to assist with secretarial duties should the principal Company Secretary be absent: the Company's Chief Financial Officer, Michael Kelly, a Certified Practising Accountant who has been a Company Secretary since 23 November 2010 and the Group's Corporate Affairs Adviser, Luba Alexander, who has been a Company Secretary since 22 March 2001.

Indemnification and insurance of officers

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

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

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

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

The Company was not liable during 2013 under such indemnities.

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

During the year the Company paid the premiums in respect of Directors' and Officers' Liability Insurance to cover the Directors and Secretaries of the Company and its subsidiaries, and the General Managers of each of the divisions of the Group, for the period 1 May 2013 to 30 April 2014. Due to confidentiality obligations under that policy, the premium payable and further details in respect of the nature of the liabilities insured against cannot be disclosed.

Proceedings on behalf of the Company

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

Non-audit services

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

Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year are set out in Note 33 to the Financial Statements on page 88 of this report.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set in Note 33, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 100.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 relating to the "rounding off" of amounts in the Directors' report. In accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

Shares under option

The details of shares under option at the date of this report are set out in Notes 31 and 32.

Registered Office

The registered office of the Company is Level 1, 157 Grenfell Street, Adelaide, SA 5000.

Dated 5 March 2014

Signed in accordance with a resolution of the Directors

Mark Chellew
Managing Director

Remuneration Report

The Remuneration Report is set out under the following main headings:

Introduction – 2013 overview and 2014 remuneration developments

Section 1 – Policy and structure of executive remuneration

Section 2 – Group performance 2013

Section 3 – CEO and senior executive remuneration

Section 4 – Non-executive Directors' fees

Introduction: 2013 overview and 2014 remuneration developments

The Directors of Adelaide Brighton Limited present the Remuneration Report for Adelaide Brighton Limited (the Company) and the Group for the year ended 31 December 2013 in accordance with section 300A of the *Corporations Act.* This Remuneration Report, which forms part of the Directors' Report, has been audited by PricewaterhouseCoopers.

This report sets out remuneration information for key management personnel, which encompasses the non-executive Directors, the Managing Director & CEO (the CEO) and certain members of the senior executive team, and explains how the Group's performance for the 2013 financial year has driven remuneration outcomes for our senior executives.

The Board ensures remuneration policies are clearly aligned with Group strategy, which is focussed on maintaining and growing shareholder value. The economic environment and conditions were challenging for construction materials companies in 2013. The senior executive team was effective in executing the Group's strategy during 2013 in these challenging conditions. Shareholders have realised the benefits with strong growth in total shareholder return. This is described in more detail below.

Summary of remuneration matters in 2013 and changes in 2014

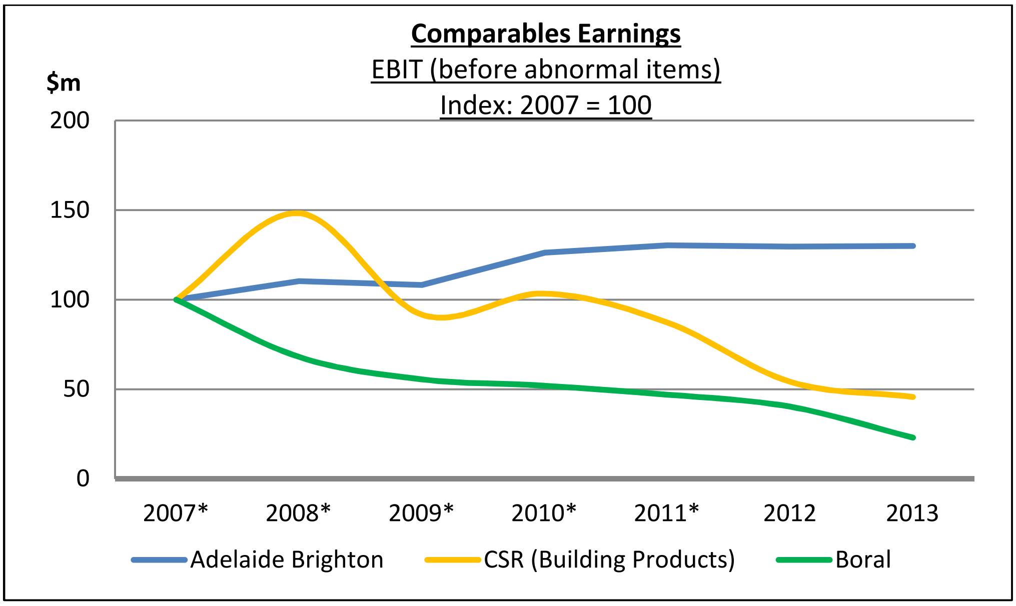
The Board seeks to appropriately motivate, reward and retain our senior executive team in the context of the broader community sentiment regarding executive pay.

The Company's success over an extended period, as described below, has been achieved by a long term stable management team. Shareholder and community expectations about senior executives' terms and conditions of employment have developed and changed over recent years. The Board recognises that the senior executives' service agreements entered into several years ago do not necessarily align fully with latest practices. The Board and its Nomination, Remuneration and Governance Committee have considered this at length, including taking independent advice from a number of executive remuneration experts. The incoming Chief Executive Officer has been employed on modern terms which superseded and replaced his previous executive service agreement (as Executive General Manager, Cement and Lime). A new general form of executive service agreement embodying current best practice has been introduced for new executive appointments. The Group's executive service arrangements have in all cases provided a common interest between executives and shareholders, by linking the rewards which accrue to senior executives to the creation of value for shareholders. The Board is alert to the need to keep up with shareholder and community expectations concerning executive remuneration, and to implement new practices as appropriate for the Group's circumstances.

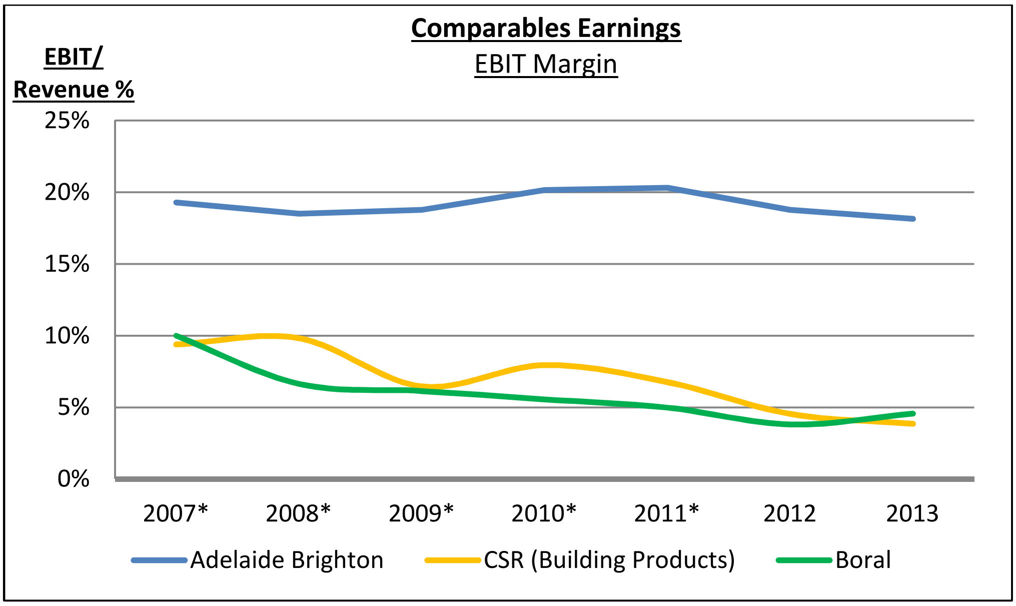
As announced to the market on 13 December 2013, Mr Mark Chellew, the Company's long serving Managing Director and Chief Executive Officer will retire from the Company following the Annual General Meeting on 21 May 2014. Mr Martin Brydon, who has been serving as Deputy Chief Executive Officer since 1 February 2014, will become Chief Executive Officer from 22 May 2014. The Company has entered into new contractual arrangements with Mr Brydon. While this report relates to remuneration policy and outcomes during the 2013 year, we have also set out developments in remuneration that have been agreed in respect of the 2014 year.

In 2013 Adelaide Brighton again delivered a strong financial performance, posting record Revenue, Earnings Before Interest and Tax (EBIT) and Profit Before Tax (PBT). Net Profit After Tax (NPAT) declined by $1.8 million versus 2012, however the prior year included a non-taxable benefit of $7.6 million related to a gain on fair value accounting for an acquisition. The Board views this as a strong performance given the headwinds faced during the year, including rising energy costs, the carbon tax, increasing labour costs and ongoing weakness in residential and non-residential activity. The result reflects the strategic positions the Company has built over the long term, the ongoing focus on operational improvement programs and strength in demand from the resource sector. Operational improvement programs delivered benefits of $20.2 million. Of this, approximately $8 million relates to the new cement mill capacity at Birkenhead, approximately $5 million to the management of energy costs, including the use of alternative fuels, $3 million from improved efficiency at the Munster lime kilns and circa $3 million from labour and overhead savings.

While the improvement in performance is modest, as can be seen from the graphs below, Adelaide Brighton has outperformed its listed Australian peer group over the past six years.



Source: Company financial reports and Adelaide Brighton
Note:
* Comparative information for these years has not been restated to reflect changes to accounting policies. Refer Note 42 to the 2013 Financial Statements.
EBIT as reported and adjusted in the company reports to exclude abnormal items (note Adelaide Brighton had no abnormal items over the period). Yearly data for Adelaide Brighton and Boral is for the 12 months to 31 December and CSR for 12 months to 30 September of the same year.



Source: Company financial reports and Adelaide Brighton
Note:
* Comparative information for these years has not been restated to reflect changes to accounting policies. Refer Note 42 to the 2013 Financial Statements.
EBIT as reported and adjusted in the company reports to exclude abnormal items (note Adelaide Brighton had no abnormal items over the period). Yearly data for Adelaide Brighton and Boral is for the 12 months to 31 December and CSR for 12 months to 30 September of the same year.

A summary of the key remuneration outcomes for the 2013 financial year and certain other changes approved by the Board for 2014 is set out below. Further information regarding 2014 developments will be reported on in the 2014 Remuneration Report.

Fixed remuneration

As foreshadowed in our 2012 report, the Nomination and Remuneration Committee (as it was previously called) approved a 3.5% increase to the fixed remuneration of all senior executives, including the CEO's remuneration, which became effective on 1 January 2013.

The Committee undertook a comprehensive review of fixed remuneration in the latter part of 2013.

In particular, the Committee considered levels of fixed remuneration, levels of incentive opportunity and the performance conditions that must be satisfied to earn those incentives, the contractual arrangements with senior executives and changes in market practice.

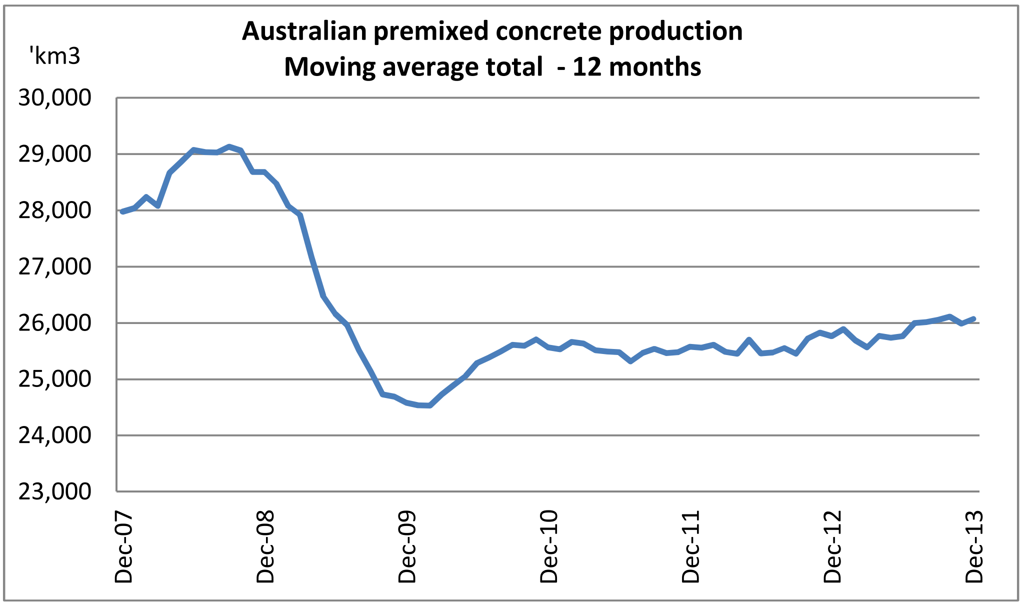
The Board took these factors into account when setting the remuneration arrangements for the new Chief Executive Officer.

Refer also to the discussion on page 14 concerning "Developments for 2014".

Short Term Incentive (STI)

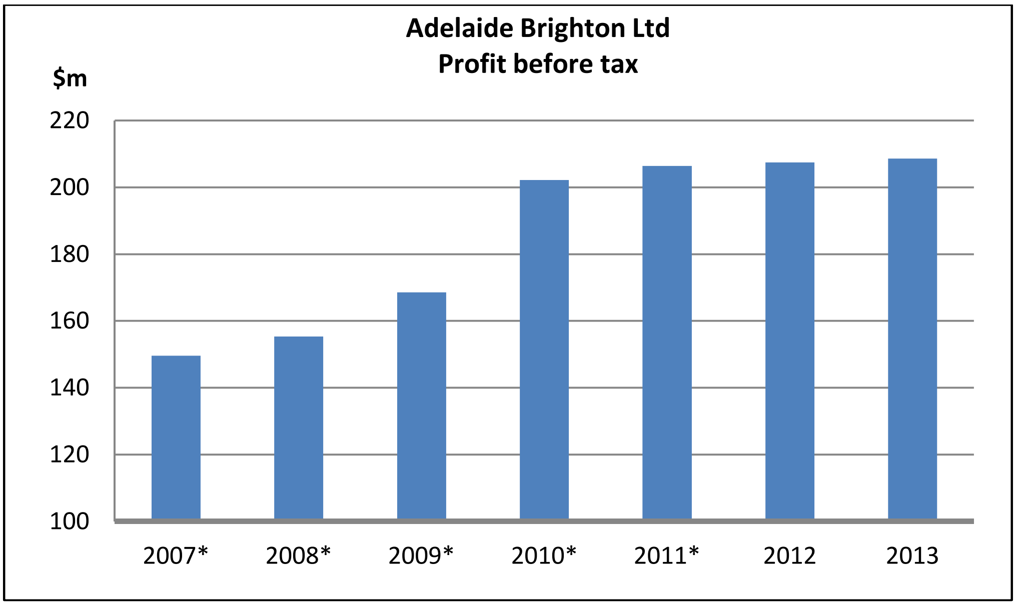
Last year, the Company received questions from some stakeholders as to the Board's approach in setting targets under the STI. Specifically, the Company received questions around our financial targets being set at levels which do not necessarily require an increase in the previous year's actual profit figure.

In approving financial targets under the STI the Board considers a number of factors, including the industry in which we operate and the extraneous factors including market conditions, that impact our financial performance and those of our competitors (details of which are set out in Section 2.2). In particular, Adelaide Brighton's business is heavily dependent on the building industry and construction markets. As shown in the graph below, demand has declined significantly over the last six years leading to a fall in the production of premixed concrete in Australia over that period.



Source: Australia Bureau of Statistics and Adelaide Brighton

Our Company has performed extremely well in these challenging market conditions, with our Profit Before Tax (PBT) increasing every year over this period. Through our strategy of operational improvement, downstream investment and growth in the lime business, Adelaide Brighton has managed to grow profitability over this period while others in our industry have suffered declining profitability and substantial asset impairment charges against profit (while Adelaide Brighton has not written off any assets).



Source: Adelaide Brighton

* Comparative information for these years has not been restated to reflect changes to accounting policies. Refer Note 42 to the 2013 Financial Statements.

In this context, the Board is satisfied with the rigour applied in the current approach to setting annual targets, and that the financial conditions provide sufficiently challenging targets to incentivise our management team to achieve annual business objectives in order to support our longer term growth.

In relation to 2013, as in previous years, the annual short term incentive comprised 80% financial targets and 20% functional targets.

PBT for 2013 was $208.6 million, an increase of 0.5% from 2012. However, excluding the impact of a $7.6 million gain from fair value accounting for an acquisition from the 2012 result, underlying PBT was up by 4.4% or $8.7 million. In setting the 2013 budget the Board took account of the underlying 2012 result, as well as the unpredictable economic environment and the cost challenges facing the Group and industry in general, including energy costs and the carbon tax. The resulting 2013 PBT was greater than 110% of budget, meaning that the financial target was met at Tier 4. This resulted in STI opportunities for the CEO and senior executives of 100% and 80% respectively of Fixed Annual Remuneration (FAR).

Functional targets for the CEO and senior executives (comprising 20% of the available STI performance incentive) were met at between 88% and 94%.

Long term incentive (LTI)

As previously foreshadowed, over recent years the Company has transitioned to making annual grants under the Executive Performance Share Plan with a single four year performance period.

The first of these grants, the '2013 Awards', was made during the year. The 2013 Awards are subject to a single four year performance period and will be tested and become exercisable to the extent of any vesting from 1 May 2017.

During 2013, Tranche 2 of the 2010 Awards was tested for earliest exercise in May 2013. These vested at 88%, having exceeded the 75th percentile against the relative total shareholder return performance condition and having achieved just over 75% vesting against the compound annual growth in Earnings Per Share (EPS) target based on EPS growth over the performance period.

Non-executive Directors

Non-executive Director base and Committee fees were increased by 3.5% for the 2013 financial year, to be in line with market median rates. As set out on page 14 in the discussion of "Developments for 2014", no non-executive Director fees have increased in 2014, and the Chairman and the Chairman of the Nomination, Remuneration and Governance Committee will receive reduced fees in 2014.

Remuneration governance

As a result of the Board's continued focus on governance, and as noted in the Corporate Governance Statement on pages 31 to 43, during the year the remit of the Nomination and Remuneration Committee (as it was previously called) was expanded to include responsibility for governance. The Board considers it appropriate that responsibility for governance sits within the Nomination and Remuneration Committee given the strong emphasis that the Board places on the link between governance and both remuneration and succession.

The Nomination, Remuneration and Governance Committee (NRG Committee) has considered the Board's ability to claw back remuneration from executives in appropriate circumstances.

The rules of the long term incentive plan have, for some time, provided the Board with a broad ability to claw back awards on offer to an executive and to make adjustments to any unvested awards, if considered appropriate.

The Board has considered the introduction of a deferred short term incentive component.

Specifically, the Committee considered this in the context of Adelaide Brighton's current remuneration framework, including the long term incentive which is subject to a four year performance period. On the basis that, at any time, senior executives have at least four years' worth of LTI opportunity subject to share price fluctuations, the Committee considers that senior managers' interests are sufficiently aligned to the long term interests of our shareholders.

While the Board is aware of the move by some companies to introduce a deferred component in order to provide a mechanism to adjust for performance in the event of material misstatement of financial position, in light of the generally consistent performance of the Company and the known cyclicality of the industry, the Board does not consider that this in itself warrants a change to the Company's current remuneration arrangements (as any irregularities would likely be identified during the relevant performance year).

The Committee has also considered the Company's position in respect of minimum shareholdings for Non-executive Directors. Further details are set out on page 29.

Developments for 2014

Non-executive Directors: Following a review of the fees paid to non-executive Directors, at the Chairman's request his annual fee has been reduced by 12.5% to $310,500 in the 2014 year. This fee for chairing the Board is now three times the base fee paid to other non-executive Directors. The base fee for non-executive Directors remains at the same level as for 2013, being $103,500 per annum. Ms Tansey was the Chairman of the Corporate Governance Committee, and her fees for 2014 have also reduced as that Committee has been dissolved. All other non-executive Directors' fees for 2014 remain the same as for 2013.

Fixed remuneration: The new CEO's fixed remuneration has been set at $1.3 million per annum for the 2014 year. Following annual remuneration reviews concluded late in 2013, some senior executives received a 2% increase over 2013 FAR, to address internal relativities and reflecting the fact that fixed remuneration for these executives was originally set a little below market while the executives gained experience in their current roles. FAR for other senior executives was held at the same level as 2013.

Long term incentive: While the Board has confirmed that the current structure of the long term incentive, including the four year performance period and the Total Shareholder Return (TSR) and EPS growth targets, remains an appropriate long term incentive scheme for the Group, the level of participation in the long term incentive has been reduced for all senior executives.

Further information regarding each of these developments will be reported on in the 2014 Remuneration Report.

Future direction

The Board is alert to the need to keep up with shareholder and community expectations concerning executive remuneration, and to implement new practices as appropriate for the Group's circumstances. Consistent with this, the incoming Chief Executive Officer has been employed on modern terms and a new general form of executive service agreement embodying current best practice has been introduced for new executive appointments. These provide for a greater degree of discretion in favour of the Board. Additionally, the Board will continue to review the Group's short term and long term incentive schemes.

Overview of remuneration components

An overview of the components of remuneration for Directors and senior executives is set out below:

	Remuneration component	Directors		Senior executives	Discussion in Remuneration Report
		Non-executive	Executive		
Fixed remuneration	Fees	✓	✗	✗	Pages 29, 30
	Salary	✗	✓	✓	Pages 12, 15, 21, 28
At-risk remuneration	Short term incentive	✗	✓	✓	Pages 12, 13, 15, 19-24, 28
	Long term incentive	✗	✓	✓	Pages 13, 15, 16-19, 24-28
Post-employment	Superannuation	✓	✓	✓	Pages 28, 30
	Notice periods & termination payments	✗	✓	✓	Pages 27, 28

Section 1 – Policy and structure of executive remuneration

1.1 Executive remuneration policy and objectives

The Company's remuneration strategy and policy are set by the Board and overseen by the NRG Committee.

In determining the executive remuneration framework, the Board has adopted a policy that aims to:

- be competitive in the markets in which the Group operates in order to attract, motivate and retain a highly capable executive team (and each individual's remuneration is set with reference to the degree of individual performance, role, responsibility and future potential within the Group);
- drive leadership performance and behaviours that reinforce the Group's short and long term strategic objectives;
- provide a common interest between executives and shareholders by linking the rewards that accrue to executives to the creation of value for shareholders;
- have regard to market practice and market conditions; and
- provide transparency and clarity on what is paid, to whom and on what basis remuneration has been paid.

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

- offering remuneration levels which are competitive relative to those offered by comparable employers; and
- providing strong and transparent links between individual and Group performance and rewards.

The Board aims to achieve a balance between fixed and performance related (or 'at-risk') components of remuneration for each role and seniority level. The diagram below shows the policy implementation and remuneration arrangements as they apply to executives:

Be competitive in the market to attract and retain talent, and motivate to achieve outstanding performance

Reinforce the Company's short and long term objectives by conducting business in line with the Company's purpose, principles and commitments

Link reward to the creation of shareholder value to encourage the achievement of growth of the Company's business

Fixed remuneration

Between 40-60% of total target remuneration

- Set with reference to the long term individual performance, role, responsibility and potential (and then benchmarked to a competitive market rate for comparable roles within the comparator group adopted, which is currently the companies comprising the ASX51-150).
- Executive can take in form agreed with the Company (in general, this is in the form of cash, car and superannuation and includes the cost of fringe benefits tax).

Performance-based remuneration – 'at risk'

Between 40-60% of total target remuneration

STI

Performance measured by:

- 'Financial Target' (80% of STI opportunity) relating to Group performance against budget.
- 'Functional Targets' (20% of STI opportunity) relating to personal performance.

LTI

Performance measures based on EPS and TSR link executive reward with key performance drivers which underpin sustainable growth in shareholder value.

1.2 Responsibility for setting remuneration

The NRG Committee is responsible for reviewing and making recommendations to the Board on Director and executive remuneration policy and structure.

The Board, based on the recommendations of the NRG Committee, establishes the remuneration of the CEO, including his participation in the short term and long term incentive schemes.

The NRG Committee, based on the recommendations of the CEO, approves the remuneration of senior executives reporting to the CEO, including their participation in both short term and long term incentive schemes.

The NRG Committee follows protocols around the engagement and use of external remuneration consultants to ensure ongoing compliance with legislation. This is to ensure that any remuneration recommendation from an external consultant is free from the undue influence by any member of the Company's key management personnel to whom it relates.

In 2013, the NRG Committee engaged *3 degrees consulting* to undertake a review of the Company's senior executive remuneration arrangements in the context of current market practice and provide advice and recommendations as to quantum and structure. *3 degrees consulting* also assisted with a recommendation in relation to the quantum and structure of remuneration for Martin Brydon upon his appointment as Deputy Chief Executive Officer and then Chief Executive Officer. Under the terms of engagement, *3 degrees consulting* provided remuneration advice (inclusive of 'remuneration recommendations' as defined in section 9B of the *Corporations Act 2001*) and was paid $76,750 exclusive of GST for these services. For each of the remuneration recommendations, the Board is satisfied that the recommendations were made free from any undue influence. In addition, *3 degrees consulting* provided a formal declaration confirming that the recommendations provided were free from 'undue influence' by the members of the KMP to whom the recommendations related. *3 degrees consulting* was also engaged to assist with the retirement of the CEO Mark Chellew, and various issues relating to the transition to the new Chief Executive Officer, to assist with preparation of the 2013 remuneration report and certain other governance and remuneration related services and was paid $138,975 (excluding GST) for these services.

Section 2 - Group performance 2013

2.1 The link between performance and the long term incentive (LTI)

The Company's long term incentive arrangements for the CEO and senior executives (described in section 3.5 below) are judged against two performance measures – total shareholder return (TSR) and earnings per share (EPS). The Board believes these performance conditions align executive rewards with the long term creation of shareholder wealth, through which senior executives focus on medium to longer term strategic decision making.

TSR measures the change in shareholder wealth over time – being the dividends paid by the Company, changes in share price and any return of capital over the relevant period.

EPS divides earnings by the number of shares on issue (which includes the effect of capital raisings).

The table below shows details of dividends paid, the closing price of Adelaide Brighton shares on 31 December in each of the past five years and details of operating cash flow.

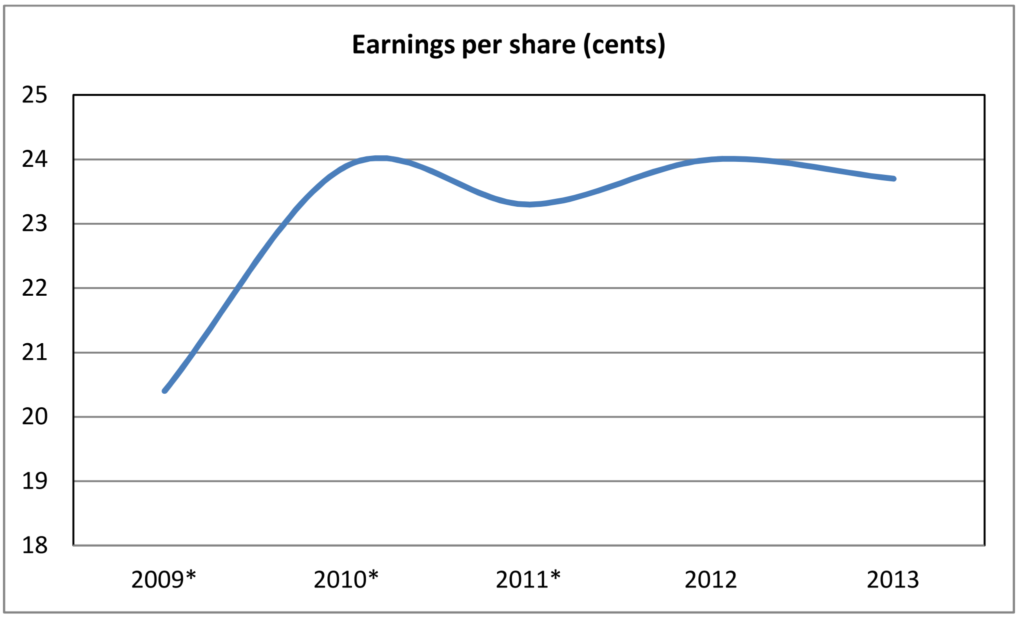
Shareholders' wealth improvement from year 2009 to year 2013

Financial year ended 31 December	2013	2012	2011*	2010*	2009*
Closing share price ($ as at 31 December)	3.67	3.12	2.89	3.30	2.75
Total dividends per share (cents)	19.5[2]	16.5	16.5	21.5[1]	13.5
Franked dividends	100%	100%	100%	100%	100%
Operating cash flow	$227.3m	$186.9m	$151.3m	$188.5m	$188.1m
Earnings per share – EPS (cents)	23.7	24.0	23.3	23.9	20.4

[1] Includes 5.0 cent special dividends
[2] Includes 3.0 cent special dividend
* Comparative information for these years has not been restated to reflect changes to accounting policies. Refer Note 42 to the 2013 Financial Statements.

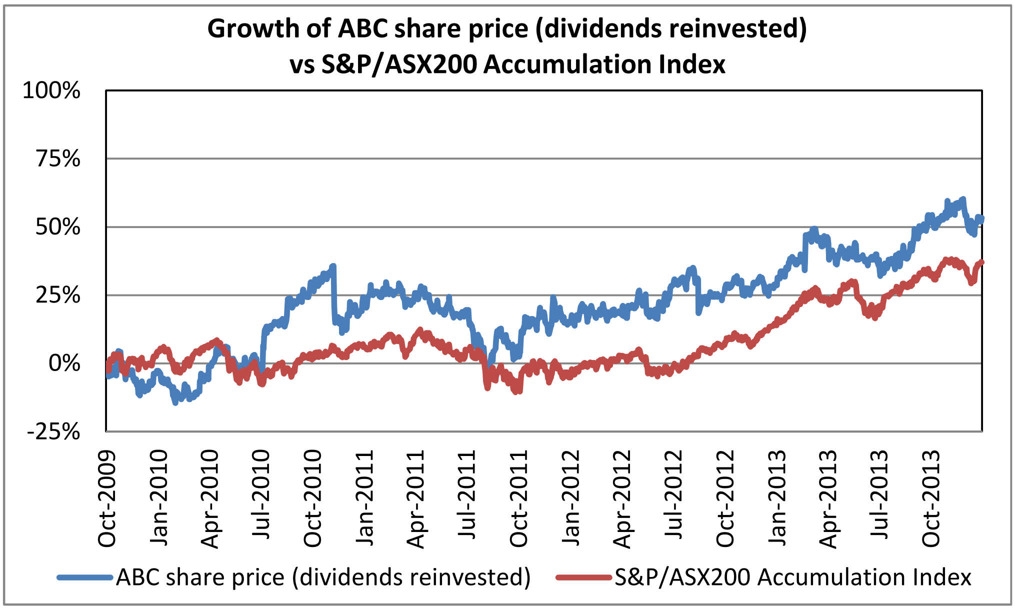
As can be seen from the table above, the Company has generated growth in EPS and maintained a strong dividend payout ratio to profit earned, with the payout ratio ranging from 66% to 90%. Tranche 2 of the 2010 Awards granted to senior executives was measured at 88% based on performance against the applicable TSR and EPS performance conditions measured from 2009 to 2012.

The graphs below illustrate the TSR and EPS performance measures from 2009 to 2013. The first graph below shows Adelaide Brighton's EPS performance since 2009, with the Company delivering compound average growth in EPS of 3.8%. The second graph below shows the performance of Adelaide Brighton's share price, with dividends reinvested, versus the S&P/ASX200 Accumulation Index from 1 October 2009 to 31 December 2013. The Adelaide Brighton share price has outperformed the S&P/ASX200 Accumulation Index, reflecting the strength of the Group's strategy. The third graph illustrates Adelaide Brighton'sTotal Shareholder Return against that of comparable peers in the construction materials industry over the period 1 January 2009 to 31 December 2013.

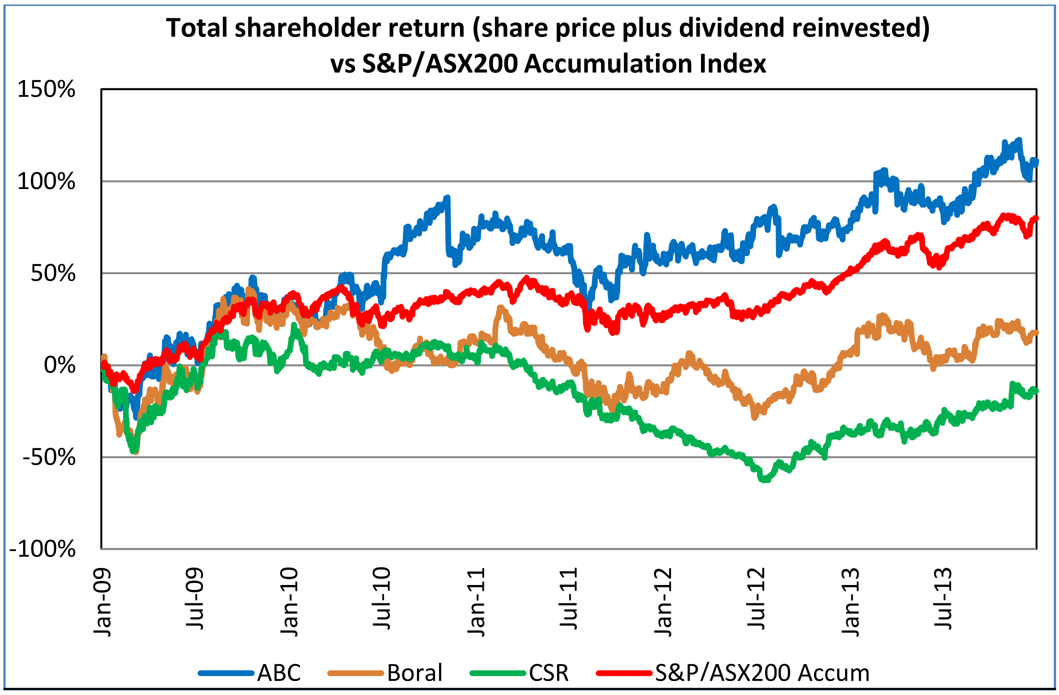


Source: Adelaide Brighton

* Comparative information for these years has not been restated to reflect changes to accounting policies. Refer Note 42 to the 2013 Financial Statements.

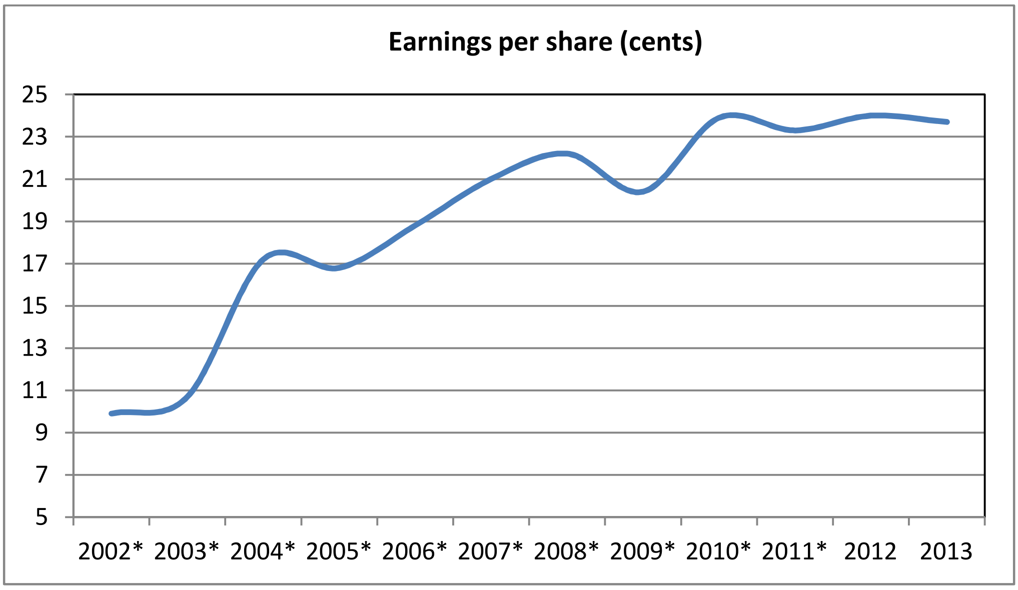


Source: ASX/First Advisers Pty Ltd



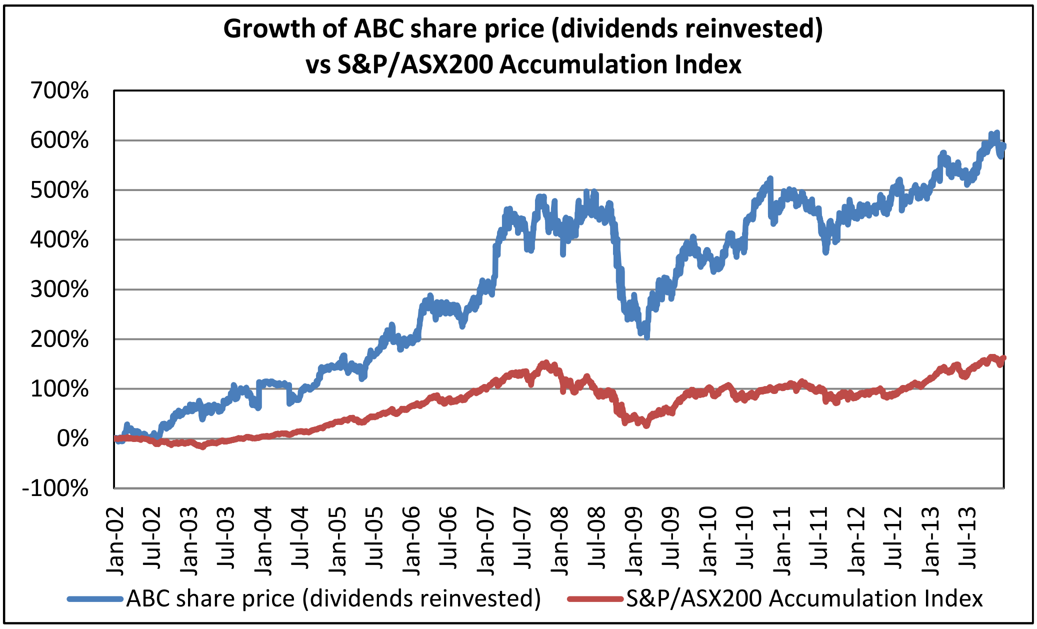
Source: ASX/First Advisers Pty Ltd

Looking at the Company's longer term performance, the first graph below shows Adelaide Brighton's EPS performance since 2002. The Company has delivered compound average growth in EPS of 8.3%. The second graph below shows the performance of Adelaide Brighton's share price, with dividends reinvested, versus the S&P/ASX200 Accumulation Index from 1 January 2002 to 31 December 2013. The Adelaide Brighton share price has outperformed the S&P/ASX200 Accumulation Index, reflecting the success of the Group's strategy. The third graph illustrates Adelaide Brighton's Total Shareholder Return against that of comparable peers in the construction materials industry over the period 1 January 2002 to 31 December 2013.

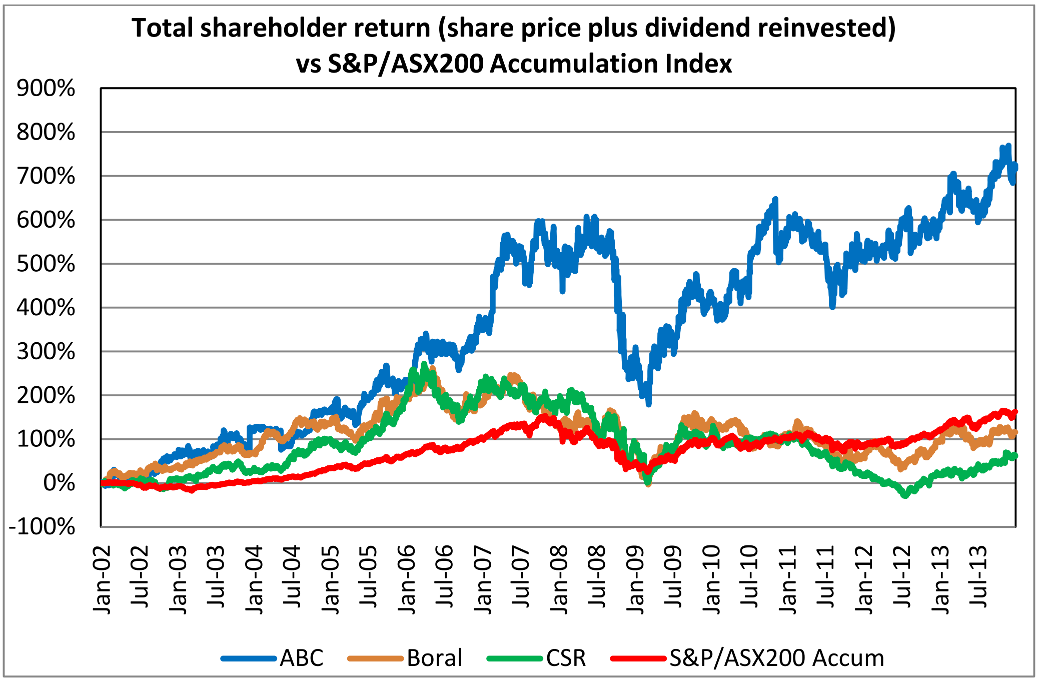


Source: Adelaide Brighton

* Comparative information for these years has not been restated to reflect changes to accounting policies. Refer Note 42 to the 2013 Financial Statements.



Source: ASX/First Advisers Pty Ltd



Source: ASX/First Advisers Pty Ltd

2.2 The link between annual earnings, the short term incentive (STI) and Adelaide Brighton's longer term business objectives

In 2013 Adelaide Brighton reported record sales of $1,228.0 million up 3.8% on 2012, supported by continued demand from projects in South Australia and the resources sector in Western Australia and the Northern Territory. Earnings before interest and tax (EBIT) increased 0.3% to a record $222.7 million. Group EBIT margin was 18.1%. Excluding the $7.6 million gain on acquisition in 2012, EBIT margin was stable. Adelaide Brighton faced energy and labour cost pressures, increased depreciation charges and a reduction in the contribution from joint ventures. Despite these pressures, underlying EBIT margins were maintained as a result of benefits from capital investments and cost management programs. Operational improvement delivered EBIT benefits of $20.2 million, including $8.0 million cost savings resulting from the newly commissioned grinding mill at Birkenhead, South Australia.

The Group's PBT for 2013 was $208.6 million. The Managing Director and senior executives satisfied the Financial Component of the performance conditions applicable to the 2013 STI as the Group achieved more than 110% of budgeted PBT after exceptional, abnormal or extraordinary items (no adjustment for exceptional, abnormal or extraordinary items was made in 2013). Tier 4 of the STI was reached, resulting in an STI opportunity of 80% for the senior executives and 100% for the Managing Director.

In accordance with the STI program 80% of the maximum STI opportunities were payable based on achievement of Financial Targets and 20% of the maximum based on achievement of Functional Targets. The achievement of functional targets for the CEO and senior executives were met at between 88% and 94%.

As foreshadowed in the Introduction, last year the Company received questions from some stakeholders as to the Board's approach in setting targets under the STI. Specifically, the Company received questions around our financial targets being set at levels which do not necessarily require an increase in the previous year's actual profit figure.

In approving financial targets under the STI, the Board considers a number of factors, including the industry in which we operate and the extraneous factors that impact our performance which include:

- **dynamics of the construction and resources industry:** demand in our markets of operation correlate to activity levels in the construction industry. As noted above the pre-mix concrete industry in Australia remains at levels which are circa 12% below the peak of 2008. Demand in certain resource markets has plateaued over the past couple of years. Further subdued residential activity and a declining commercial sector have resulted in a difficult trading environment, particularly for certain products such as concrete masonry.

- **exchange rates:** a strong Australian dollar has resulted in increasing pressure on prices and has attracted imports, particularly dumped lime imports in Western Australia and the Northern Territory. As part of its focus on operating costs and logistics, management has worked to develop Adelaide Brighton's clinker and cementitious import business by expanding capacity at port facilities, entering into long term supply agreements with suppliers and making a 30% investment in a Malaysian white cement and clinker producer (Aalborg Portland Malaysia Sdn. Bhd.).

- **energy considerations:** as a primary input for production, higher energy prices have an impact on our operating margins. The management team continues to work to mitigate this impact, however cost increases from energy continue to outstrip general inflation, while the high Australian dollar constrains the pass through of these increased costs to customers.

- **carbon tax:** despite awaiting a change in government policy and our previous indication that the carbon tax is not expected to materially impact the Company's long term growth strategy, the carbon tax impacted 2013 NPAT by $4.2 million (net of mitigation). It is expected that the carbon tax in 2014 could lower net profit after tax by between $2 million and $4 million, prior to further mitigation, depending on the length of the period in 2014 when the tax applies.

Our management team has not only responded to these external pressures over recent years, but has generated positive return for longer term shareholders in this very challenging environment and we have outperformed our industry competitors. Accordingly, the Board strongly believes that our short term incentive targets need to be set in this context in order to continue to attract and motivate a highly capable senior executive team who can drive the continued delivery of strong results for shareholders over the longer term.

The table below sets out the Group's performance over a number of key performance indicators – sales revenue, earnings before interest and tax (EBIT), EBIT margin, profit before tax (PBT) and net profit after tax (NPAT) – over the past five financial years.

Earnings improvement from 2009 to 2013

Financial year ended 31 December	2013	2012	2011*	2010*	2009*
Sales revenue - $ million	1,228.0	1,183.1	1,100.4	1,072.9	987.2
Earnings before interest and tax (EBIT) - $ million	222.7	222.1	223.4	216.2	185.3
EBIT margin - %	18.1%	18.8%	20.3%	20.2%	18.8%
Profit before tax (PBT) - $ million	208.6	207.5	206.4	202.2	168.6
Net profit after tax (NPAT) - $ million	151.1	152.9	148.4	151.5	123.1

* Comparative information for these years has not been restated to reflect changes to accounting policies. Refer Note 42 to the 2013 Financial Statements.

The Group's committed senior executive team, who have overseen a consistent strategy over the five year period shown in the table above, have delivered strong results over the past five years:

- an improvement in EBIT from $185.3 million in 2009 to $222.7 million in 2013, a 20.2% increase;
- PBT increase from $168.6 million in 2009 to $208.6 million in 2013, a 23.7% increase; and
- an increase in NPAT from $123.1 million in 2009 to $151.1 million in 2013, a 22.7% increase.

As a result of securing long term customer contracts, supply contracts for clinker and the successful implementation of the Company's capital expenditure program, management is confident that the Group is strategically well positioned to continue to maximise shareholder returns.

Section 3 - CEO and senior executive remuneration

During the year, the Company examined the roles of the members of the senior executive and determined that the executives whose details are set out in this report are those that meet the definition of key management personnel. That is, that these executives had the authority and responsibility for planning, directing and controlling the activities of the Company and the Group during the 2013 financial year. There has not been any change to the level of responsibility of other senior executive members.

Executives	Position
CEO	
M P Chellew	Managing Director and CEO
Senior executives	
G Agriogiannis	Executive General Manager, Concrete and Aggregates
M Brydon	Deputy Chief Executive Officer*
M Kelly	Chief Financial Officer
S B Rogers	Executive General Manager, Concrete Products

* Executive General Manager, Cement and Lime until 31 January 2014

3.1 Components of executive remuneration

The executive remuneration framework for the CEO and all senior executives consists of the following components:

- ***Fixed remuneration*** – guaranteed base salary (inclusive of superannuation) expressed as a dollar amount that the executive may take in a form agreed with the Company.
- ***Performance based remuneration*** – incentive or 'at-risk' components which comprise of an annual short term incentive and long term incentives, awarded at set levels for target or stretch (outstanding) performance.

3.2 Aligning management with long term shareholder value

The Board considers that, at present, the LTI sufficiently aligns the interests of our executives with shareholders. Specifically, the LTI operates over a four year performance period and, based on the Company's strong performance, has vested at least 78.4% over the period 2009 - 2012. Accordingly, at any time, our executives have at least four years' worth of LTI opportunity aligned with the interests of shareholders.

3.3 Fixed remuneration

The amount of fixed remuneration for an individual executive is set with regard to the size and nature of an executive role, the long term performance of an individual and his or her future potential within the Group. Executives may elect to have a combination of benefits provided out of their fixed remuneration, including cash, additional superannuation and the provision of a motor vehicle. The fixed remuneration of the CEO and senior executives for 2013 is outlined in section 3.7.

Fixed remuneration is reviewed annually under normal circumstances, as provided under the Service Agreements for executives, having regard to relevant factors including performance, market conditions (both generally and in the markets in which the Group operates), growth and comparable roles within comparable companies. There are no guaranteed increases on review.

For the 2013 year, fixed remuneration increases across the senior executive team (including the KMP) averaged 3.5%.

3.4 At-risk remuneration - Short Term Incentive (STI)

3.4.1 Summary of STI program

What is the STI and who participates?	The STI program links specific annual performance targets (predominantly financial) with the opportunity to earn cash incentives based on a percentage of fixed remuneration. Participation in the STI is generally offered to the CEO and senior executives who are able to have a direct impact on the Group's performance against the relevant performance hurdles.
Does the STI include a deferred component?	The NRG Committee is cognisant of the general market trend towards requiring a component of the STI to be deferred into equity, for reasons including to create a greater alignment with interests of shareholders. The NRG Committee considered this in the context of Adelaide Brighton's current remuneration framework, including the long term incentive which is subject to a four year performance period. On the basis that, at any time, senior executives have at least four years' worth of LTI opportunity subject to share price fluctuations, the Committee considers that senior managers' interests are sufficiently aligned to those of our shareholders.

Accordingly, the Committee has determined not to implement a deferred component at this time.

What is the maximum amount the executive can earn?

Maximum STI opportunity

2013 Group performance against budget		% of fixed remuneration	
		CEO	Senior executives
Initial Target (Tier 1)	90% - 99%	12%	10%
Target (Tier 2)	100%	60%	50%
Partial Stretch (Tier 3)	101% - 109%	64% - 96%	53% - 77%
Stretch (Tier 4)	110% or greater	100%	80%

How are performance criteria set?

The performance criteria are set by the Board and agreed with the executive, in general, by the end of February in each year.

What were the performance conditions for the 2013 STI program?

For the 2013 financial year, the performance conditions comprised a mix of financial and non-financial performance measures:

(1) 80% is tested on the Group's performance against budget (Financial Target); and

(2) 20% is tested on both the Group's performance against its budget and the senior executive/CEO meeting personal targets agreed with the CEO/Board (Functional Targets).

Accordingly, the cash bonus is dependent on both the Group's performance and the individual's performance.

Why were these performance conditions chosen?

The key financial measure used is Profit Before Tax (PBT), which the Board believes is an appropriate annual performance target, aligned to Group budget.

PBT is defined for STI purposes as net profit after interest but before income tax expense which may be adjusted for exceptional, abnormal, extraordinary items and the effect of acquisitions made during the financial period. A percentage of the executive's 2013 STI is also subject to additional personal (functional) performance hurdles appropriate to each executive's role.

What are personal or functional performance hurdles?

Personal or Functional (performance) Targets for each financial year are agreed with the CEO and the senior executives, and are set to drive leadership performance and behaviours consistent with achieving the Group's objectives.

These require the achievement of outcomes which advance the Group's interests, in some instances in the short term while other actions are steps to longer term goals, or which enhance the Board's prudent approach to financial and operational management.

These include specific initiatives consistent with strategic plans, investigations and implementation of value adding growth and business sustaining options (including acquisitions and organic growth initiatives and further developing and executing specific aspects of strategic plans), safety performance, succession planning, individual business unit profit targets, negotiation of certain significant long term and short term customer and supply contracts, compliance with regulatory authorities' requirements and other specific personal or functional performance objectives which align the interests of Company executives and shareholders. Further details of the achievement of these performance targets by senior executives in 2013 are set out in section 3.4.2 below.

How is performance against the performance conditions assessed?

In respect of the Financial Targets, the Board reviews the budgeted targets for the year, focusing on the PBT financial measure, and assesses the degree to which the Group met these targets. Where applicable, exceptional, abnormal, extraordinary factors, which may have affected the Group's performance during the year, are considered and where necessary, the Group's performance may be adjusted for the purposes of assessing performance against the target.

The Board also considers the NRG Committee's assessment of the CEO's performance against the agreed Functional Targets, and that of the senior executives (based on the recommendation of the CEO).

When is performance against criteria determined and the cash award paid?

Assessment of performance against the performance hurdles for the relevant year is determined at the first meeting of the NRG Committee and the Board subsequent to the balance date, in conjunction with finalisation of the Group's full year results (generally in February), and is normally paid to the executive by March.

What happens to the STI award on

In general, where an executive's employment is terminated by the Company (other than for cause) during the course of a performance year, the executive is entitled to a pro-rata STI for that proportion of the current

cessation of employment?	financial year elapsed on the termination date. In general, where an executive's employment ceases by reason of resignation, any STI opportunity lapses.

3.4.2 2013 STI outcomes

As indicated in section 2.2, the Financial Target component of the STI, comprising 80% of the CEO's and the senior executives' potential STI opportunity is assessed against the Group's PBT, which achieved above 110% of budget. The remaining 20% of the potential STI opportunity, which is assessed against individual's Functional Targets, is determined on each individual's success in achieving their respective personal targets. During 2013, the CEO and the senior executives accomplished a number of objectives and projects which contributed to the Group's performance in 2013 and which will reinforce future performance.

Examples of personal Functional Target objectives achieved by the CEO and the senior executives during 2013 included:

Operating enhancement / business sustaining

- Met targets for management of working capital
- Successfully completed Munster kiln 5 baghouse filter and significantly improved lime production
- Anticipated and responded to developing east coast gas price issue with extensive assessment of energy supply options and successfully pursued target energy supply arrangements
- Achieved concrete products contract manufacturing arrangement, mitigating transport and other logistics costs in a regional area and freeing land for sale
- Extension to the VERSA range has been successfully manufactured and put to the market

Value adding growth and development

- Negotiations and investigations have created opportunities for business and land acquisitions which are likely to be executed over 2014 and later, for growth and entry into new areas for the existing cement, concrete and aggregates businesses. Assessed and rejected inapt opportunities.
- Created further land divestment opportunities to be realised in ensuing years

Safety and environment

- Achieved safety performance improvement
- Achieved reduced emissions at Munster on successful completion of Munster kiln 5 baghouse filter
- Enhanced relations through extensive consultation and engagement with community stakeholders at key manufacturing sites

Other

- Succession planning up to date, ready for CEO transition
- Achieved financial management targets and assessment of appropriate capital management
- Reviewed options and implemented direction for shared services

These accomplishments contributed to individuals achieving their personal targets, which varied between 88% and 94% of the Functional Targets.

Overall, the achievement of the Financial and Functional Targets resulted in the STI opportunity being awarded at Tier 4 of the STI.

Specific information relating to the percentage of the 2013 and 2012 STI which was paid and the percentage that was forfeited for the CEO and senior executives of the Company and Group is set out in the table below.

STI for the 2013 and 2012 financial years

CEO & senior executives	Year	STI opportunity as % of fixed remuneration[1] %	Actual STI as a % of STI opportunity %	% of STI opportunity payment not achieved[1] %	Actual STI payment[2] $
M P Chellew	**2013**	**100**	**97.6**	**2.4**	**1,697,069**
	2012	100	97.7	2.3	1,641,360
G Agriogiannis	**2013**	**80**	**98.0**	**2.0**	**371,640**
	2012	80	93.0	7.0	340,752
M Brydon	**2013**	**80**	**98.8**	**1.2**	**752,619**
	2012	80	97.1	2.9	714,656
M Kelly	**2013**	**80**	**98.1**	**1.9**	**532,036**
	2012	80	97.7	2.3	511,948
S B Rogers	**2013**	**80**	**98.0**	**2.0**	**368,800**
	2012	80	93.8	6.2	341,057

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

2 2013 and 2012 STI constituted a cash bonus granted during 2013 and 2012 respectively. The 2013 STI was determined in conjunction with the finalisation of 2013 results and paid in February 2014. Similarly, the 2012 STI was determined in conjunction with the finalisation of 2012 results and paid in February 2013.

3.5 At-risk remuneration - Long Term Incentive (LTI)

3.5.1 Summary of the Executive Performance Share Plan

As explained in previous Remuneration Reports, the Board decided to move towards making annual grants of Awards under the LTI Plan with a single four year performance period, to all senior executives who are eligible to participate in the LTI Plan. The annual grant of Awards commenced in the 2013 financial year.

The current Awards that have been issued under the Plan are the “2010 Award”, “2012 Award” and the “2013 Award’’. The Board intends to make a grant in 2014 to be known as the “2014 Award”.

Details of previous grants are set out in the table in section 3.5.2. The Board proposes that the 2014 Award will be made on substantially the same terms to the 2013 Award.

A summary of the Executive Performance Share Plan as it applies to the 2013 Award follows.

What is the Plan and who participates?

The Group’s LTI arrangements are designed to link executive reward with sustainable growth in shareholder value.

The Plan provides for grants of Awards to eligible executives, each Award being an entitlement to a fully paid ordinary share in Adelaide Brighton Ltd, subject to the satisfaction of performance conditions, on terms and conditions determined by the Board.

Participation in the Plan is generally offered to the CEO and executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group’s performance against the relevant performance hurdles.

What are the performance conditions and why were they chosen?

Awards are measured against a TSR performance condition (as to 50% of each Award) and an EPS performance condition (as to the other 50%).

The Board considers these performance conditions to be appropriate because they ensure that a proportion of each executive’s remuneration is linked to the generation of profits (expressed on a per share basis) and shareholder value.

In particular, the use of a relative TSR based hurdle:

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

An EPS growth based hurdle:

- links executive reward to a fundamental indicator of financial performance; and
- links directly to the Group’s long term objectives of maintaining and improving earnings.

The use of dual performance measures combines a strong external market based focus through share price growth and dividends (TSR), and a non-market based measure aimed at driving improved Company results and the creation of shareholder wealth (EPS).

How is the TSR

The Company’s TSR performance must equal or exceed the growth in the returns of the median company performance condition measured?

of the S&P / ASX 200 Accumulation Index (XJO AI), excluding all GICS Financial companies and selected resources companies over the period from 31 December 2012 to 31 December 2016.

The 2013 Awards vest progressively in accordance with the following scale:

TSR growth relative percentile ranking	**% of Awards subject to TSR hurdle to vest**
Below 50%	Nil
50%	50%
Between 50% and 75%	Pro rata
75% or above	100%

How is the EPS performance condition measured?

The EPS performance hurdle requires the compound annual growth in EPS of the Company over the relevant performance period to equal or exceed 5% per annum before any Awards will vest.

Awards under the 2013 Award are to vest progressively in accordance with the following scale:

Compound annual growth in EPS	**% of Awards subject to EPS hurdle to vest**
Below 5% per annum	Nil
5% per annum	50%
Between 5% and 10% per annum	Pro rata
10% per annum or above	100%

What happens on the exercise of Awards?

Awards become exercisable (subject to satisfaction of relevant performance conditions) on 1 May of the relevant year. Shares are delivered to the executive on exercise of the Awards. Awards are granted at no cost to the executive and no amount is payable by the executive on exercise of the Awards. See below for details of the relevant earliest exercise date of Awards and expiry date of unexercised Awards.

Is re-testing permitted?

No. Re-testing of either of the performance conditions applicable to a tranche of Awards is not permitted.

What are participation levels in the 2013 Awards?

The CEO and each of the senior executives participate in the 2013 Awards at the following levels:

	Target (% of fixed remuneration)	**Maximum** (% of fixed remuneration)
M P Chellew	60%	120%
M Kelly and M Brydon	42.5%	85%
G Agriogiannis and S B Rogers	32.5%	65%

Participation levels have been reviewed during the year and have been reduced for all senior executives for the proposed 2014 Award.

What happens to Awards that are not yet exercisable on cessation of employment?

If an executive resigns or is terminated for cause, the Awards in respect of any tranche that is not exercisable will generally be forfeited.

The Plan Rules provide that in other circumstances a pro rata number of Awards, reflecting the part of the LTI earned or accrued up to termination, may become exercisable either at the time of termination of employment or at the end of the original performance period applicable to a tranche.

In addition, a number of executives with pre-2009 contracts have a specific entitlement built into their Service Agreement, which entitles them to pro rata vesting of Awards in the event of Company initiated termination of employment.

Is there a claw-back provision?

Yes. The Plan Rules allow the Board to claw-back any Awards on offer to an executive and to make adjustments to any unvested Awards, if considered appropriate.

What other conditions apply to the Awards?

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

The Plan Rules contain a restriction on removing the 'at-risk' aspect of the instruments granted to executives. Plan Participants may not enter into any transaction designed to remove the 'at-risk' aspect of an instrument before it becomes exercisable (eg. hedging the Awards).

Any shares allocated to the executive following exercise of an Award may only be dealt with in accordance with the Company's Share Trading Policy and subject to the generally applicable insider trading prohibitions.

3.5.2 Current Awards – 2010, 2012, 2013 and 2014 Award

Award	Grant and exercise dates	Outcomes
2010	Granted in May 2010 with effect from 1 January 2010 (to coincide with the start of the performance period) and divided into 3 tranches as follows: • Tranche 1: 30% of Award – became exercisable on 1 May 2012 • Tranche 2: 30% of Award – became exercisable on 1 May 2013 • Tranche 3: 40% of Award – earliest exercise date is 1 May 2014 Any unexercised 2010 Awards will expire on 30 September 2014.	99.3% of Tranche 1 of the 2010 Awards vested on 1 May 2012 based on ranking 83rd against the TSR comparator group for the period and achieving EPS growth of just below 100% vesting. During 2013, Tranche 2 of the 2010 Awards was tested for earliest exercise in May 2013. These vested at 88% having exceeded the 75th percentile against the relative total shareholder return performance condition and having achieved just over 75% vesting against the compound annual growth in EPS target based on EPS growth over the performance period. Tranche 3 of the 2010 Awards will be tested in 2014 with the earliest exercise date in May 2014. For further details of the requisite target ranges for vesting of the TSR and EPS performance conditions of the 2010 Award, please refer to the Company's 2010 Remuneration Report.
2012	As a transitional measure, the 2012 Awards were granted in May 2012 with effect from 1 January 2012 (to coincide with the start of the performance period) and are divided into 2 tranches as follows: • Tranche 1: 50% of Award – earliest exercise date is 1 May 2015 • Tranche 2: 50% of Award – earliest exercise date is 1 May 2016 Any unexercised 2012 Awards will expire on 30 September 2016.	Performance periods have commenced but are not yet concluded.
2013	The Board made the first grant of annual Awards in May 2013, with effect from 1 January 2013: • 100% of Award – earliest exercise date is 1 May 2017 These 2013 Awards are subject to a single 4 year performance period and will be tested and become exercisable to the extent of any vesting from 1 May 2017. Any unexercised 2013 Awards will expire on 30 September 2017.	Performance periods have commenced but are not yet concluded.
2014	The Board intends to make a further grant of annual Awards in 2014, with effect from 1 January 2014: • 100% of Award – earliest exercise date is 1 May 2018. These 2014 Awards are subject to a single 4 year performance period and will be tested and become exercisable to the extent of any vesting from 1 May 2018. Any unexercised 2014 Awards will expire on 30 September 2018.	Awards not yet granted.

3.5.3 Movements in Awards during 2013

Details of the movement in Awards held by the CEO and senior executives during the 2013 financial year is set out below.

Movement in Awards during the year

CEO & senior executives	Balance at 31 Dec 2012	Granted 2013 Awards[1]	Exercised/ vested Tranche 2 2010 Awards[2]	Number of Awards lapsed/ forfeited during the year	Balance at 31 Dec 2013	Value of Awards at grant date[3]	Value per share at the date of exercise[4]	Value at lapse date[5]
						$	$	$
M P Chellew	2,716,648	670,920	475,200	64,800	2,847,568	1,019,799	3.3984	220,911
G Agriogiannis	426,054	99,074	85,800	11,700	427,628	150,592	3.4091	39,887
M Brydon	951,792	260,248	158,400	21,600	1,032,040	399,480	3.4091	73,637
M Kelly	728,612	185,285	132,000	18,000	763,897	281,634	3.4057	61,364
S B Rogers	424,538	98,317	85,800	11,700	425,355	150,918	3.4091	39,887
Total	**5,247,644**	**1,313,844**	**937,200**	**127,800**	**5,496,488**	**2,002,423**	**-**	**435,686**

1 As the Awards granted in 2013 only vest on satisfaction of performance conditions which are to be tested in future financial periods, none of the 2013 Awards as set out above vested or were forfeited during the year.

2 All 937,200 Awards which were exercisable during 2013 were in fact exercised, being Tranche 2 of the 2010 Awards. The number of Awards vested during the period and exercisable at 31 December 2013 is nil. The number of Awards vested but not yet exercisable at 31 December 2013 is nil.

3 Value of Awards granted during 2013 as at grant date.

4 The value per share at the date of exercise is the Value Weighted Closing Price which is the average of the closing price and number of Adelaide Brighton Limited shares traded on the Australian Securities Exchange for the five trading days before the exercise date, but not including the day of exercise. The aggregate value of Awards that vested during the year is $3,189,481 based on the Value Weighted Closing Price.

5 The value at lapse date of options that were granted as part of remuneration and that lapse during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

3.6 Service Agreements and termination payments

The remuneration and other terms of employment for the CEO and senior executives are set out in formal employment contracts referred to as Service Agreements. All Service Agreements are for an unlimited duration and details of the executives' entitlements on termination are set out below. All Service Agreements may be terminated immediately for serious misconduct, in which case executives are not entitled to any payment on termination other than remuneration and leave entitlements up to the date of termination.

As announced to the ASX on 13 December 2013, the Managing Director and CEO, Mr Chellew, will retire on 21 May 2014 after 13 years leading the Company. Mr Chellew will not receive any severance payment on his retirement. Mr Chellew is eligible to receive a pro rata payment of his short term incentive for 2014 subject to meeting the applicable performance conditions. In accordance with approval previously received from shareholders and consistent with Mr Chellew's service agreement, Awards outstanding under the EPSP on the date of his retirement (comprising the 2012 and 2013 Awards) will vest on a pro rata basis and be exercisable by Mr Chellew. Also in accordance with his service agreement the Company will pay Mr Chellew an amount equal to 6 months of his fixed remuneration in relation to a non-compete and restraint undertaking which will preclude Mr Chellew working for or assisting any of the Group's competitors following his retirement. Further details of these entitlements will be disclosed in the 2014 Remuneration Report.

Adelaide Brighton Ltd and its controlled entities

As noted above, the Company has entered into new contractual arrangements with Mr Brydon, and his new remuneration came into effect on 1 February 2014 on his commencement as Deputy Chief Executive Officer.

	Notice periods	Separation payments[1]
M Brydon (from 1 February 2014)	6 months' notice by either party (or payment in lieu)	6 months fixed remuneration where the Company terminates on notice In the event of termination for 'Fundamental Change'[2], average annual fixed remuneration over the 3 years immediately preceding termination
G Agriogiannis	3 months' notice by either party (or payment in lieu)	9 months fixed remuneration where the Company terminates on notice
M Kelly S B Rogers	3 months' notice by executive 5 weeks' notice by Company (or payment in lieu)	12 months fixed remuneration where the Company terminates on notice, or where executive is able to terminate for 'Fundamental Change'[2] Entitlement under the Company Redundancy Policy (if applicable)

1 In the case of resignation, no separation payment is made to the executive (only amounts due and payable up to the date of ceasing employment including accrued leave entitlements and unpaid salary).

2 A 'Fundamental Change' includes circumstances where there has been a substantial diminution of responsibility, a material reduction in status or (for executives other than the CEO) a relocation of the relevant position.

On termination of employment for any reason, the CEO and other senior executives are prohibited from engaging in any activity that would compete with the Group for a period of up to six months in order to protect the Group's business interests. In the event of resignation, at the option of the Company, Mr Brydon and Mr Kelly may be paid a monthly amount equivalent to the executive's monthly fixed remuneration at the time of termination during the period of restraint to support the enforceability of the restraint.

3.7 2013 Remuneration

Details of the remuneration paid to the CEO and key management personnel of the Company and the Group, during the 2013 financial year is set out below.

Remuneration for the 2013 and 2012 financial years

		Short-term benefits		Post-employment benefits		Other	Share based payments[1]	Total	
		Fixed salary $	STI $	Superannuation contributions $	Termination benefits $	$	Long term incentive $	$	%[2]
M P Chellew	**2013**	**1,713,800**	**1,697,069**	**25,000**	-	-	**752,820**	**4,188,689**	**18**
	2012	1,659,612	1,641,360	20,388	-	-	547,795	3,869,155	14
G Agriogiannis	**2013**	**454,030**	**371,640**	**20,000**	-	-	**155,049**	**1,000,718**	**15**
	2012	438,000	340,752	20,000	-	163,100[3]	146,123	1,107,975	13
M Brydon	**2013**	**935,078**	**752,619**	**17,122**	-	-	**217,527**	**1,922,346**	**11**
	2012	903,877	714,656	16,123	-	-	186,542	1,821,198	10
M Kelly	**2013**	**652,925**	**532,036**	**25,000**	-	-	**170,157**	**1,380,117**	**12**
	2012	630,000	511,948	25,000	-	-	149,945	1,316,893	11
S B Rogers	**2013**	**445,408**	**368,800**	**25,000**	-	-	**102,107**	**941,315**	**11**
	2012	429,500	341,057	25,000	-	-	93,281	888,838	10
Total for the Company and Group	**2013**	**4,201,241**	**3,722,163**	**112,122**	-	-	**1,397,661**	**9,433,186**	
	2012	4,060,990	3,549,773	106,510	-	163,100	1,123,686	9,432,534	

1 In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the notional value of equity compensation granted or outstanding during the year. The notional value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should the equity instruments vest. The notional value of Awards as at the date of their grant has been determined in accordance with the accounting policy Note 1(v)(iv).

2 % of remuneration for the financial year which consists of the amortised annual value of Awards issued under the Adelaide Brighton Limited Executive Performance Share Plan.

3 G Agriogiannis commenced employment on 27 June 2011, and received a sign-on payment and relocation benefits that were not paid until 2012.

Section 4 - Non-executive Directors' fees

4.1 Board policy on non-executive Director fees

The total amount of fees paid to non-executive Directors is determined by the Board on the recommendation of its NRG Committee within the maximum aggregate amount approved by shareholders. The remuneration of the non-executive Directors consists of Directors' fees, committee fees and superannuation contributions. These fees are not linked to the performance of the Group in order to maintain the independence and impartiality of the non-executive Directors.

While the Board has considered minimum shareholding guidelines for Directors, it has determined that it does not currently consider it appropriate to require a particular holding given that this is a matter for individual preference.

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

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

Total fees, including committee fees, were set within the maximum aggregate amount of $1,300,000 per annum approved at the 2013 Annual General Meeting.

Non-executive Director base and Committee fees were increased by 3.5% for the 2013 financial year.

Fees payable to non-executive Directors in the 2013 financial year are set out below (and are inclusive of contributions to superannuation).

Non-executive Directors' fees for 2013[1]

	Chairman $	Member $
Board	354,746[2]	103,500
Audit, Risk and Compliance Committee	24,840	13,973
Nomination and Remuneration Committee	24,840	13,973
Safety Health and Environment Committee	15,525	10,350
Corporate Governance Committee	10,350	Nil

1 At present, there are no fees payable for the Independent Directors' Committee.
2 The Chairman of the Board receives no additional fees for Committee work.

As indicated above, the fees payable to non-executive Directors for the 2014 financial year will remain at the same level as for the 2013 financial year. The fee payable to the Chairman has been reduced by 12.5% for the 2014 financial year to an amount of $310,500 (or three times the fee of a non-executive Director). Following the dissolution of the Corporate Governance Committee, no fee will be paid in 2014 concerning that Committee's fee.

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

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

4.2 Fees paid to non-executive Directors

Details of fees paid to non-executive Directors for the years ended 31 December 2013 and 31 December 2012 are set out below.

Non-executive Directors' remuneration for the 2013 and 2012 financial years

		Fees and allowances			Post-employment benefits
Non-executive Director	**Year**	**Directors' fees (incl. superannuation)**	**Committee fees (incl. superannuation)**	**Total**	**Superannuation contributions[1]**
		$	**$**	**$**	**$**
L V Hosking **(Chairman)** [2]	**2013**	**354,746**	**-**	**354,746**	**23,449**
	2012	251,279	17,899	269,178	20,263
R D Barro	**2013**	**103,500**	**10,350**	**113,850**	**9,520**
	2012	100,000	10,000	110,000	9,083
G F Pettigrew	**2013**	**103,500**	**49,163**	**152,663**	**13,878**
	2012	100,000	47,500	147,500	13,409
K B Scott-Mackenzie	**2013**	**103,500**	**29,498**	**132,998**	**11,121**
	2012	100,000	28,500	128,500	11,682
A M Tansey	**2013**	**103,500**	**45,506**	**149,006**	**12,463**
	2012	100,000	21,000	121,000	9,991
C L Harris	**2013**	**-**	-	**-**	**-**
(former Chairman) [4]	2012	130,394	-	130,394	11,854
Total	**2013**	**768,746**	**134,517**	**903,263**	**70,431**
	2012	781,673	124,899	906,572	76,282

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

2 LV Hosking commenced as Chairman of the Board on 17 May 2012. For 2012, $55,580 relates to the period served as a non-executive Director (1 January 2012 to 16 May 2012) and $213,598 for the period served as Chairman (17 May 2012 to 31 December 2012).

3 Former Board Chairman C L Harris retired on 17 May 2012.

Corporate Governance Statement

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

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

The Board believes that the Company's policies and practices are consistent in all substantial respects with good corporate governance practice in Australia appropriate for the circumstances of the Company, including the ASX Corporate Governance Council Principles and Recommendations. A summary of how each of the recommendations has been addressed is set out below.

ASX Corporate Governance Council Principles and Recommendations (ASX Principles)

The following table summarises how the Company meets the ASX Principles (as applicable to the Company for the 2013 financial year), and provides reference to where the specific recommendations are dealt with in this statement:

	ASX Principle / Recommendation	Met?	Reference
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the Board and those reserved to management	☑	Section 1.1
1.2	Disclose the process for evaluating the performance of senior executives	☑	Section 1.2.3
1.3	Provide the information indicated in the Guide to reporting on Principle 1	☑	
Principle 2:	**Structure the Board to add value**		
2.1	A majority of the Board should be independent Directors	☑	Section 1.2.1
2.2	The chair should be an independent Director	☑	Section 1.2
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	☑	Section 1.2
2.4	The Board should establish a nomination committee	☑	Section 2.1
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors	☑	Section 1.2.3
2.6	Provide the information indicated in the Guide to reporting on Principle 2	☑	
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary of the code	☑	Section 4.1
3.2	Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	☑	Section 1.2.6 and page 37
3.3	Disclose the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards them.	☑	Pages 44, 45
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	☑	Page 46
3.5	Provide the information indicated in the Guide to reporting on Principle 3	☑	
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee	☑	Section 2.1
4.2	The audit committee should be structured so that it: • consists only of non-executive Directors • consists of a majority of independent Directors • is chaired by an independent chair, who is not chair of the Board, and • has at least three members	☑	Section 2.1
4.3	The audit committee should have a formal charter	☑	Section 2
4.4	Provide the information indicated in the Guide to reporting on Principle 4	☑	

Principle 5:	**Make timely and balanced disclosure**		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	☑	Section 5.1
5.2	Provide the information indicated in the Guide to reporting on Principle 5	☑	
Principle 6:	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	☑	Section 5.2
6.2	Provide the information indicated in the Guide to reporting on Principle 6	☑	
Principle 7:	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies	☑	Section 3.1
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks	☑	Section 3.1
7.3	The Board should disclose whether it has received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	☑	Section 3.1
7.4	Provide the information indicated in the Guide to reporting on Principle 7	☑	
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee	☑	Section 2.1
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent Directors • is chaired by an independent chair, and • has at least three members	☑	Section 2.1
8.3	Clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives	☑	Section 2.1
8.4	Provide the information indicated in the Guide to reporting on Principle 8	☑	

1 The Board lays solid foundations for management and oversight

1.1 Role of the Board

The role of the Board of Directors is to protect and optimise the performance of the Group and, accordingly, the Board takes accountability for reviewing and approving strategic direction, establishing policy, overseeing the financial position and monitoring the business and affairs of the Group on behalf of shareholders. Details of the skills, experience and expertise of each Director and their period of office are set out on page 6 and 7 of this report.

The Board operates in accordance with the general principles set out in its charter, which is available from the corporate governance section of the Company's website at www.adbri.com.au.

In accordance with the provisions of the Company's constitution, the Board has delegated a number of powers to Board committees (see section 2 following) and responsibility for the day-to-day management of the Company to the Managing Director and Chief Executive Officer (CEO) and senior management. The respective roles and responsibilities of the Board and management are outlined further in the Board charter.

The Board has also reserved for itself the following specific responsibilities:

Strategy and monitoring	Monitoring the business and affairs / relations with management	Risk management, compliance and internal controls
• Input into and approval of management's development of corporate strategy, including setting performance objectives and approving operating budgets • Monitoring and reviewing corporate performance and implementation of strategy and policy	• Selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning for the successor of, the CEO • Reviewing procedures for appointment of senior management, monitoring performance and reviewing executive development activities. This includes ratifying the appointment and the removal of the Chief Financial Officer and the Company Secretary • Approval of the Company's capital structure and gearing targets • Approval of specified matters exceeding delegated authority levels, including major capital expenditure and major acquisitions and divestitures	• Reviewing and guiding systems of risk management and internal control and ethical and legal compliance • Monitoring and reviewing processes aimed at ensuring integrity of financial and other reporting, and providing assurance to approve the Group's financial reports • Monitoring and reviewing policies and processes in place relating to occupational health and safety, compliance with laws, and the maintenance of high ethical standards • Input into and approval of the Company's policy in relation to, and monitoring implementation of, sustainable resource use and the impact of the Company's operations on the environment, community and stakeholders

1.2 The Board is structured to add value

The Board ensures that its members have the time and commitment to devote to the role

- Prior to appointment, Directors provide details of other commitments and acknowledge that they will have adequate time to meet expectations
- Directors to consult with the Chairman before accepting outside appointments
- Letter of appointment sets out Director's term of appointment, powers, expectations and rights and obligations

The Board is committed to a majority of independent views being brought to bear in decision-making (see 1.2.1 below)

- Directors expected to bring independent views and judgment to discussions
- Majority of Board members are independent
- Board has adopted Financial Services Council Blue Book definition of director independence

Board keeps informed of regulatory and industry developments to challenge status quo and strengthen knowledge base (see 1.2.4)

- Directors expected to participate in ongoing education / development
- For 2013, the Board's program focussed on the Company's product import and energy supply arrangements, and development opportunities
- Directors keep themselves informed and up to date, of their own initiative, with general developments relevant to the role of a non-executive Director in an S&P/ASX100 company

The Board is structured to add value and Board decision-making is enhanced through education and support

- Broad mix of skills, diversity and experience reflecting the character of the Group's business to best guide, review and challenge management
- Independent Chairman leads the Board, facilitates constructive decision-making, and manages Board/ management relationship
- To maintain independent oversight, roles of Chairman and Managing Director and Chief Executive Officer are undertaken by different individuals

Comprehensive induction processes equip directors to perform in their role

- Comprehensive induction process upon appointment
- Obligation on new Directors to familiarise themselves with Company's practices through induction process or by making enquiries of the Chairman, the Company Secretary or management

Board and Director performance is regularly evaluated to facilitate continuous improvement (see 1.2.3)

- Board, Committee and individual Director performance reviewed annually
- Directors to undergo a performance appraisal before standing for re-election
- One third of the non-executive Directors retire (and are eligible for re-election) at each AGM

Board members have access to management and independent advice to assist in discharge of their duties

- Access to senior executives and to any further information required to make informed decisions
- Right to seek independent professional advice at the Company's expense to assist in effective discharge of duties

Conflicts are managed (see 1.2.2)

- Actual and perceived conflicts considered and managed on an ongoing basis
- Protocols around disclosure, and procedures around management of potential conflicts have been adopted

1.2.1 Directors' independence

In general, Directors are considered independent where they are free of any interest and any business or other relationship which could, or could reasonably be perceived, to interfere materially with the Director's ability to act in the best interests of the Company. An assessment will be made on a case-by-case basis of whether the Director's ability to act in the best interests of the Company has been materially impaired.

In ensuring that the Board comprises Directors with a broad range of skills and experience reflecting the character of the Group's business, the Board may from time to time appoint Directors who are not considered to be independent. It is, however, the Board's policy that it should comprise a majority of independent Directors to ensure that independent oversight is maintained.

In the context of his executive position with the Company, Mr M Chellew is not considered to be independent. Having regard to the guidelines of independence adopted by the Board, the Directors are of the view that Mr R D Barro is the only non-executive Director who is not considered "independent" by virtue of his position as the Managing Director and a shareholder of Barro Group Pty Ltd, which has a 50% interest in the joint venture, Independent Cement & Lime Pty Ltd (ICL), and is a substantial shareholder in the Company. ICL has an ongoing trading relationship with the Barro Group of companies.

1.2.2 Conflicts of interest

Directors are expected to avoid any action, position or interest which conflicts (or may be perceived to conflict) with their position as a Director of the Company. In particular, the Board is cognisant of Mr Barro's interest in Barro Group Pty Ltd, a significant shareholder in the Company and 50% joint venture partner in ICL.

During the year, in order to avoid actual and/or perceived conflicts of interest in Board decision-making, Board procedures were followed such that where the possibility of a material conflict arose, the Board considered the nature and extent of the potential conflict and whether it would be appropriate for the relevant Director to participate in Board discussion and decision-making in relation to the issue. Where there was a real potential for a conflict of interest, information was not provided to the Director, and, in accordance with the *Corporations Act 2001*, the Director did not participate in, or vote at, the meeting where the matter was considered.

1.2.3 Performance evaluation

For the 2013 financial year, a performance evaluation was led by the Chairman to assess the performance of individual Directors, the Board as a whole, various aspects of the Board committees such as their performance, membership, roles and charters, and the Board's and Directors' interaction with management.

As part of this comprehensive review of the Board's performance, processes and operations, the Chairman facilitates individual discussions with each Director which also reviews their individual performance. The discussions also included a peer review of the Board Chairman's performance by the other Directors.

The Chairman reports to the Board concerning the performance evaluation process and the findings of these reviews. As a result of recommendations arising from the internal Board review, initiatives are introduced to ensure the continued effectiveness of the Board's performance and to enable its sustained focus on key issues for the Company. The implementation of these initiatives is overseen by the Chairman.

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

For the 2013 financial year, the performance of the CEO and the CEO's achievement of the agreed objectives was reviewed by the Chairman, the then Nomination and Remuneration Committee and the Board. The performance of the Company's senior executives during 2013 was reviewed by the CEO, and by the then Nomination and Remuneration Committee, led by the CEO and the Executive General Manager, Human Resources.

The Committee and the Board considered the performance of Martin Brydon, Executive General Manager - Cement & Lime, and the relevant circumstances of the Company, as part of the Committee's and the Board's decision to promote Martin Brydon to the position of Chief Executive Officer when Mark Chellew retires in May, 2014.

1.2.4 Ongoing education

The Board's ongoing education calendar incorporated site visits in 2013 to the Company's key cement and lime manufacturing facilities at Birkenhead, South Australia and Munster, Western Australia. Presentations were given by management and external experts concerning factors which impacted, or were likely to impact, the business, and various opportunities. The Board is informed by expertise from within the Company on matters such as energy supply arrangements and business and product development. The Board held a number of sessions with senior personnel from organisations operating in a range of fields relevant to the Company's operations and future direction, in order to stay abreast of key and developing issues and opportunities which were or might be relevant to the Company.

1.2.5 Board and CEO succession planning

The Board regularly reviews the size and composition of the Board to ensure the appropriate skills, perspective and expertise are represented.

As announced to the ASX on 13 December 2013, the Board's long term management succession plan for the CEO was implemented, leading to Martin Brydon's promotion to the Deputy Chief Executive Officer position from 1 February 2014, with Martin assuming the Chief Executive Officer role upon Mark's retirement following the Annual General Meeting in May 2014, ensuring a smooth transition of leadership responsibilities within the Company.

The then Nomination and Remuneration Committee also reviewed the succession plans for the senior management team during the year, to ensure that appropriate plans have been implemented for the mid to long term.

1.2.6 Diversity

The Board, having adopted a Diversity Policy for the Group in 2011, has established measurable diversity objectives to enhance gender diversity across the organisation. Further information of the Group's progress with the gender diversity objectives (in accordance with the ASX Corporate Governance Council Principles and Recommendations) is set out on pages 44 to 45.

2 Committees of the Board

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

Each committee has a specific charter or constitution. The charters for the Audit, Risk and Compliance Committee and the Nomination, Remuneration and Governance Committee are available on the corporate governance section of the Company's website at www.adbri.com.au. The Board periodically reviews each Board committee's charter, role and responsibilities.

Generally, minutes of committee meetings are tabled at the next Board meeting after the minutes have been prepared. Additional requirements for specific reporting by the committees are addressed in the charter of the individual committees.

As a result of the Board's continued focus on governance, during 2013 the then Nomination and Remuneration Committee reviewed the Board's committees and their membership. As a result the Board decided in November 2013 to assign the governance responsibilities of the Corporate Governance Committee to the Board's Nomination and Remuneration Committee (and for the committee to be renamed the Nomination, Remuneration and Governance Committee) given the strong emphasis that the Board places on the link between governance and both remuneration and succession. The corporate social responsibility and sustainability responsibilities of the Corporate Governance Committee were assigned to the Board's Safety, Health and Environment Committee and the Corporate Governance Committee was dissolved. The charters of these two continuing Board committees were revised accordingly.

2.1 Key standing committees

	Audit, Risk and Compliance Committee	***Nomination Remuneration and Governance Committee (called Nomination and Remuneration Committee during 2013)***
Members during 2013	G F Pettigrew (Chairman) L V Hosking A M Tansey Details of these Directors' qualifications are set out on page 6 and 7 of this report.	A M Tansey (appointed a member and Chairman from 19 February 2013) L V Hosking (acting Chairman to 19 February 2013) G F Pettigrew K B Scott-Mackenzie The Board appointed A M Tansey as Chairman of the then Nomination and Remuneration Committee with effect from 19 February 2013, on which date L V Hosking ceased to be acting Chairman of the Committee but continues as a member. Details of these Directors' qualifications are set out on page 6 and 7 of this report.
Composition	• Consist of a minimum of three members, all of whom are independent non-executive Directors. • The chair must be an independent non-executive Director who is not Chairman of the Board.	• Consist of a minimum of three members, all of whom are independent non-executive Directors.
Key functions	• To review, assess (and recommend to the Board for approval) the annual financial reports, the half-year financial report, including reviewing the results of external audit and assessing all external reporting for its adequacy for shareholder needs;	• The role of the Committee is to assist and advise the Board on matters relating to the appointment and remuneration of the non-executive Directors, the CEO and other senior executives, and best practice corporate governance appropriate to the circumstances

	Audit, Risk and Compliance Committee	*Nomination Remuneration and Governance Committee (called Nomination and Remuneration Committee during 2013)*
	• To review the appropriateness of accounting principles adopted by management in the composition and presentation of financial reports and to approve any change in the accounting principles applied in preparing the Company and Group reports; • To evaluate the independence of the external auditors and to monitor the implementation of the Board's policy in relation to the provision of non-audit services by the Company's auditor; • To recommend to the Board the appointment, removal and remuneration of the external auditors, to review the terms of their engagement, the scope and quality of the audit and to assess performance; • To determine the scope of the internal audit function and ensure that it has adequate resources to fulfil its role, to assess its performance including independence, effectiveness and appropriate coordination with external auditors; • To determine whether new policies or training should be implemented to safeguard against possible risks or non-compliance with applicable laws, regulations or Company policies; • To monitor compliance with the Company's policies and procedures that recognise the Company's business, environmental and statutory responsibilities; and • To report the results of the Committee's review of risk management and internal compliance and control systems to the Board.	of the Company. *Remuneration, including incentives* • To review (and recommend to the Board) the fees paid to non-executive Directors; • To review (and recommend to the Board) the compensation arrangements for the CEO, including short term and long term incentives; • To review and approve recommendations from the CEO on total levels of remuneration, for senior executives; • To oversee the implementation of the Company's short term and long term incentive arrangements, including reviewing performance targets for senior executives, reviewing recommendations from the CEO on senior executives' participation in short and long term incentive schemes, making relevant awards and assessing the extent to which performance conditions are satisfied; *Succession planning, appointments and review of performance* • To review management succession planning and specifically the CEO and senior executives reporting to the CEO; • To review the appointments and terminations to senior executive positions reporting to the CEO; • To assess the appropriate mix of skills, experience and expertise required on the Board and assess the extent to which these required skills are represented on the Board; • To establish processes for the identification of suitable candidates for appointment to the Board, engage appropriate search firms to assist in identifying suitable candidates and make a recommendation regarding the most appropriate candidates to the Board which ultimately will appoint the new Directors; • To oversee or design induction and ongoing training and education programs for the Board to ensure that non-executive Directors are provided with adequate information regarding the operations of the business, the industry and their legal responsibilities and duties; • To monitor the tenure of Board members, considering succession planning and identifying the likely order of retirement by rotation of non-executive Directors; • To establish processes for the review of the performance of individual non-executive Directors, the Board as a whole and the operation of Board committees; and *Corporate governance* • To oversee, develop and review the

	Audit, Risk and Compliance Committee	*Nomination Remuneration and Governance Committee (called Nomination and Remuneration Committee during 2013)*
		Company's corporate governance framework and systems.
Key activities during 2013	• Ongoing review and consideration of financial and non-financial risks and the Company's system of identifying and managing risks; • Considering the impact arising from the implementation of the carbon tax and related regulatory requirements, the Company's accounting for these and the impact of the possible repeal of the carbon tax; • Reviewing the Company's exposure to and management of slow paying debtors and bad debts; • Monitoring the performance, outcomes and actions of the Company's internal audit program; • Receiving the external auditors' reports, monitoring issues reported and actions taken; • Reviewing and overseeing of the Company's 2012 Full Year, 2013 Half Year and Full Year Financial Reporting and associated audit; • Establishing the internal audit plan for 2014 and reviewing and approving the internal and external auditors' fees; • Monitoring the Group's insurance renewal programme; and • Reviewing the Group's accounting policies and treatment of particular issues, including detailed review during the year of accounting for the Company's joint ventures and accounting for Defined Benefit Superannuation.	• Overseeing and making recommendations to the Board concerning the succession of Martin Brydon to the position of Chief Executive Officer following the retirement of Mark Chellew in 2014, including Martin Brydon's remuneration arrangements and Executive Service Agreement; • Considering developments in executive remuneration practices and engaging external consultants to advise and assist the Committee and the Board to ensure that, in setting the Company's short and long term compensation metrics, the Board has regard to emerging market practices, and that the Company's structure and setting of compensation and has responded adequately to the input of stakeholders. The 2013 review included market reviews of all aspects of remuneration structure and quantum, and extensive Committee and Board review and consideration of these matters; • Reviewing and recommending to the Board the level of annual fixed and incentive compensation arrangements for the CEO and reviewing and approving the CEO's recommendations for the senior executive team; • Reviewing and recommending to the Board the Company's long term incentive ("LTI") awards to be awarded to the incoming Chief Executive Officer, including the applicable performance conditions, and reviewing and approving the CEO's recommendations for awards to the continuing senior executive team in 2014, including the applicable performance conditions and their respective levels of participation; • Reviewing the annual Functional component objectives applicable to the short term incentive ("STI") for the CEO and the senior executive team for 2013; • Reviewing the attainment of STI and LTI performance conditions by the CEO and the senior executive team; • Reviewing the structure of the Board's committees, including considering committee structures of comparable organisations; • Reviewing and recommending to the Board the base fees payable to non-executive Directors and additional fees payable for membership of Board committees for 2014, as a result of which no non-executive Directors' fees increased, the fees paid to the Chairman were decreased at his request, and lower fees were paid as a result of the dissolution of the

	Audit, Risk and Compliance Committee	*Nomination Remuneration and Governance Committee (called Nomination and Remuneration Committee during 2013)*
		Corporate Governance Committee and the transfer of its responsibilities to other Board committees; • Overseeing the implementation of diversity measures to facilitate the achievement of the diversity objectives as contained in the Diversity Policy to address diversity in the Board's composition, the senior executive team and the broader Company; • Reviewing and reporting to the Board on the performance of the CEO and the senior executive team and succession plans for the CEO, senior executives and other key positions in the Company.
Attendance	Details of attendance at Committee meetings are set out on page 7 of this report. Representatives of the Company's external auditors, PricewaterhouseCoopers, including the lead audit partner, attend (either in person or by telephone) for the whole of the Committee's meetings. It is also the practice of the Committee to meet with the Company's auditors without any member of management present.	Details of attendance at Committee meetings are set out on page 7 of this report.
Consultation	Members of management may attend meetings of the Committee at the invitation of the Committee Chairman. It is the practice of the Committee that the CEO, the Chief Financial Officer and the Company Secretary attend all Audit, Risk and Compliance Committee meetings. The Group Risk Manager generally attends meetings of the Committee when non-financial risk management matters are considered. In fulfilling its responsibilities, the Committee has rights of access to management and to auditors (external and internal) without management present, and may seek explanations and additional information.	It has been the practice of the Committee, on occasions when relevant, to invite other Directors to attend Committee meetings. Additionally, one Committee meeting in 2013 was held concurrently with a Board meeting. Members of management, particularly the Executive General Manager, Human Resources or the CEO, may also attend meetings of the Committee at the invitation of the Committee Chairman, whenever particular matters arise that require management participation, such as reviewing senior executive performance, succession planning or the CEO's recommendations to the Committee. The Chairman of the Committee received reports directly from expert consultants concerning the remuneration arrangements and executive service agreements of the CEO and the Company's senior executives.

2.2 Other Board committees

2.2.1 Safety Health and Environment Committee

The members of the Safety, Health and Environment Committee (SH&E Committee) during 2013 were K B Scott-Mackenzie (Chairman), G F Pettigrew, and R D Barro. M P Chellew attended meetings of the SH&E Committee in his executive position as CEO.

The Committee has a broad role in reviewing general and specific occupational health and safety and environmental matters across the Group. Committee meetings are also attended by the Company's Executive General Manager, HR & SH&E, Chief Financial Officer and its General Counsel. As set out above, in November 2013 the Board decided to assign the corporate social responsibility and sustainability responsibilities of the Corporate Governance Committee (which was dissolved) to the SH&E Committee. The charter of the committee was revised to reflect this, and for other routine updates.

Generally when the SH&E Committee meeting is held prior to a Board meeting, the SH&E Committee Chairman subsequently reports to the Board about the Committee's proceedings.

2.2.2 Corporate Governance Committee

The Corporate Governance Committee which in 2013 comprised of A M Tansey (Chairman from 19 February 2013) and L V Hosking (Acting Chairman to 19 February 2013), was responsible in 2013 for overseeing the Company's implementation and compliance with best practice in corporate governance applicable to the circumstances of the Company. Committee meetings were held in conjunction with Board meetings, so that all of the Company's Directors are present and are also attended by the CEO, the Company Secretary and General Counsel, and the Chief Financial Officer.

The Committee monitored relevant regulatory developments during 2013 and monitored the annual review of the Company's charters and policies to ensure they comply with regulatory requirements and remain up to date with good governance guidelines.

During 2013 the Nomination and Remuneration Committee reviewed the Board's committees and their membership, and as a result the Board decided in November 2013 to dissolve the Corporate Governance Committee and to assign its governance responsibilities to the Board's Nomination and Remuneration Committee (and for the committee to be renamed the Nomination, Remuneration and Governance Committee) and corporate social responsibility and sustainability responsibilities to the Board's Safety, Health and Environment Committee. The charters of these two continuing Board committees were revised accordingly.

2.2.3 Independent Directors' Committee

The role of the Independent Directors' Committee is to investigate and consider corporate proposals made to the Company. The Committee comprises Directors who do not have any conflict of interest concerning the matters considered by the Committee. The members of the Committee during 2013 were L V Hosking (Chairman), G F Pettigrew, K B Scott-Mackenzie and M P Chellew (CEO).

Details of members' attendance at each of these Committee meetings in 2013 are set out on page 7.

3 The Board recognises and manages risk and safeguards the integrity of financial reporting

3.1 Framework

The Board has approved the following framework within which the Company discharges its risk management function:

Leading a culture of compliance and ensuring that risk management practices are appropriate and effective in the context of the Company's business objectives.

Oversight: The Board, through the Audit, Risk and Compliance Committee, is responsible for reviewing and guiding the Company's risk management policies and compliance and control systems. These policies and systems provide for management to identify and manage both financial and non-financial risks to the Company's businesses. The Board, through the Committee, regularly reviews the effectiveness of the Company's risk management system and management of identified business risks.

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

Internal controls framework

A robust control environment is fundamental to the effectiveness of the Company's risk management framework. Delegations of authority and Board and management accountability is clearly demarcated.

All Directors, executives and employees are required to adhere to the Code of Conduct (described below) and the Board actively promotes a culture of quality and integrity.

Accounting, financial reporting and internal control policies and procedures designed to manage business risks (both financial and non-financial) have been established at the Board and executive management levels. These are designed to safeguard the assets and interests of the Company, and ensure the integrity of financial reporting. The Board nonetheless acknowledges that it has ultimate responsibility for the accuracy and approval of the Group's' financial reports. The Board acknowledges that it is also responsible for the overall internal control framework, and to assist in discharging this responsibility, the Board has instigated an internal control framework that can be described as follows:

Financial reporting:

- Comprehensive budgeting system with an annual budget reviewed and approved by the Board
- Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly
- Procedures to ensure that price sensitive information is reported to the ASX in a timely manner (see section 5 below)

Investment appraisal:

- Clearly defined guidelines for capital expenditure
- eg. annual budgets, detailed appraisal and review procedures, and levels of delegated authority where businesses are being acquired or divested

Operating unit controls:

- Financial controls and procedures including information systems controls are in operation throughout the consolidated entity
- Operating units confirm compliance with these procedures to the Board annually

Internal audit:

- Assists the Board in ensuring compliance with internal controls
- The Audit, Risk and Compliance Committee reviews and approves the selection and engagement of internal auditors, the internal audit program to be conducted, and the scope of the work to be performed
- Internal auditors provide the Committee with comments and recommendations about the identification of areas perceived to be of a greater level of risk than others, and any areas requiring particular scrutiny
- The Committee receives and reviews the reports of the internal auditors

Functional speciality reporting:

- The Group has identified a number of key areas which are subject to regular reporting to the Board, such as safety and environment, risk management, taxation, finance and administration

Delegated authorities and restrictions:

- Comprehensive procedure which provides a framework that enables employees to operate and act within clearly defined and communicated parameters

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

- That the Company's financial reports present a true and fair view, in all material respects, of the financial position and performance of the Company and the consolidated entity and are in accordance with accounting standards in all material respects;
- That the Company has a sound system of risk management and internal control which implements the policies adopted by the Board and forms the basis for the statement given above; and
- That the Company's risk management and internal control system to the extent it relates to financial reporting is operating efficiently and effectively in all material respects.

Non-financial risk: Management regularly reports to the Board, including through reports to the Audit, Risk and Compliance Committee, on strategic and operational issues, including an assessment of the material business risks facing the Company and the effectiveness of the systems and policies in place to manage those risks.

3.2 Audit Services

The Company and Audit, Risk and Compliance Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is considered annually. PricewaterhouseCoopers remains the external auditor of the Company for the Group's financial report for the year ended 31 December 2013.

The Board has adopted a policy in relation to the provision of non-audit services by the Company's external auditor. It is based on the principle that work that may detract from the external auditor's independence and impartiality (or that may be perceived as doing so) should not be carried out by the external auditor. Details and the break down of fees for non-audit services and an analysis of fees paid or payable to external auditors are provided in Note 33 to the Financial Statements.

4 The Board is committed to promoting ethical and responsible decision-making

4.1 Code of conduct and whistleblower program

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

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

The Code of Conduct is publicly available on the Company's website at www.adbri.com.au.

The Code of Conduct is reviewed and updated from time to time, ensuring that the Code remains relevant to the Company's values and practices.

The Company has also adopted policies requiring compliance with (among others) occupational health and safety, environmental, privacy, diversity, equal employment opportunity, harassment, fair treatment, and competition and consumer law. The Company monitors the effectiveness of these policies.

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

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

4.2 Shareholdings of Directors and employees

The Board has a policy that in general, Directors and Officers may not buy or sell Adelaide Brighton Ltd shares except during periods (known as 'Trading Windows') provided that prior approval is obtained. The Trading Windows cover the period of one month following the annual and half year results announcements in addition to the period from the release of the Company's annual report until one month after the annual general meeting. The policy also defines certain periods where trading is not permitted under any circumstances (known as 'Blackout Periods'), which cover the two months preceding lodgement of half year and annual results announcements, in addition to any instance when a Director is trading for short-term gain. In all cases, Directors and Officers are prohibited from trading in securities when they are in possession of "inside information".

The Board also has a policy that prohibits executives from hedging (or otherwise locking in a profit over) unvested securities issued under the Company's Share Plans.

The Company's Share Trading Policy and the Award/Share Hedging Policy are available on the Company's website at www.adbri.com.au.

5 The Board is committed to timely and balanced disclosure and respects the rights of shareholders

5.1 Continuous disclosure

The Company is committed to providing relevant and timely information to its shareholders and to the broader market, in accordance with its obligations under the *Corporations Act 2001* and the ASX continuous disclosure regime.

The Company's Continuous Disclosure Policy is available on the Company's website and sets out guidelines and processes to be followed in order to ensure that the Company's continuous disclosure obligations are met. Material information must not be selectively disclosed prior to being announced to the ASX. These policies and procedures are supplemented by the Shareholder Communications Policy (also published on the Company's website) which includes arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings.

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

5.2 Communication with shareholders

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

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

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

Diversity Report

Adelaide Brighton is committed to the promotion of diversity within our organisation, and recognises that removing barriers to diversity enables us to attract and retain the best people with the appropriate skills to contribute to the continuing success of our business. Our Diversity Policy outlines five core objectives which form the foundations of our approach to diversity and upon which we measure our performance in this area.

An overview of these objectives, and our progress towards achieving these objectives for the 2013 financial year, are set out below:

Objectives	Diversity measures to facilitate achievement of objectives	Progress
To promote a culture of diversity (which includes gender, skills, experience, and cultural background)	• Leadership programs targeted at our female management and frontline employees focussing on their strengths and contribution to the broader workplace to be rolled out across the organisation.	• In 2012, 70% of our female employees completed the program. In 2013, 40% completed the optional follow up. A number of individual coaching arrangements remain in place across the business. In 2014, we are planning a broader program aimed at our managers and supervisors.
	• Company-wide training in workplace policies (including diversity, bullying and harassment, Equal Employment Opportunity).	• Employee inductions include information on Company policies such as equal employment opportunity and bullying.
	• The Board and Nomination, Remuneration and Governance Committee review Adelaide Brighton's diversity achievements relative to the industry structure in which the Company operates.	• In 2013, the Board and then Nomination and Remuneration Committee discussed the Company's diversity measures and the need to develop a positive workplace culture.
To ensure that recruitment and selection processes are based on merit	• Internal review of Adelaide Brighton's recruitment practices and systems to ensure that employment decisions are made without regard to factors that are not applicable to the inherent requirements of a position and that unconscious gender bias does not influence outcomes.	• Recruitment mentoring training continues across the business with a view to eliminate any unconscious bias that may occur. 16% of all new hires in 2014 were female. • Selection of recruitment agencies employed by Adelaide Brighton is based on their commitment to providing diverse candidate pools.
To provide talent management and development opportunities for all employees	• Ongoing talent recognition and in-house leadership programs for employees.	• Various development programs provided for recognised employees and tailored to individual needs ranging from external training and education, mentoring and/or specific on the job training.
	• Sponsor or encourage professional networking, coaching and mentoring programs to give female employees the opportunity to connect with other professionals.	• Where identified, these programs continue to be supported across the organisation.
	• Sponsor MBA or post-graduate studies for high potential female employees.	• Adelaide Brighton supports external study and development for high potential employees.

To provide talent management and development opportunities for all employees (cont'd)	• In recognition of the low numbers of females entering into engineering and manufacturing vocations: – implement programs designed to engage female graduate engineers; – offer undergraduate scholarship opportunities and sponsor vacation work programs to engage female students who are entering tertiary education to consider engineering as a career option; and – strive for gender balance in the recruitment of graduates each year	• Continued sponsorship of the Women in Engineering program at the University of Wollongong in 2013 that provides both a financial benefit and work placement opportunity. • The Company has attended career expos at the University of Adelaide and the University of Wollongong and sponsored Engineering awards at University of Wollongong.
To reward and remunerate fairly	• Adelaide Brighton has a policy to provide equal pay for equal work. • As part of the annual salary review process, Adelaide Brighton undertakes a review of pay parity. • Pay parity is also considered at the time of hiring new employees, to eliminate potential gaps in pay arising from hiring decisions.	• The gender pay parity review was completed in 2013 as part of Adelaide Brighton's annual remuneration review processes.
To provide flexible work practices	• Adelaide Brighton seeks to provide suitable working arrangements for employees returning from maternity leave. • Flexible working arrangements are available to all employees under our flexible work policy, to recognise that employees may have different domestic responsibilities throughout their career. This includes opportunities to work part time and from home or a remote location. • We also offer 12 weeks' paid parental leave for the primary carer. • Formal review of all part time work arrangements to ensure roles are appropriate to maintain career development.	• As with 2012, of the women who commenced and finished maternity leave in 2013, 100% have returned to work in either a full or part time capacity.

Adelaide Brighton is committed to the regular review of its objectives to ensure that these continue to be appropriate and relevant. The Board is committed to build upon the achievements to date and reinforce the continued efforts in promoting and cultivating a culture of diversity and inclusiveness.

The proportion of women across Adelaide Brighton's workforce is reflective of the generally low level of female representation in the building, manufacturing and construction materials industries in which we operate. We recognise that the available pool of female candidates in engineering roles relevant to our business operations is limited, and this impacts our ability to increase the number of female new hires in the short term. In an effort to make our Company (and industry) more attractive to women, we have focussed on measures designed to increase the proportion of female graduates and to support the leadership development of female employees who are recognised as having future potential. We believe that, over time, our diversity objectives and measures will achieve an improvement in the level of female representation across the organisation.

The following table shows the proportional representation of women employees at various levels within the Adelaide Brighton Group (as at 31 December 2013):

Board	16%
Senior executives	14%
Senior managers **(Direct reports to senior executives)**	17%
Total workforce	12%

A copy of Adelaide Brighton's Diversity Policy is available in the corporate governance section of Adelaide Brighton's website.

Income statement

For the year ended 31 December 2013

	Notes	Consolidated 2013 $ million	2012 $ million
Revenue from continuing operations	3	**1,228.0**	1,183.1
Cost of sales		**(745.6)**	(720.4)
Freight and distribution costs		**(196.1)**	(187.3)
Gross profit		**286.3**	275.4
Other income	3	**4.7**	9.7
Marketing costs		**(21.3)**	(22.0)
Administration costs		**(69.4)**	(66.2)
Finance costs	4	**(15.9)**	(17.1)
Share of net profits of joint ventures and associate accounted for using the equity method	11(b)	**24.2**	27.7
Profit before income tax		**208.6**	207.5
Income tax expense	5(a)	**(57.5)**	(54.6)
Profit for the year		**151.1**	152.9
Profit attributable to:			
Owners of the Company		**151.1**	153.0
Non-controlling interests		**-**	(0.1)
		151.1	152.9
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	38	**23.7**	24.0
Diluted earnings per share	38	**23.4**	23.8

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

Statement of comprehensive income
For the year ended 31 December 2013

	Notes	Consolidated 2013 $ million	2012 $ million
Profit for the year		**151.1**	152.9
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**1.0**	-
Income tax relating to these items	5(c)	**-**	-
Items that will not be reclassified to profit or loss			
Actuarial gains / (losses) on retirement benefit obligation	23(b)	**7.6**	1.7
Income tax relating to these items	5(c)	**(2.3)**	(0.5)
Other comprehensive income for the year, net of tax		**6.3**	1.2
Total comprehensive income for the year		**157.4**	154.1
Total comprehensive income for the year attributable to:			
Owners of the Company		**157.4**	154.2
Non-controlling interests		**-**	(0.1)
Total comprehensive income for the year		**157.4**	154.1

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

Balance sheet

As at 31 December 2013

	Notes	Consolidated 2013 $ million	2012 $ million	2011 $ million
Current assets				
Cash and cash equivalents	6	**11.1**	8.8	13.1
Trade and other receivables	7	**182.4**	170.2	170.0
Inventories	8	**136.3**	134.8	123.9
Carbon units	15(b)	**52.5**	48.0	-
		382.3	361.8	307.0
Assets classified as held for sale	9	**7.9**	1.9	-
Total current assets		**390.2**	363.7	307.0
Non-current assets				
Receivables	10	**31.4**	29.6	27.2
Joint arrangements and associate	11	**138.5**	129.0	94.3
Property, plant and equipment	12	**889.7**	902.5	851.4
Intangible assets	14	**183.9**	184.8	182.9
Carbon units	15(b)	**-**	3.5	-
Total non-current assets		**1,243.5**	1,249.4	1,155.8
Total assets		**1,633.7**	1,613.1	1,462.8
Current liabilities				
Trade and other payables	16	**105.4**	95.0	99.2
Borrowings	17	**-**	20.0	0.7
Current tax liabilities		**19.0**	7.7	8.2
Provisions	18	**26.7**	26.1	21.8
Provision for carbon emissions	15(b)	**39.7**	25.2	-
Other liabilities	19	**20.4**	19.5	4.6
Total current liabilities		**211.2**	193.5	134.5
Non-current liabilities				
Borrowings	20	**259.1**	299.3	258.7
Deferred tax liabilities	21	**64.3**	66.7	69.8
Provisions	22	**28.5**	31.2	35.0
Retirement benefit obligations	23(b)	**0.5**	8.0	9.6
Provision for carbon emissions	15(b)	**8.2**	8.4	-
Other non-current liabilities		**0.1**	0.1	0.1
Total non-current liabilities		**360.7**	413.7	373.2
Total liabilities		**571.9**	607.2	507.7
Net assets		**1,061.8**	1,005.9	955.1
Equity				
Contributed equity	24	**699.1**	696.6	694.6
Reserves	25(a)	**4.3**	2.1	2.3
Retained earnings	25(b)	**355.6**	304.4	255.3
Capital and reserves attributable to owners of the Company		**1,059.0**	1,003.1	952.2
Non-controlling interests		**2.8**	2.8	2.9
Total equity		**1,061.8**	1,005.9	955.1

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

Statement of changes in equity
For the year ended 31 December 2013

Consolidated	Notes	Attributable to owners of Adelaide Brighton Ltd				Non-controlling interests $ million	Total equity $ million
		Contributed equity $ million	Reserves $ million	Retained earnings $ million	Total $ million		
Balance at 1 January 2013		**696.6**	**2.1**	**304.4**	**1,003.1**	**2.8**	**1,005.9**
Profit for the year		**-**	**-**	**151.1**	**151.1**	**-**	**151.1**
Other comprehensive income		**-**	**1.0**	**5.3**	**6.3**	**-**	**6.3**
Total comprehensive income for the year		**-**	**1.0**	**156.4**	**157.4**	**-**	**157.4**
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	26	**-**	**-**	**(105.2)**	**(105.2)**	**-**	**(105.2)**
Executive performance share plan	24(b)/ 25(a)	**2.5**	**1.2**	**-**	**3.7**	**-**	**3.7**
		2.5	**1.2**	**(105.2)**	**(101.5)**	**-**	**(101.5)**
Balance at 31 December 2013		**699.1**	**4.3**	**355.6**	**1,059.0**	**2.8**	**1,061.8**
Balance at 1 January 2012		694.6	2.3	257.3	954.2	2.9	957.1
Adjustment on change in accounting policy (net of tax)	42 (b)	-	-	(2.0)	(2.0)	-	(2.0)
Restated total equity at the beginning of the financial year		694.6	2.3	255.3	952.2	2.9	955.1
Profit for the year		-	-	153.0	153.0	(0.1)	152.9
Other comprehensive income		-	-	1.2	1.2	-	1.2
Total comprehensive income for the year		-	-	154.2	154.2	(0.1)	154.1
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	26	-	-	(105.1)	(105.1)	-	(105.1)
Executive performance share plan	24(b)/ 25(a)	2.0	(0.2)	-	1.8	-	1.8
		2.0	(0.2)	(105.1)	(103.3)	-	(103.3)
Balance at 31 December 2012		696.6	2.1	304.4	1,003.1	2.8	1,005.9

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

Statement of cash flows

For the year ended 31 December 2013

	Notes	Consolidated 2013 $ million	2012 $ million
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,334.0**	1,297.7
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,084.6)**	(1,070.2)
Joint venture distributions received		**16.4**	21.6
Interest received		**1.8**	2.5
Interest paid		**(16.0)**	(18.8)
Other income		**5.0**	4.3
Receipts from sale of carbon units		**20.0**	-
Income taxes paid		**(49.7)**	(54.9)
Income taxes refunded		**0.4**	4.7
Net cash inflow from operating activities	37	**227.3**	186.9
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(66.9)**	(121.3)
Payments for acquisition of businesses, net of cash acquired		**(0.6)**	-
Payments for acquisition of interest in associate		**(0.4)**	(28.7)
Proceeds from sale of property, plant and equipment		**6.5**	3.2
Loans to joint venture entities		**(1.9)**	(2.4)
Repayment of loans from other parties		**0.1**	-
Net cash (outflow) from investing activities		**(63.2)**	(149.2)
Cash flows from financing activities			
Proceeds from issue of shares		**3.7**	3.3
Repayment of borrowings		**(60.2)**	-
Proceeds from borrowings		**-**	59.8
Dividends paid to Company's shareholders	26	**(105.2)**	(105.1)
Net cash (outflow) from financing activities		**(161.7)**	(42.0)
Net increase (decrease) in cash and cash equivalents		**2.4**	(4.3)
Cash and cash equivalents at the beginning of the financial year		**8.8**	13.1
Effects of exchange rate changes on cash and cash equivalents		**(0.1)**	-
Cash and cash equivalents at the end of the year	6	**11.1**	8.8

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

1 Summary of significant accounting policies

Adelaide Brighton Ltd (the Company) is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

The financial report was authorised for issue by the Directors on 5 March 2014. The Directors have the power to amend and reissue the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. With the exception of the accounting policies disclosed in Note 42, these policies have been consistently applied to all the years presented. The financial statements are for the consolidated entity consisting of Adelaide Brighton Ltd and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

Comparative information has been re-stated to reflect the current year classification of expenses in the Income Statement and cash flow definitions in the Statement of Cash Flows.

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

Compliance with IFRS
The consolidated financial statements of Adelaide Brighton Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by Adelaide Brighton Ltd as at 31 December 2013 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as "the Group".

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 1(h)).

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.

(ii) Employee Share Trust
The Group has formed a trust to administer the Group's employee share scheme. The company that acts as the Trustee is consolidated as the company is controlled by the Group. The Adelaide Brighton employee share plan trust is not consolidated as it is not controlled by the Group.

(iii) Associate entity
The interest in associate is accounted for using the equity method, after initially being recorded at cost. Under the equity method, the share of the profits or losses of the associate is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Profits or losses on transactions establishing the associate and transactions with the associate are eliminated to the extent of the Group's ownership interest until such time as they are realised by the associate on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(iv) Joint arrangements
Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of the Group to the joint arrangement.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(iv) Joint arrangements (continued)

Joint operations

Interests in joint operations are accounted for using the proportionate consolidation method. Under this method, the Group has recognised its share of assets, liabilities, revenues and expenses. Details of the joint operations are set out in Note 11.

Joint ventures

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income in the income statement and other comprehensive income respectively.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary, to ensure consistency with the policies adopted by the Group.

(v) Non-controlling interests

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For purchases from or sales to non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Foreign operations

The results and financial position of all the foreign operations 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 and statement of comprehensive income 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 in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(iii) Foreign operations (continued)
When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(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
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is considered probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Sales of services are recognised in the accounting period in which the services are rendered.

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

(iii) Interest income
Interest income is recognised using the effective interest rate method.

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

(f) 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 applicable 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 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit and loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation
Adelaide Brighton Ltd and its wholly owned Australian subsidiaries implemented the tax consolidation legislation as of 1 January 2004. Adelaide Brighton Ltd, as the head entity in the tax consolidated Group, recognises current tax liabilities and tax losses (subject to meeting the "probable test") relating to all transactions, events and balances of the tax consolidated Group as if those transactions, events and balances were its own.

The entities in the tax consolidated Group are part of a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of default by the head entity, Adelaide Brighton Ltd. Amounts

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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

The wholly-owned entities fully compensate Adelaide Brighton Ltd for any current tax payable assumed and are compensated by Adelaide Brighton Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Adelaide Brighton Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

Individual tax consolidated entities recognise tax expenses and revenues and current and deferred tax balances in relation to their own taxable income, temporary differences and tax losses using the separate taxpayer within the group method. Entities calculate their current and deferred tax balances on the basis that they are subject to tax as part of the tax consolidated Group.

Deferred tax balances relating to assets that had their tax values reset on joining the tax consolidated Group have been remeasured based on the carrying amount of those assets in the tax consolidated Group and their reset tax values. The adjustment to these deferred tax balances is recognised in the consolidated financial statements against income tax expense.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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.

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.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving equities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the income statement.

1 Summary of significant accounting policies (continued)

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 which are largely independent of the cash flows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, term deposits and 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 and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Trade receivables

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

The collectability of trade receivables is reviewed regularly. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the estimated cash flows. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the provision is recognised in the income statement. When a trade receivable for which a provision for doubtful receivables has been recognised becomes uncollectible in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against expenses in the income statement.

(l) Inventories

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.

(m) Financial assets

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

(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 are included in current assets, except for those with maturities greater than 12 months after the balance sheet date.

(ii) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets where they are expected to be realised within 12 months of balance sheet date.

1 Summary of significant accounting policies (continued)

(n) 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 at each reporting date. Derivative instruments entered into by the Group do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in finance costs.

(o) 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 and a sale is considered highly probable.

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 de-recognition.

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.

(p) Property, plant and equipment

Property, plant and equipment are shown at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

(i) Mineral reserves
Mineral reserves are amortised based on annual extraction rates over the estimated life of the reserves. The remaining useful life of each asset is reassessed at regular intervals. Where there is a change during the period to the useful life of the mineral reserve, amortisation rates are adjusted prospectively from the beginning of the reporting period.

(ii) Complex assets
The costs of replacing major components of complex assets are depreciated over the estimated useful life, generally being the period until next scheduled replacement.

(iii) Leasehold property
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. Amortisation is over 5 – 30 years.

(iv) Other fixed assets
Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or deemed cost amounts, over their estimated useful lives, as follows:

- Buildings 20 – 40 years
- Plant and equipment 3 – 40 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(i)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

1 Summary of significant accounting policies (continued)

(q) Intangible assets

(i) Goodwill
Goodwill is measured as described in Note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of joint ventures is included in investments in joint ventures.

Goodwill 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 which are expected to benefit from the business combination in which the goodwill arose, for the purpose of impairment testing. Each of those cash-generating units are consistent with the Group's reporting segments.

(ii) Lease rights
Lease rights acquired have a finite useful life. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which varies from 2 to 20 years.

(iii) IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 5 to 10 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

(r) 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 reporting date.

(s) 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.

(t) 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.

(u) Provisions

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(i) Dividends
Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the period but not distributed at balance date.

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

1 Summary of significant accounting policies (continued)

(u) Provisions (continued)

(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 or making detailed public announcements such that the affected parties are in no doubt that the restructuring program will proceed. The cost of a restructuring program provided for is the estimated future cash flows from implementation of the plan.

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

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

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown in finance costs.

(v) Employee benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service 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 end of the reporting period 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 end of the reporting period 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
Except those employees that opt out of the Group's superannuation plan, all employees of the Group are entitled to benefits from the Group's superannuation plan on retirement, disability or death. The Group has a defined benefit section and 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 is closed to new members. 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.

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 recognised in the period in which they occur, outside profit or loss directly in the statement of comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Past service costs are recognised immediately in profit or loss.

1 Summary of significant accounting policies (continued)

(v) Employee benefits (continued)

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 ("the Plan").

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

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

The fair value of the Awards granted excludes the impact of any non-market vesting conditions (e.g. earnings per share). Non-market vesting conditions are included in assumptions about the number of Awards that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of Awards that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding entry to equity.

The Plan is administered by the Adelaide Brighton employee share plan trust; see Note 1(b)(ii).

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

(vi) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(w) 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.

(x) Earnings per share

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

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assuming conversion of all dilutive potential ordinary shares.

(y) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, 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 one hundred thousand dollar, unless otherwise stated.

1 Summary of significant accounting policies (continued)

(z) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

(aa) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

(ab) Carbon Accounting

An entity within the Group is a Liable Entity under the Clean Energy Legislation (the Scheme) and also qualifies for assistance under the Jobs and Competitiveness Program (JCP). The Group is required to surrender eligible emission units to the Clean Energy Regulator (the Regulator) for covered emissions, while units are available based upon production volumes of eligible products.

(i) Provision for Carbon Emissions

Where a facility is anticipated to produce covered emissions in excess of the threshold in an assessment year, a provision is recognised for the cost of eligible emission units as covered emissions are emitted. A provision for unit shortfall charges is recognised at the time a shortfall in units surrendered to the Regulator occurs or at the time a shortfall has been identified. The provision is recognised in the income statement as incurred unless qualifying for an alternative treatment under another accounting standard or policy.

The measurement of the provision for carbon emissions is in accordance with the Group's accounting policy for provisions, see Note 1(u).

(ii) Carbon Unit Asset

An asset is recognised at fair value for JCP units as they are received or become receivable. Units received in advance are recognised as deferred income and released to the income statement as eligible production activity is undertaken.

During the initial fixed price period of the Clean Energy Legislation, units purchased from the Regulator are automatically surrendered to the Regulator as a remission of liability under the scheme and are recognised as a reduction of the provision for carbon emissions.

Carbon units are classified into current and non-current based upon the anticipated timing of disposal of the unit, either through remission of liability under the Scheme or sale.

(ac) Parent entity financial information

The financial information for the parent entity, Adelaide Brighton Limited ("the Company"), disclosed in Note 41 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associate and joint arrangements
Investments in subsidiaries, associate and joint arrangements are accounted for at cost in the financial statements of the Company. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of interest-free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital. Trade amounts receivable from subsidiaries in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

1 Summary of significant accounting policies (continued)

(ac) Parent entity financial information (continued)

(ii) Tax consolidation legislation
The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The Company and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the Company for any current tax payable assumed and are compensated by Adelaide Brighton Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Adelaide Brighton Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees
Where the Company has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Share based payments
The grant by the Company of options over its equity instruments to employees of subsidiary undertakings in the Group is treated as a receivable from that subsidiary undertaking.

(ad) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* , AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective for annual reporting periods beginning on or after 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will not have a material impact on the financial statements. The Group has not yet decided when to adopt AASB 9.

AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Company is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the Group.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)
In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply to reporting periods beginning from 1 July 2013 and cannot be adopted early.

1 Summary of significant accounting policies (continued)

(ad) New accounting standards and interpretations (continued)

AASB Interpretation 21 *Levies* (effective 1 January 2014)
Interpretation 21 was issued by the AASB in June 2013. It sets out the accounting for an obligation to pay a levy imposed by a government in accordance with legislation. The interpretation clarifies that a liability must be recognised when the obligating event occurs, being the event that triggers the obligation to pay the levy. The Group has reviewed the levies it is currently paying and determined that the accounting for these levies will not have a material impact on the Group. No adjustments will therefore be necessary to any of the amounts recognised in the financial statements.

AASB 2013-3 Amendments to AASB 136 *Recoverable Amount Disclosures for Non-Financial Assets* (effective 1 January 2014)
The AASB has made small changes to some of the disclosures that are required under AASB 136 *Impairment of Assets.* These may result in additional disclosures if the Group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The Group intends to apply the amendment from 1 January 2014.

Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (effective 1 January 2014)
The IASB has made an amendment to IAS 19 *Employee Benefits* which clarifies the accounting for contributions by employees or third parties towards the cost of a defined benefit plan. In particular, they allow contributions that are linked to service, and that do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. The adoption of the amendments will have a material impact on the Group.

Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycle (effective 1 July 2014)
In December 2013, the IASB approved a number of amendments to International Financial Reporting Standards as a result of the annual improvements project. While the AASB has not yet made equivalent amendments to the Australian Accounting Standards, they are expected to be issued in the first quarter of 2014. The Group will apply the amendments from 1 January 2015.

2 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that are significant to the carrying amounts of assets and liabilities in the next financial year are discussed below.

(a) Provisions for close down and restoration costs

Restoration provisions are based on estimates of the cost to rehabilitate currently disturbed areas based on current costs and legislative requirements. The Group progressively rehabilitates as part of the mining process. Cost estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The detailed accounting treatment is set out in Note 1(u)(iv).

Provisions for close down and restoration costs at the end of the year was $27.6m (2012: $32.2m).

(b) Impairment of assets

The Group tests annually whether goodwill, other intangible assets with an indefinite life and other non-current assets have suffered any impairment, in accordance with the accounting policies stated in Notes 1(i) and 1(q). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. For detailed assumptions refer to Note 14 (b).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

3 Revenue and other income

	Consolidated	
	2013	2012
	$ million	$ million
Revenue from continuing operations		
Sales of goods	**1,225.5**	1,180.1
Interest from joint ventures	**0.8**	0.9
Interest from other parties	**1.0**	1.6
Royalties	**0.7**	0.5
	1,228.0	1,183.1
Other income		
Net gain on disposal of property, plant and equipment	**0.4**	-
Insurance recovery	**-**	0.2
Fair value accounting gain on prior year acquisition	**-**	7.6
Rental income	**2.9**	1.6
Other income	**1.4**	0.3
	4.7	9.7
Revenue and other income (excluding share of net profits of joint ventures and associate accounted for using the equity method)	**1,232.7**	1,192.8

4 Expenses

Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**3.8**	3.7
Plant and equipment	**61.7**	56.7
Mineral reserves	**3.6**	3.7
Total depreciation	**69.1**	64.1
Amortisation of intangibles	**1.5**	1.1
Other charges		
Defined superannuation contribution expense	**9.4**	9.1
Employee benefits expense	**148.2**	144.7
Operating lease rental charge	**3.3**	3.6
Bad and doubtful debts – trade debtors	**1.5**	1.1
Provision for inventory	**0.7**	0.3
Finance costs		
Interest and finance charges paid / payable	**16.0**	18.7
Unwinding of the discount on restoration provisions and retirement benefit obligation	**1.2**	0.8
Exchange (gains) on foreign currency contracts	**(0.1)**	-
Total finance costs	**17.1**	19.5
Amount capitalised (a)	**(1.2)**	(2.4)
Finance costs expensed	**15.9**	17.1

(a) The rate used to determine the amount of borrowing costs to be capitalised is the average interest rate applicable to the Group's outstanding borrowings during the year, in this case 4.2% p.a (2012: 5.3% p.a.).

5 Income tax expense

		Consolidated 2013 $ million	Consolidated 2012 $ million
(a)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Profit before income tax expense	**208.6**	207.5
	Tax at the Australian tax rate of 30% (2012: 30%)	**62.6**	62.3
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Non allowable expenses	**0.3**	0.3
	Non assessable capital profits	**(0.7)**	-
	Rebateable dividends	**(4.4)**	(5.3)
	Fair value adjustment	**-**	(2.3)
	Previously unrecognised tax losses used to reduce deferred tax liability	**(0.5)**	-
	Under (over) provided in prior years	**0.2**	(0.4)
	Aggregate income tax expense	**57.5**	54.6
	Aggregate income tax expense comprises:		
	Current taxation provision	**61.0**	51.0
	Net deferred tax (Note 13 & 21)	**(3.2)**	2.5
	(Over)/under provided in prior year	**(0.3)**	1.1
		57.5	54.6
(b)	**Amounts recognised directly in equity**		
	Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly (credited) debited to equity		
	Current tax	**(0.8)**	(0.5)
	Net deferred tax	**(0.8)**	(0.1)
		(1.6)	(0.6)
(c)	**Tax expense relating to items of other comprehensive income**		
	Actuarial gains on retirement benefit obligation (Note 13)	**2.3**	0.5
(d)	**Tax losses**		
	Unused tax losses for which no deferred tax asset has been recognised:		
	Capital losses	**16.3**	17.4

This benefit for tax losses will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised,

(ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation, and

(iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

The accounting policy in relation to tax consolidation legislation is set out in Note 1(f).

6 Current assets – cash and cash equivalents

	Consolidated	
	2013	2012
	$ million	$ million
Cash at bank and in hand	**9.1**	6.9
Term deposits	**2.0**	1.9
Cash and cash equivalents	**11.1**	8.8

(a) Offsetting

The Group has an offsetting agreement with its bank for cash facilities. The agreement allows the Group to manage cash balances on a total basis, offsetting individual cash balances against overdrafts. The gross value of the balance is as follows:

Cash balances	**11.1**	8.8
Cash overdrafts	**-**	-
Net cash balance	**11.1**	8.8

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 27. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

7 Current assets – trade and other receivables

Trade receivables	**150.7**	142.1
Provision for doubtful receivables	**(1.6)**	(0.7)
	149.1	141.4
Amounts receivable from joint ventures	**24.1**	20.5
Prepayments	**5.5**	5.5
Other receivables	**3.7**	2.8
	182.4	170.2

(a) Past due but not impaired

Included in the Group's trade receivables balance are debtors with a carrying value of $8.4 million (2012: $7.7 million) which are past due but not impaired. The Group has not provided for these amounts as there has not been a significant change in credit quality or the amounts relate to debtors for which there is no recent history of default. The Group believes these amounts are still recoverable. The ageing analysis is as follows: 60 days $6.8 million, over 90 days $1.6 million (2012: 60 days $7.2 million, over 90 days $0.5 million).

(b) Impaired trade receivables

As at 31 December 2013 current trade receivables of the Group with a nominal value of $2.7 million (2012: $1.2 million) were impaired. The amount of the provision was $1.6 million (2012: $0.7 million). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:	Consolidated	
	2013	2012
	$ million	$ million
1 to 3 months	**-**	-
3 to 6 months	**2.0**	0.2
Over 6 months	**0.7**	1.0
	2.7	1.2

Movement in provision for doubtful receivables

Opening balance at 1 January	**0.7**	1.8
Amounts written off during the year	**(0.6)**	(2.2)
Provision for doubtful receivables recognised during the year	**1.5**	1.1
Closing balance at 31 December	**1.6**	0.7

7 Current assets – trade and other receivables (continued)

(c) Fair value and credit, interest and foreign exchange risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. All receivables are denominated in Australian dollars. Information concerning the fair value and risk management of both current and non-current receivables is set out in Note 27.

8 Current assets – inventories

	Consolidated	
	2013	2012
	$ million	$ million
Engineering spare parts stores	**34.9**	30.4
Raw materials and work in progress	**43.0**	40.7
Finished goods	**58.4**	63.7
	136.3	134.8

9 Current assets – assets classified as held for sale

Plant and equipment	**0.6**	-
Land and buildings	**7.3**	1.9
	7.9	1.9

10 Non-current assets – receivables

Loans to joint ventures	**27.8**	25.5
Other non-current receivables	**3.6**	4.1
	31.4	29.6

Details of the fair values, effective interest rate and credit risk are set out in Note 27. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

11 Non-current assets – joint arrangements and associate

(a) Interests in joint arrangements and associate

Name	Principal place of business	Ownership interest 2013 %	Ownership interest 2012 %	Activities
Burrell Mining Services JV	New South Wales and Queensland	**50**	50	Concrete products for the coal mining industry
Batesford Quarry	Victoria	**50**	50	Limestone products
Sunstate Cement Ltd	Queensland	**50**	50	Cement milling and distribution
Independent Cement and Lime Pty Ltd	New South Wales and Victoria	**50**	50	Cementitious product distribution
E.B. Mawson & Sons Pty Ltd and Lake Boga Quarries Pty Ltd	New South Wales and Victoria	**50**	50	Premixed concrete and quarry products
Aalborg Portland Malaysia Sdn. Bhd.	Malaysia	**30**	30	White clinker and cement manufacture

All joint arrangements and associates are equity accounted in accordance with Note 1(b)(iv) except Burrell Mining and Batesford, which are considered joint operations and are proportionately consolidated.

Each of the above joint arrangements has a balance sheet date of 30 June which is different to the Group's balance sheet date of 31 December. Financial reports as at 31 December for the joint arrangements are used in the preparation of the Group financial statements. Aalborg has a 31 December balance date.

(b) Summarised financial information for joint ventures and associate

The following tables provide summarised financial information for the joint ventures and associate which are individually immaterial and accounted for using the equity method.

	Total non-material				Consolidated	
	Joint ventures		Associate			
	2013 $ million	2012 $ million	**2013 $ million**	2012 $ million	**2013 $ million**	2012 $ million
Investment in joint ventures and associate	**104.8**	98.5	**33.7**	30.5	**138.5**	129.0
Profit from continuing operations	**22.6**	25.9	**1.6**	1.8	**24.2**	27.7
Other comprehensive income	**-**	-	**-**	-	**-**	-
Total comprehensive income	**22.6**	25.9	**1.6**	1.8	**24.2**	27.7

(c) Contingent liabilities in respect of joint ventures

The Group has an unrecognised contingent liability to acquire the interest it does not own in certain of its joint ventures. Acquisition of the interest is subject to the occurrence of certain future events which affect both the probability and value of the interest. The minimum value of the contingent liability is $25 million (2012: $20 million).

12 Non-current assets – property, plant and equipment

Consolidated at 31 December 2013

$ million	Freehold land	Buildings	Leasehold property	Plant & equipment	Leased assets	Mineral reserves	Asset retirement cost	In course of con-struction	Total
At cost	130.5	138.8	9.0	1,225.4	-	155.8	8.8	29.6	1,697.9
Accumulated depreciation	-	(50.9)	(2.2)	(726.6)	-	(24.4)	(4.1)	-	(808.2)
Net book amount	**130.5**	**87.9**	**6.8**	**498.8**	**-**	**131.4**	**4.7**	**29.6**	**889.7**
Reconciliations									
Carrying amount at 1 January 2013	130.3	68.3	6.8	471.3	-	134.8	4.7	86.3	902.5
Additions	5.5	1.3	0.2	39.0	-	-	0.2	22.9	69.1
Disposals	(0.7)	(0.1)	-	(3.4)	-	-	-	-	(4.2)
Reclassification	(4.6)	22.2	0.2	53.2	-	-	-	(79.6)	(8.6)
Depreciation/ amortisation expense	-	(3.8)	(0.4)	(61.3)	-	(3.4)	(0.2)	-	(69.1)
Carrying amount at 31 December 2013	**130.5**	**87.9**	**6.8**	**498.8**	**-**	**131.4**	**4.7**	**29.6**	**889.7**

Consolidated at 31 December 2012

$ million	Freehold land	Buildings	Leasehold property	Plant & equipment	Leased assets	Mineral reserves	Asset retirement cost	In course of con-struction	Total
At cost	130.3	115.3	8.6	1,167.8	-	155.8	8.6	86.3	1,672.7
Accumulated depreciation	-	(47.0)	(1.8)	(696.5)	-	(21.0)	(3.9)	-	(770.2)
Net book amount	**130.3**	**68.3**	**6.8**	**471.3**	**-**	**134.8**	**4.7**	**86.3**	**902.5**
Reconciliations									
Carrying amount at 1 January 2012	125.0	69.6	3.6	451.6	0.8	137.7	3.6	59.5	851.4
Additions	7.2	0.7	3.5	34.6	-	0.5	1.4	74.3	122.2
Disposals	-	(0.1)	-	(4.4)	-	(0.2)	-	-	(4.7)
Reclassification	(1.9)	1.8	-	45.9	(0.8)	0.2	-	(47.5)	(2.3)
Depreciation/ amortisation expense	-	(3.7)	(0.3)	(56.4)	-	(3.4)	(0.3)	-	(64.1)
Carrying amount at 31 December 2012	**130.3**	**68.3**	**6.8**	**471.3**	**-**	**134.8**	**4.7**	**86.3**	**902.5**

13 Non-current assets – deferred tax assets

	Consolidated	
	2013	2012
	$ million	$ million
The balance comprises temporary differences attributable to:		
Share based payment reserve	**2.1**	1.5
Defined benefit obligations	**0.1**	2.4
Provisions	**41.9**	36.6
Other assets	**1.2**	2.6
Tax losses	**1.2**	1.2
Deferred tax assets – before offset	**46.5**	44.3
Offset deferred tax liability (Note 21)	**(46.5)**	(44.3)
Net deferred tax assets – after offset	**-**	-
Movements:		
Opening balance at 1 January – before offset	**44.3**	30.9
Recognised in the income statement	**2.9**	14.3
Recognised in other comprehensive income	**(2.3)**	(0.5)
Recognised in equity	**1.6**	0.1
(Under) provision in prior year	**-**	(0.5)
Closing balance at 31 December – before offset	**46.5**	44.3

14 Non-current assets – intangible assets

$ million	Consolidated			
31 December 2013	Goodwill	Software	Other intangibles	Total
Cost	**170.6**	**14.5**	**3.2**	**188.3**
Accumulated amortisation	**-**	**(3.9)**	**(0.5)**	**(4.4)**
Carrying amount at 31 December 2013	**170.6**	**10.6**	**2.7**	**183.9**
Opening balance at 1 January 2013	**170.6**	**11.5**	**2.7**	**184.8**
Additions in current year	**-**	**0.5**	**0.1**	**0.6**
Amortisation charge	**-**	**(1.4)**	**(0.1)**	**(1.5)**
Closing balance at 31 December 2013	**170.6**	**10.6**	**2.7**	**183.9**

$ million	Consolidated			
31 December 2012	Goodwill	Software	Other intangibles	Total
Cost	170.6	14.0	3.1	187.7
Accumulated amortisation	-	(2.5)	(0.4)	(2.9)
Carrying amount at 31 December 2012	170.6	11.5	2.7	184.8
Opening balance at 1 January 2012	170.6	9.7	2.6	182.9
Additions in current year	-	2.6	0.4	3.0
Amortisation change	-	(0.8)	(0.3)	(1.1)
Closing balance at 31 December 2012	170.6	11.5	2.7	184.8

14 Non-current assets – intangible assets (continued)

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segments. A segment level summary of the goodwill allocation on a non-aggregation basis is presented below.

	Consolidated	
	2013	2012
	$ million	$ million
Cement and Lime	**131.0**	131.0
Concrete	**30.8**	30.8
Cement, Lime and Concrete CGU	**161.8**	161.8
Concrete Products CGU	**8.8**	8.8
	170.6	170.6

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on 2013 actual results and 2014 financial budgets approved by management. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

(b) Key assumptions used for value-in-use calculations

	Gross margin[1]		Growth rate[2]		Discount rate[3]	
	2013	2012	**2013**	2012	**2013**	2012
	%	%	**%**	%	**%**	%
Cement, Lime and Concrete	**36.3**	38.3	**1.7**	1.7	**10.0**	10.3
Concrete Products	**25.1**	26.9	**2.0**	1.2	**10.0**	10.3

1 Budgeted gross margin (excluding fixed production costs)
2 Weighted average growth rate used to extrapolate cash flows beyond the specific market forecast period of up to 8 years.
3 Pre-tax discount rate applied to cash flow projections

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

15 Carbon asset and liability

(a) Background

The Federal Government introduced a price on carbon emissions from 1 July 2012 through the introduction of the Clean Energy Legislation (the Scheme). An entity within the Group is a Liable Entity under the Scheme and is required to surrender eligible emission units to the Clean Energy Regulator (the Regulator) in order to satisfy its liability for carbon emissions. The Group is also eligible to receive assistance under the Jobs and Competitiveness Program (JCP), where the Scheme provides units to industries that qualify as Emissions Intensive Trade Exposed.

The Scheme requires entities with operational control of a facility where certain emissions exceed 25,000 tonnes of carbon dioxide equivalence (tCO_2 -e) to remit to the Regulator an equivalent number of eligible emission units to pay for their emissions. During the initial years of the Scheme, restrictions are placed on utilising eligible emission units that are not issued by the Regulator.

The Group has operational control of a large number of facilities across Australia, however as a result of the threshold, only a limited number of sites related to the production of cement clinker and lime are directly liable under the Scheme. The production of cement clinker and lime require energy use to heat raw materials to produce chemical reactions necessary for the manufacturing process. Both the energy use for heat and the chemical reaction produce emissions that are covered by the Scheme.

The accounting policy for carbon is set out in Note 1(ab).

The Group is directly liable for certain emissions associated with sites that exceed the threshold. In addition to this, the Group incurs non-direct costs associated with the Scheme as a result of suppliers passing on the cost through higher charges. These costs form part of operating costs such as electricity charges.

15 Carbon asset and liability (continued)

(b) Carbon balances recognised

	Consolidated	
	2013 $ million	2012 $ million
(i) Carbon unit asset		
Carbon units on hand	**52.5**	51.5
Classified as:		
Current	**52.5**	48.0
Non-current	**-**	3.5
	52.5	51.5
(ii) Provision for carbon emissions		
Provision for carbon emissions	**47.9**	33.6
Classified as:		
Current	**39.7**	25.2
Non-current	**8.2**	8.4
	47.9	33.6

The movement in provision for carbon emissions as set out below:

	2013 $ million	2012 $ million
Opening balance	**33.6**	-
Liability for covered emissions	**61.6**	33.6
Carbon units remitted to Regulator	**(47.3)**	-
Closing balance	**47.9**	33.6

16 Current liabilities – trade and other payables

	2013 $ million	2012 $ million
Trade payables and accruals	**98.9**	90.6
Trade payables - joint ventures	**6.5**	4.4
	105.4	95.0

Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in Note 27.

17 Current liabilities – borrowings

	Consolidated	
	2013	2012
	$ million	$ million
Bank loans	**-**	20.0

Details of the Group's exposure to interest rate changes and fair value of borrowings are set out in Note 27.

18 Current liabilities – provisions

	Consolidated	
	2013	2012
	$ million	$ million
Employee benefits	**18.9**	19.5
Workers' compensation	**1.3**	0.7
Restoration provisions	**5.3**	4.8
Other provisions	**1.2**	1.1
	26.7	26.1

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

	Workers' compensation $ million	Restoration provisions $ million	Other provisions $ million
Opening balance at 1 January 2013	0.7	4.8	1.1
Charged to income statement	1.5	-	0.9
Provisions reclassified from non-current	-	2.5	-
Payments	(0.9)	(2.0)	(0.8)
Closing balance at 31 December 2013	1.3	5.3	1.2

19 Current liabilities – other liabilities

	Consolidated	
	2013	2012
	$ million	$ million
GST liability	**3.2**	2.9
Deferred income – JCP assistance	**17.1**	16.1
Other liabilities	**0.1**	0.5
	20.4	19.5

20 Non-current liabilities – borrowings

	Consolidated	
	2013	2012
	$ million	$ million
Unsecured		
Bank loans	**259.1**	299.3

Details of the Group's exposure to interest rate changes and fair values of borrowings are set out in Note 27.

21 Non-current liabilities – deferred tax liabilities

	Consolidated	
	2013	2012
	$ million	$ million
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**84.2**	84.2
Inventories	**8.3**	7.6
Other	**18.3**	19.2
Deferred tax liabilities – before offset	**110.8**	111.0
Offset deferred tax assets (Note 13)	**(46.5)**	(44.3)
Net deferred tax liabilities – after offset	**64.3**	66.7
Movements:		
Opening balance at 1 January – before offset	**111.0**	100.7
Recognised in the income statement	**(0.1)**	17.9
Acquired in business combinations	**-**	(7.6)
(Over) provision in prior year	**(0.1)**	-
Closing balance at 31 December – before offset	**110.8**	111.0

22 Non-current liabilities – provisions

Employee benefits	**6.2**	3.8
Restoration provisions	**22.3**	27.4
	28.5	31.2

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

	Restoration provisions $ million
Opening balance at 1 January 2013	**27.4**
Charged to income statement – unwinding of discount to finance costs	**1.0**
Credited to income statement – unused amounts reversed	**(3.9)**
Additional provision recognised – charged to asset retirement cost	**0.3**
Provisions reclassified to current	**(2.5)**
Closing balance at 31 December 2013	**22.3**

23 Non-current liabilities – retirement benefit obligations

(a) Superannuation plan

Other than those employees that have opted out, employees are members of the consolidated superannuation entity being the Adelaide Brighton Group Superannuation Plan ("the Plan"), a sub-plan of the Mercer Super Trust ("MST"). The MST is a superannuation master trust arrangement governed by an independent trustee, Mercer Investment Nominees Ltd. The Plan commenced in the MST on 1 August 2001. The Superannuation Industry (Supervision) legislation (SIS) governs the superannuation industry and provides a framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions.

Plan assets are held in trusts which are subject to supervision by the prudential regulator. Funding levels are reviewed regularly. Where assets are less than vested benefits, being those payable upon exit, a management plan must be formed to restore the coverage to at least 100%.

The Plan's Trustee is responsible for the governance of the Plan. The Trustee has a legal obligation to act solely in the best interests of Plan beneficiaries. The Trustee has the following roles:

- Administration of the Plan and payment to the beneficiaries from Plan assets when required in accordance with the Plan rules;
- Management and investment of the Plan assets; and
- Compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans.

Membership is in either the Defined Benefit or Accumulation sections of the Plan. The accumulation section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. The following sets out details in respect of the defined benefit section only.

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal, and are guaranteed benefits to the equivalent of the notional balance they would have received as accumulation members through additional contributions from the Group. The defined benefit section of the Plan is closed to new members. All new members receive accumulation only benefits. During the 12 months to 31 December 2013, all new employees, who are members of this fund, have become members of the accumulation category of the Plan.

There are a number of risks to which the Plan exposes the Company. The more significant risks relating to the defined benefits are:

- Investment risk – the risk that investment returns will be lower than assumed and the Company will need to increase contributions to offset this shortfall.
- Salary growth risk – the risk that wages and salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk – the risk that legislative changes could be made which increase the cost of providing the defined benefits.
- Timing of members leaving service – a significant amount of benefits paid to members leaving may have an impact on the financial position of the Plan, depending on the financial position of the Plan at the time they leave. The impact may be positive or negative, depending upon the circumstances and timing of the withdrawal.

The defined benefit assets are invested in the Mercer Growth investment option. The assets are diversified within this investment option and therefore the Plan has no significant concentration of investment risk.

23 Non-current liabilities – retirement benefit obligations (continued)

(b) Balance sheet amounts

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

	Present value of obligation $ million	Fair value of plan assets $ million	Total $ million
At 1 January 2013	59.0	(51.0)	8.0
Current service cost	2.2	-	2.2
Interest expense/(income)	1.7	(1.5)	0.2
Transfers in	0.2	(0.2)	-
	4.1	(1.7)	2.4
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(7.1)	(7.1)
(Gain)/loss from change in financial assumptions	(2.0)	-	(2.0)
Experience (gains)/losses	1.5	-	1.5
	(0.5)	(7.1)	(7.6)
Contributions:			
Employers	-	(2.3)	(2.3)
Plan participants	1.0	(1.0)	-
Payments from Plan:			
Benefit payments	(8.2)	8.2	-
At 31 December 2013	**55.4**	**(54.9)**	**0.5**

	Present value of obligation $ million	Fair value of plan assets $ million	Total $ million
At 1 January 2012	59.3	(49.7)	9.6
Current service cost	2.3	-	2.3
Interest expense/(income)	1.9	(1.7)	0.2
	4.2	(1.7)	2.5
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(4.1)	(4.1)
Loss from change in financial assumptions	1.2	-	1.2
Experience losses	1.2	-	1.2
	2.4	(4.1)	(1.7)
Contributions:			
Employers	-	(2.4)	(2.4)
Plan participants	1.3	(1.3)	-
Payments from Plan:			
Benefit payments	(8.2)	8.2	-
At 31 December 2012	59.0	(51.0)	8.0

23 Non-current liabilities – retirement benefit obligations (continued)

(c) Categories of plan assets

The major categories of plan assets are as follows:

	31 December 2013		31 December 2012	
	Un-quoted $ million	**in %**	Un-quoted $ million	in %
Australian equity	**14.8**	**27%**	13.3	26%
International equity	**17.0**	**31%**	14.8	29%
Fixed income	**9.9**	**18%**	9.7	19%
Property	**7.1**	**13%**	7.1	14%
Cash	**4.4**	**8%**	3.6	7%
Other	**1.7**	**3%**	2.5	5%
Total	**54.9**	**100%**	51.0	100%

The assets set out in the above table are held in the Mercer Growth investment fund which does not have a quoted price in an active market. There are no amounts relating to the Company's own financial instruments, and property occupied by, or other assets used by, the Company.

(d) Actuarial assumptions and sensitivity

The significant actuarial assumptions used were as follows:

	Consolidated	
	2013 %	2012 %
Discount rate - % p.a.	**3.9**	3.1
Future salary increases - % p.a.	**2.0 in first year then 4.0 thereafter**	3.0 in first year then 4.0 thereafter

The sensitivity of the defined benefit obligation to changes in the significant assumptions is:

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50 ppts	Decrease by 2.1%	Increase by 2.2%
Future salary increases	0.50 ppts	Increase by 1.7%	Decrease by 1.6%

Comparative information has not been provided for the sensitivity analysis as permitted by the transitional provisions of the revised standard.

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

(e) Defined benefit liability and employer contributions

The Group makes contributions to the Plan of between 10% and 13% of member salaries and made additional quarterly contributions of $150,000 in 2013. Following a review of the Plan's financial position in 2013, measured on the basis of the coverage of plan asset to vested benefits, these additional contributions have been suspended. An actuarial review of the Plan is due for completion in 2014, at which time contribution rates will be reset by the actuary in order to ensure that the Plan has sufficient assets to meet its obligations.

Expected contributions to the defined benefit plan for the year ending 31 December 2014 are $1.7 million.

The weighted average duration of the defined benefit obligation is 6 years (2012: 8 years).

24 Contributed equity

		Consolidated	
		2013	2012
		$ million	$ million
(a)	**Share capital**		
	Issued and paid up capital		
	638,456,688 (2012: 637,387,488) ordinary shares, fully paid	**699.1**	696.6
(b)	**Movements in ordinary share capital**		
	Opening balance at 1 January	**696.6**	694.6
	1,069,200 shares issued under Executive Performance Share Plan (2012: 1,109,678) *(i)*	**2.5**	2.0
	Closing balance at 31 December	**699.1**	696.6

(i) Ordinary shares issued under the Adelaide Brighton Ltd Executive Performance Share Plan (refer Note 31).

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote and, on a poll, each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Dividend reinvestment plan

In February 2010 the Company suspended the dividend reinvestment plan with immediate effect until further notice.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue shares as well as issue new debt or redeem existing debt. The Group monitors capital on the basis of the gearing ratio.

The Company has an implied BBB+ credit rating and chooses not to apply for an official credit rating. The gearing ratio at 31 December 2013 and 31 December 2012 was as follows:

	Consolidated	
	2013	2012
	$ million	$ million
Total borrowings	**259.1**	319.3
Less: cash and cash equivalents	**(11.1)**	(8.8)
Net debt	**248.0**	310.5
Total equity	**1,061.8**	1,005.9
Gearing ratio	**23.4%**	30.9%

(f) Employee share scheme and options

Information relating to the employee share schemes, including details of shares issued under the schemes is set out in Note 31.

25 Reserves and retained earnings

	Consolidated	
	2013	2012
	$ million	$ million
(a) Reserves		
Foreign currency translation reserve	**1.0**	-
Share-based payment reserve	**3.3**	2.1
	4.3	2.1
Foreign currency translation reserve		
Opening balance at 1 January	**-**	-
Currency translation differences arising during the year	**1.0**	-
Closing balance at 31 December	**1.0**	-
Share-based payment reserve		
Opening balance at 1 January	**2.1**	2.3
Awards expense	**2.1**	1.2
Deferred tax	**0.3**	-
Over provision of tax in prior periods	**0.5**	0.1
Issue of shares to employees	**(1.7)**	(1.5)
Closing balance at 31 December	**3.3**	2.1

Nature and purpose of reserves

Foreign currency translation
Exchange differences arising on translation of foreign controlled entities and the foreign associate are recognised in other comprehensive income as described in Note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Share-based payment
The share-based payment reserve is used to recognise the fair value of Awards issued but not exercised.

(b) Retained earnings		
Opening balance at 1 January	**304.4**	255.3
Net profit for the year	**151.1**	153.0
Actuarial gain on defined benefit obligation (net of tax)	**5.3**	1.2
Dividends	**(105.2)**	(105.1)
Closing balance at 31 December	**355.6**	304.4

26 Dividends

	The Company	
	2013	2012
	$ million	$ million
Dividends paid during the year		
2012 final ordinary dividend of 9.0 cents (2011: 9.0 cents) per fully paid ordinary share, franked at 100% (2011: 100%) paid on 16 April 2013	**57.4**	57.3
2013 interim dividend of 7.5 cents (2012: 7.5 cents) per fully paid ordinary share, franked at 100% (2012: 100%) paid on 9 October 2013	**47.8**	47.8
Total dividends paid in cash	**105.2**	105.1
Dividend not recognised at year end		
Since the end of the year the Directors have recommended the payment of a final dividend of 12.0 cents (2012: 9.0 cents) per fully paid share, franked at 100% (2012: 100%).The aggregate amount of the proposed final dividend to be paid on 15 April 2014, not recognised as a liability at the end of the reporting period, is	**76.6**	57.4

26 Dividends (continued)

Franked dividend

The franked portion of the dividend proposed as at 31 December 2013 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 December 2014.

	Consolidated	
	2013 **$ million**	2012 $ million
Franking credits available for subsequent financial years based on a tax rate of 30% (2012: 30%)	**107.3**	89.0

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of any current tax liability
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $32.8 million (2012: $24.6 million).

27 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board approves written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk. The Group uses derivative financial instruments in the form of foreign exchange forward contracts to hedge certain currency risk exposures.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date. The Company does not utilise hedge accounting as permitted under Australian Accounting Standards.

The Group’s Corporate Treasury Function provides services to the business, co-ordinates access to domestic financial markets and monitors and manages the financial risks relating to the operations of the Group. The Group Corporate Treasury Function reports on a monthly basis an analysis of key market exposures.

(a) Market risk

(i) Foreign exchange risk
The Group’s activities through its importation of cement, clinker, slag and equipment expose it to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Japanese Yen.

Foreign exchange risk arises from commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity’s functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group enters into foreign exchange forward contracts to hedge its foreign exchange risk on these overseas trading activities against movements in the Australian dollar.

The Group Treasury’s risk management policy is to hedge commitments for purchases for up to six months forward. Longer hedge positions are deemed too expensive versus the value at risk due to the respective currencies’ interest rate spread. Derivative instruments entered into by the Group do not qualify for hedge accounting.

(ii) Interest rate risk

The Group's main interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Due to the historically low levels of gearing, Group policy is to take on senior debt facilities on a one to five year term with fixed bank lending margins associated with each term. Cash advances to meet short and medium term borrowing requirements are drawn down against the senior debt lending facilities on a 30, 60 or 90 day basis, at a variable lending rate comprising the fixed bank margin applied to the daily bank bill swap rate effective at the date of each bank bill. During both 2013 and 2012, the Group’s borrowings at variable rates were denominated in Australian Dollars.

27 Financial risk management (continued)

(a) Market risk (continued)

The Group analyses its interest rate exposure on a dynamic basis. Periodically, various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on forecast profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the latest calculations performed, the impact on profit and equity of a 100 basis-point movement would be a maximum increase/decrease of $2.2 million (2012: $2.8 million). A 100 basis-point sensitivity has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates.

(iii) Summarised sensitivity analysis

The following table summarises the sensitivity, on a pre-tax basis, of the Group's financial assets and financial liabilities to interest rate risk.

$ million - consolidated		**2013**			**2012**		
	Notes	**Carrying Value**	**Sensitivity -1.0%**	**Sensitivity +1.0%**	**Carrying Value**	**Sensitivity -1.0%**	**Sensitivity +1.0%**
Financial assets							
Cash	6	11.1	(0.1)	0.1	8.8	(0.1)	0.1
Receivables	7 & 10	213.8	(0.3)	0.3	199.8	(0.3)	0.3
		224.9	**(0.4)**	**0.4**	**208.6**	**(0.4)**	**0.4**
Financial liabilities							
Borrowings	17 & 20	259.1	2.6	(2.6)	319.3	3.2	(3.2)
Payables	16	105.4	-	-	95.0	-	-
		364.5	**2.6**	**(2.6)**	**414.3**	**3.2**	**(3.2)**
Total increase/(decrease)			**2.2**	**(2.2)**		**2.8**	**(2.8)**

Foreign currency risk is immaterial as the majority of sales and assets are denominated in Australian Dollars, while the Group's purchases that are in foreign currency are settled at the time of the transaction, consequently payables are generally in Australian Dollars. All borrowings are denominated in Australian Dollars.

(b) Credit risk

Credit risk is managed on a Group basis using delegated authority limits. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. For trading credit risk, Credit Control assesses the credit quality of the customer, taking into account its financial position, past experience, external credit agency reports and credit references. Individual risk limits are set based on internal or external ratings in accordance with delegated authority limits set by the Board. The compliance with credit limits by credit approved customers is regularly monitored by line credit management. Sales to non-account customers are settled either in cash, major credit cards or electronic funds transfer, mitigating credit risk.

Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to appropriate approval.

The Group has no significant concentration of credit risk. The Group has policies and procedures in place to ensure that sales are made to customers with an appropriate credit history. In relation to a small number of customers with uncertain credit history, the Group has taken out personal guarantees in order to cover credit exposures. As at 31 December 2013, the Group held no collateral over outstanding debts. Consequently, the maximum exposure to credit risk represents the carrying value of receivables and derivatives. Derivative counterparties and cash transactions are limited to high credit quality institutions.

(c) Liquidity risk

The ultimate responsibility for liquidity risk management rests with the Board which has established an appropriate risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group's Corporate Treasury Function manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included below is a statement of undrawn facilities that the Group and Company has at its disposal to further reduce liquidity risk.

27 Financial risk management (continued)

(c) Liquidity risk (continued)

Financing arrangements	Consolidated **2013** **$ million**	2012 $ million
Unrestricted access was available at balance date to the following lines of credit:		
Credit standby arrangements		
Total facilities		
Bank overdrafts	**4.0**	4.0
Bank facilities – external parties	**500.0**	500.0
	504.0	504.0
Used at balance date		
Bank overdrafts	**-**	-
Bank facilities – external parties	**259.1**	319.3
	259.1	319.3
Unused at balance date		
Bank overdrafts	**4.0**	4.0
Bank facilities – external parties	**240.9**	180.7
	244.9	184.7
Maturity profile of bank facilities. Maturing on:		
1 July 2013	**-**	200.0
1 July 2014	**-**	140.0
1 July 2015	**300.0**	160.0
1 July 2016	**200.0**	-
	500.0	500.0

The table below analyses the Group's financial liabilities that will be settled on a gross basis. The amounts disclosed are the contractual undiscounted cash flows. The interest rate used is 3.8% (2012: 4.7%) based on current bank borrowing rates and current expectations.

Contractual maturities of financial liabilities $million	**< 6 months**	**6-12 months**	**1-2 years**	**>2 years**	**Total**
31 December 2013					
Trade payables	105.4	-	-	-	105.4
Bank borrowings	-	-	268.9	-	268.9
	105.4	**-**	**268.9**	**-**	**374.3**
31 December 2012					
Trade payables	95.0	-	-	-	95.0
Bank borrowings	-	20.5	313.4	-	333.9
	95.0	20.5	313.4	-	428.9

28 Fair value measurements

Fair value hierarchy

(i) Recognised fair value measurements

The Group measures and recognises financial assets at fair value through profit or loss (FVTPL) at fair value on a recurring basis. Derivative instruments entered into by the Group do not qualify for hedge accounting and are classified in this category. Forward exchange contracts with a fair market value of $0.1 million (2012: nil) have been entered into by the Group, with the fair value determined using forward exchange market rates at the balance sheet date (level 1). Assets associated with the Carbon Tax of $52.5 million (2012: $51.5 million) are measured at fair value determined in accordance with the price of units in the market (level 1).

(ii) Disclosed fair values

The Group also has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of non-current receivables for disclosure purposes is based predominantly on the recoverable loan amount to joint ventures and external parties (level 3).

The interest rate for current and non-current borrowings is reset on a short term basis, generally 30 to 90 days, and therefore the carrying value of current and non-current borrowings equal their fair values (level 2).

29 Contingencies

Details and estimates of maximum amounts of contingent liabilities are as follows:

		Consolidated	
		2013	2012
		$ million	$ million
(a)	**Guarantees**		
	Bank guarantees	**15.6**	14.3
	Guarantees of joint venture borrowings	**30.6**	17.7

(b) Litigation

At the time of preparing this financial report some companies included in the Group are parties to pending legal proceedings, the outcome of which is not known. The entities are defending, or prosecuting, these proceedings. The Directors have assessed the impact on the Group from the individual actions.

No material losses are anticipated in respect of any of the above contingent liabilities.

30 Commitments for expenditure

		Consolidated	
		2013	2012
		$ million	$ million
(a)	**Capital commitments – property, plant & equipment**		
	Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
	Within one year	**8.3**	17.9
(b)	**Lease commitments – operating leases**		
	Commitments in relation to operating leases contracted for at the reporting date, but not recognised as liabilities, are payable as follows:		
	Within one year	**5.3**	5.6
	Later than one year but not later than five years	**13.0**	14.1
	Later than five years	**17.1**	22.4
		35.4	42.1

Commitments for operating lease payments relate mainly to rental leases on property. The Group leases various properties under non-cancellable operating leases which contain varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are either renegotiated or the expiry date is extended under pre-negotiated terms.

31 Share-based payment plans

(a) Employee Share Plan

The establishment of the Adelaide Brighton Ltd Employee Share Plan was approved by special resolution at the Annual General Meeting of the Company held on 19 November 1997. Subject to the Board approval of grants, all full time employees of the Company and its controlled entities who have been continuously employed by the Company or a controlled entity for a period of one year are eligible to participate in the plan. Casual employees and contractors are not eligible to participate in the Plan.

No shares were issued under the Employee Share Plan during the year (2012 – nil). In subsequent years, the Board will decide whether, considering the profitability of the Company and the demands of the business, further invitations to take up grants of shares should be made.

(b) Executive Performance Share Plan

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

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

2013 Award

Under the Plan, Participants were invited to apply to take up an Award up to a maximum number of shares, exercisable no earlier than 1 May 2017. The total number of Awards granted under the 2013 Award was 1,502,150 with nil exercised by 31 December 2013. The grant date of the 2013 Awards is set out on page 85.

2012 Award

Under the Plan, Participants were invited to apply to take up an Award up to a maximum number of shares, divided into two equal tranches exercisable no earlier than 1 May 2015 and 1 May 2016 respectively. The total number of Awards granted under the 2012 Award was 3,140,030 with nil exercised by 31 December 2013. During the period nil Awards (2012: 3,140,030) were granted. The grant date of the 2012 Awards is set out on page 86.

2010 Award

Under the Plan, Participants were invited to apply to take up an Award up to a maximum number of shares, divided into three tranches exercisable no earlier than 1 May 2012, 1 May 2013 and 1 May 2014 respectively. The total number of awards originally granted under the 2010 Award was 4,155,000 with 2,178,878 exercised by 31 December 2013. During the period, nil Awards (2012: nil) were granted and 145,800 Awards lapsed (2012: 7,822). The grant date of the 2010 Awards is set out on page 86.

Performance conditions
Detailed discussion of 2013 Award, 2012 Award and 2010 Award performance conditions is set out in the Remuneration Report on pages 24 to 26.

During 2013, 1,069,200 shares were issued under the Plan on the exercise of Tranche 2 under the 2010 Award, following the Board's determination that:

- Earnings per share exercise condition applicable to 75.9% of exercisable Awards had been satisfied for Tranche 2; and
- Total Shareholder Return exercise condition applicable to 100% of exercisable Awards had been satisfied for Tranche 2.

The value per share at the date of exercise is the Value Weighted Closing Price which is the average of the closing price and number of Adelaide Brighton Limited shares traded on the Australian Securities Exchange for the five trading days before the exercise date, but not including the day of exercise. The aggregate value of Awards exercised during the year is $3,634,368 (2012: $3,411,571).

Balance of Awards
As at 31 December 2013, if the exercise conditions are satisfied and the remaining balance of all currently approved Awards are exercised, the Company would be obliged to transfer:

1,620,000 shares to the Participants under the 2010 Award (2012: 2,835,000 shares)

3,140,030 shares to the Participants under the 2012 Award (2012: 3,140,030 shares)

1,502,150 shares to the Participants under the 2013 Award (2012: nil shares)

31 Share-based payment plans (continued)

(b) Executive Performance Share Plan (continued)

The Plan does not entitle the Participants to participate in any other share issues of the Company and the unexercised Awards do not attract dividend or voting rights. The Plan is accounted for by the Company in accordance with Note 1(v)(iv), with $2,089,093 (2012: $1,206,942) recognised as an expense during the year.

The weighted average remaining contractual life of Awards outstanding at the end of the period was 1.8 years (2012: 1.9 years).

32 Key management personnel disclosures

(a) Compensation of key management personnel

	Consolidated	
	2013 $ million	2012 $ million
Short-term employee benefits	**8.8**	8.4
Post-employment benefits	**0.2**	0.2
Share-based payments	**1.4**	1.1
Termination benefits	**-**	-
	10.4	9.7

The Company has applied the exemption under Amendment to Australian Accounting Standard - Key Management Personnel Disclosures by Disclosing Entities which exempts disclosing companies from the application of AASB 124 paragraphs AUS 29.2 to AUS 29.6 and AUS 29.7.1 and AUS 29.7.2 as the requirements are now incorporated into the *Corporations Act* and are provided in the section titled Remuneration Report included in the Directors' Report designated as audited on pages 10 to 30.

(b) Award holdings of key management personnel

The number of Awards granted as compensation and details of Awards vested, exercised or lapsed during the year are disclosed in the Remuneration Report on page 27.

For the purposes of pricing model inputs, the share price for calculation of the Award value is based on the closing published share price at grant date. The assessed fair value at grant date of Awards granted to the individuals is allocated equally over the period from grant date to vesting date. Fair values at the grant date are independently determined using a pricing model that takes into account the exercise price, the term of the Awards, the lack of marketability, the impact of TSR vesting condition (applicable to 50% of Awards), the expected future dividends and the risk free interest rate for the term of the Award.

2013 Awards grant – pricing model inputs

	Number of Awards	**Grant date**	**Share price at grant date $/share**	**Value per Award at grant date $**	**Expected annual dividends $/share**	**Risk-free interest rate % p.a.**	**Lack of marketability discount % p.a.**	**TSR condition discount %**
M P Chellew	670,920	23/5/13	3.30	1.52	0.17	2.81	3.00	50
G Agriogiannis	99,074	27/5/13	3.30	1.52	0.17	2.81	3.00	50
M Brydon	260,248	28/5/13	3.32	1.54	0.17	2.81	3.00	50
M Kelly	185,285	23/5/13	3.30	1.52	0.17	2.81	3.00	50
S B Rogers	98,317	28/5/13	3.32	1.54	0.17	2.81	3.00	50

32 Key management personnel disclosures (continued)

(b) Award holdings of key management personnel (continued)

2012 Awards grant – pricing model inputs

	Number of Awards	Grant date	Share price at grant date $/share	Value per Award at grant date $	Expected annual dividends $/share	Risk-free interest rate % p.a.	Lack of marketability discount % p.a.	TSR condition discount %
M P Chellew								
Tranche 1	728,324	17/05/12	2.89	1.475	0.18	2.79	3.0	50.0
Tranche 2	728,324	17/05/12	2.89	1.270	0.18	2.79	3.0	50.0
G Agriogiannis								
Tranche 1	99,277	17/05/12	2.89	1.475	0.18	2.79	3.0	50.0
Tranche 2	99,277	17/05/12	2.89	1.270	0.18	2.79	3.0	50.0
M Brydon								
Tranche 1	265,896	17/05/12	2.89	1.475	0.18	2.79	3.0	50.0
Tranche 2	265,896	17/05/12	2.89	1.270	0.18	2.79	3.0	50.0
M Kelly								
Tranche 1	189,306	17/05/12	2.89	1.475	0.18	2.79	3.0	50.0
Tranche 2	189,306	17/05/12	2.89	1.270	0.18	2.79	3.0	50.0
S B Rogers								
Tranche 1	98,519	17/05/12	2.89	1.475	0.18	2.79	3.0	50.0
Tranche 2	98,519	17/05/12	2.89	1.270	0.18	2.79	3.0	50.0

2010 Awards grant – pricing model inputs

	Number of Awards	Grant date	Share price at grant date $/share	Value per Award at grant date $	Expected annual dividends $/share	Risk-free interest rate % p.a.	Lack of marketability discount % p.a.	TSR condition discount %
M P Chellew								
Tranche 1	540,000	04/06/10	2.81	1.585	0.17	4.79	3.0	50.0
Tranche 2	540,000	04/06/10	2.81	1.330	0.18	4.79	3.0	50.0
Tranche 3	720,000	04/06/10	2.81	1.095	0.19	4.79	3.0	50.0
G Agriogiannis								
Tranche 1	-	-	-	-	-	-	-	-
Tranche 2	97,500	21/11/11	2.87	1.785	0.17	3.20	3.0	50.0
Tranche 3	130,000	21/11/11	2.87	1.565	0.17	3.20	3.0	50.0
M Brydon								
Tranche 1	180,000	04/06/10	2.81	1.585	0.17	4.79	3.0	50.0
Tranche 2	180,000	04/06/10	2.81	1.330	0.18	4.79	3.0	50.0
Tranche 3	240,000	04/06/10	2.81	1.095	0.19	4.79	3.0	50.0
M Kelly								
Tranche 1	150,000	04/06/10	2.81	1.585	0.17	4.79	3.0	50.0
Tranche 2	150,000	04/06/10	2.81	1.330	0.18	4.79	3.0	50.0
Tranche 3	200,000	04/06/10	2.81	1.095	0.19	4.79	3.0	50.0
S B Rogers								
Tranche 1	97,500	04/06/10	2.81	1.585	0.17	4.79	3.0	50.0
Tranche 2	97,500	04/06/10	2.81	1.330	0.18	4.79	6.0	50.0
Tranche 3	130,000	04/06/10	2.81	1.095	0.19	4.79	3.0	50.0

32 Key management personnel disclosures (continued)

(c) Shareholdings of key management personnel

The movement during the reporting period in the number of ordinary shares in Adelaide Brighton Ltd held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Number of shares held in Adelaide Brighton Limited at 31 December 2013

	Balance at start of year	Received on exercise of EPSP	Other changes	Balance at end of year
Non-executive Directors				
L V Hosking	4,739	-	-	4,739
R D Barro	193,307,036	-	16,568,764	209,875,800
G F Pettigrew	7,739	-	-	7,739
K B Scott-McKenzie	5,000	-	-	5,000
A M Tansey	5,000	-	5,000	10,000
Executive Director				
M P Chellew	448,366	475,200	(475,200)	448,366
Senior executives				
G Agriogiannis	-	85,800	(85,800)	-
M Brydon	5,000	158,400	(155,000)	8,400
M Kelly	5,000	132,000	(137,000)	-
S B Rogers	-	85,800	(85,800)	-
Total	**193,787,880**	**937,200**	**15,634,964**	**210,360,044**

Number of shares held in Adelaide Brighton Limited at 31 December 2012

	Balance at start of year	Received on exercise of EPSP	Other changes	Balance at end of year
Non-executive Directors				
L V Hosking	4,739	-	-	4,739
R D Barro	169,087,036	-	24,220,000	193,307,036
G F Pettigrew	7,739	-	-	7,739
K B Scott-McKenzie	5,000	-	-	5,000
A M Tansey	5,000	-	-	5,000
C L Harris[1]	100,479	-	(100,479)	-
Executive Director				
M P Chellew	448,366	536,220	(536,220)	448,366
Senior executives				
G Agriogiannis	-	-	-	-
M Brydon	5,000	178,740	(178,740)	5,000
M R D Clayton	73	89,370	(89,370)	73
M Kelly	5,000	148,950	(148,950)	5,000
Total	**169,668,432**	**953,280**	**22,166,241**	**193,787,953**

[1] C L Harris retired 17 May 2012, therefore his equity holding has been reduced to nil at 31 December 2012 through ‘other changes’.

32 Key management personnel disclosures (continued)

(d) Other transactions with key management personnel

R D Barro, a Director of Adelaide Brighton Ltd, is Managing Director of Barro Group Pty Ltd. Barro Group Pty Ltd and Adelaide Brighton Ltd, through its 100% owned subsidiary, Adelaide Brighton Management Ltd, each control 50% of Independent Cement and Lime Pty Ltd, a distributor of cement and lime in Victoria and New South Wales.

During the year, the Barro Group of companies purchased goods and materials from and sold goods, materials and services to Independent Cement and Lime Pty Ltd and the Group. The Barro Group of companies also purchased goods and materials from Sunstate Cement Ltd, a company in which the Group has a 50% share and other entities in the Group.

M P Chellew, an executive Director of Adelaide Brighton Ltd and M Brydon and M Kelly, senior executives of Adelaide Brighton Ltd, have been Directors of Sunstate Cement Ltd during the reporting period. M Brydon is also a Director of Independent Cement and Lime Pty Ltd. G Agriogiannis, a senior executive of Adelaide Brighton Ltd and M Kelly are also Directors of the Mawsons Group. During the year, the Group traded significantly with Independent Cement and Lime Pty Ltd, Sunstate Cement Ltd and the Mawsons Group, which are all joint ventures of the Group.

All transactions involving the Barro Group Pty Ltd and Adelaide Brighton Ltd and its subsidiaries, Independent Cement and Lime Pty Ltd and its subsidiaries, Sunstate Cement Ltd and the Mawsons Group were conducted on standard commercial terms.

From time to time Directors of the Company or its controlled entities, or their related parties, may purchase goods from the Group. These purchases are on the standard commercial terms and conditions.

	Consolidated	
	2013	2012
	$	$
Aggregate amounts of the above transactions with the Directors and their related parties:		
Sales to Director related parties	**45,019,728**	49,525,545
Purchases from Director related parties	**41,908,399**	44,047,982

33 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2013	2012
	$	$
(a) Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial statements	**692,540**	685,771
Total remuneration for audit services	**692,540**	685,771
(b) Non-audit services		
PricewaterhouseCoopers Australian firm		
Other assurance services	**92,798**	90,330
Total remuneration for non-audit services	**92,798**	90,330

34 Related parties

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 32.

(b) Controlled entities

Details of interests in controlled entities are set out in Note 35. The ultimate parent Company is Adelaide Brighton Ltd.

34 Related parties (continued)

(c) Joint arrangement and associate entities

Details of interests in joint arrangement and associate entities are set out in Note 11(a). The nature of transactions with joint arrangement and associate entities is detailed below:

Adelaide Brighton Cement Ltd and Morgan Cement International Ltd supplied finished products and raw materials to Sunstate Cement Ltd and Independent Cement and Lime Pty Ltd. Hy-Tec Industries Pty Ltd, Hy-Tec Industries (Victoria) Pty Ltd, Hy-Tec Industries (Queensland) Pty Ltd, Adbri Masonry Group Pty Ltd and Adelaide Brighton Cement Ltd purchased finished products, raw materials and transportation services from Sunstate Cement Ltd and Independent Cement and Lime Pty Ltd.

All transactions are on normal commercial terms and conditions and transactions for the supply are covered by shareholder agreements.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2013	2012
	$'000	$'000
Sales of goods		
- Joint venture entities	**188,147**	176,916
Purchases of materials and goods		
- Joint venture entities	**64,008**	43,946
Interest revenue		
- Joint venture entities	**757**	891
Dividend and distribution income		
- Joint venture entities	**16,337**	21,559
Superannuation contributions		
- Contributions to superannuation funds on behalf of employees	**11,666**	11,585
- Reimbursement of superannuation contribution by joint venture entity	**22**	152
Loans advanced to/(from):		
- Joint venture entities	**2,445**	2,403

(e) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2013	2012
	$'000	$'000
Current receivables		
- Joint venture entities (interest)	**378**	417
- Joint venture entities (trade)	**23,690**	20,132
Non-current receivables		
- Joint venture entities (loans)	**27,808**	25,362
Current payables		
- Joint venture entities (trade)	**6,450**	4,392

Outstanding balances are unsecured and repayable in cash. No provisions for doubtful receivables have been raised in relation to any outstanding balances.

(f) Loans to related parties

A loan to a joint venture entity, Independent Cement and Lime Pty Ltd, has interest charged at the ruling commercial rates on the outstanding balance. Interest revenue brought to account by the Group during the reporting year on this loan was $756,557 (2012: $891,091).

35 Subsidiaries and transactions with non-controlling interests

Name of entity	Place of incorporation	Class of shares	Ownership interest held by the Group **2013** **%**	2012 %
Adelaide Brighton Ltd				
Adelaide Brighton Cement Ltd[2]	South Australia	Ord	**100**	100
Adelaide Brighton Cement Inc	Washington USA	Ord	**80**	80
Adelaide Brighton Cement Investments Pty Ltd[2]	South Australia	Ord	**100**	100
Adelaide Brighton Management Ltd[2]	South Australia	Ord	**100**	100
Adelaide Brighton Cement International Pty Ltd[1]	South Australia	Ord	**100**	100
Adelaide Brighton Intellectual Property Pty Ltd[1]	South Australia	Ord	**100**	100
Cement Resources Consolidated Pty Ltd[1]	South Australia	Ord	**100**	100
Cockburn Cement Ltd[2]	Western Australia	Ord	**100**	100
Hy-Tec Industries (Queensland) Pty Ltd[2]	South Australia	Ord	**100**	100
Northern Cement Ltd[2]	Northern Territory	Ord	**100**	100
Premier Resources Ltd[2]	New South Wales	Ord	**100**	100
Adbri Masonry Group Pty Ltd[2]	Victoria	Ord	**100**	100
Adelaide Brighton Cement Ltd				
Exmouth Limestone Pty Ltd[1]	Western Australia	Ord	**51**	51
Adelaide Brighton Cement Inc				
Adelaide Brighton Cement (Florida) Inc	Florida USA	Ord	**100**	100
Adelaide Brighton Cement (Hawaii) Inc	Hawaii USA	Ord	**100**	100
Hileah (Florida) Management Inc	Florida USA	Ord	**100**	100
Adelaide Brighton Management Ltd				
Accendo Pty Ltd[1]	South Australia	Ord	**100**	100
Global Cement Australia Pty Ltd[1]	New South Wales	Ord	**100**	100
Hurd Haulage Pty Ltd[2]	Victoria	Ord	**100**	100
K.C. Mawson Pty Ltd[1]	New South Wales	Ord	**100**	100
Adelaide Brighton Cement International Pty Ltd				
Adelaide Brighton Cement Inc	Wash. State USA	Ord	**20**	20
Fuel & Combustion Technology International Ltd	United Kingdom	Ord	**100**	100
Fuel & Combustion Technology International Ltd				
Fuel & Combustion Technology International Inc	USA	Ord	**100**	100
Northern Cement Ltd				
Mataranka Lime Pty Ltd[1]	South Australia	Ord	**100**	100
Cockburn Cement Ltd				
Cockburn Waters Pty Ltd[1]	Western Australia	Ord	**100**	100
Hydrated Lime Pty Ltd[1]	Western Australia	Ord	**100**	100
Chemical Unit Trust	Western Australia	Units	**100**	100
Kalgoorlie Lime & Chemical Company Pty Ltd[1]	Western Australia	Ord	**100**	100
Premier Resources Ltd				
Hy-Tec Industries Pty Ltd[2]	New South Wales	Ord	**100**	100
Hy-Tec Industries (Victoria) Pty Ltd[2]	New South Wales	Ord	**100**	100
Bonfoal Pty Ltd[1]	New South Wales	Ord	**100**	100
Aus-10 Rhyolite Pty Ltd[1]	New South Wales	Ord	**100**	100
Morgan Cement International Pty Ltd[2]	New South Wales	Ord	**100**	100
Hy-Tec Industries (Victoria) Pty Ltd				
CRC2 Pty Ltd[1]	Victoria	Ord	**100**	100
CRC3 Pty Ltd[1]	Victoria	Ord	**100**	100
Hy-Tec Industries (Victoria) No 1 Pty Ltd[1]	New South Wales	Ord	**100**	100
Hy-Tec Industries (Victoria) No 2 Pty Ltd[1]	New South Wales	Ord	**100**	100
Sheltacrete Pty Ltd[1]	New South Wales	Ord	**100**	100
Adbri Masonry Group Pty Ltd				
Adbri Masonry Pty Ltd[2]	Queensland	Ord	**100**	100
Adbri Mining Products Pty Ltd[1]	Queensland	Ord	**100**	100
C&M Masonry Products Pty Ltd[2]	South Australia	Ord	**100**	100
Betta Brick Pty Ltd[1]	Victoria	Ord	**100**	100
C&M Brick (Bendigo) Pty Ltd[1]	Victoria	Ord	**100**	100
C&M Design/Construct Pty Ltd[1]	Victoria	Ord	**100**	100

1 Small proprietary company as defined by the *Corporations Act* and is not required to be audited for statutory purposes.
2 These controlled entities have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities & Investments Commission. For further information see Note 36.

Unless otherwise stated, the subsidiaries as listed above have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

36 Deed of cross guarantee

As at the date of this report, Adelaide Brighton Ltd, Adelaide Brighton Cement Ltd, Cockburn Cement Ltd, Adelaide Brighton Cement Investments Pty Ltd, Adelaide Brighton Management Ltd, Northern Cement Ltd, Premier Resources Ltd, Hy-Tec Industries Pty Ltd, Hy-Tec Industries (Victoria) Pty Ltd, Hy-Tec Industries (Queensland) Pty Ltd, Morgan Cement International Pty Ltd, Adbri Masonry Group Pty Ltd, C&M Masonry Products Pty Ltd, Adbri Masonry Pty Ltd and Hurd Haulage Pty Ltd are parties to a Deed of Cross Guarantee (the Deed) under which each company guarantees the debts of the others. By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities & Investments Commission. The above companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the Deed that are controlled by the Company, they also represent the "Extended Closed Group".

During the year, to take into account changes that have been made to ASIC's Class Order 98/1418 over recent years, the Closed Group revoked the Deed of Cross Guarantee that had been in effect in previous years and each of the member of the Closed Group entered into a new Deed of Cross Guarantee reflective of the current requirements of ASIC's Class Order. The new Deed of Cross Guarantee was in effect at the end of the 2013 financial year.

Set out below is a consolidated balance sheet as at 31 December 2013 of the Closed Group.

	2013 **$ million**	2012 $ million
Current assets		
Cash and cash equivalents	**7.8**	3.6
Trade and other receivables	**185.6**	171.2
Inventories	**127.3**	125.1
Carbon units	**52.5**	48.0
	373.2	347.9
Assets classified as held for sale	**7.9**	1.9
Total current assets	**381.1**	349.8
Non-current assets		
Receivables	**31.4**	29.5
Joint arrangements and associate	**101.7**	95.7
Other financial assets	**10.2**	10.2
Property, plant and equipment	**808.2**	816.8
Intangible assets	**183.2**	184.3
Carbon units	**-**	3.5
Total non-current assets	**1,134.7**	1,140.0
Total assets	**1,515.8**	1,489.8
Current liabilities		
Trade and other payables	**87.3**	66.1
Borrowings	**-**	20.0
Current tax liabilities	**17.1**	5.7
Provisions	**26.4**	25.8
Provision for carbon emissions	**39.7**	25.2
Other liabilities	**20.4**	19.5
Total current liabilities	**190.9**	162.3
Non-current liabilities		
Borrowings	**259.1**	299.3
Deferred tax liabilities	**53.5**	55.3
Provisions	**28.4**	31.1
Retirement benefit obligations	**0.5**	8.0
Provision for carbon emissions	**8.2**	8.4
Other non-current liabilities	**0.1**	0.1
Total non-current liabilities	**349.8**	402.2
Total liabilities	**540.7**	564.5
Net assets	**975.1**	925.3
Equity		
Contributed equity	**699.1**	696.6
Reserves	**4.4**	2.1
Retained earnings	**271.6**	226.6
Total equity	**975.1**	925.3

36 Deed of cross guarantee (continued)

Set out below is a condensed consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained profits for the year ended 31 December 2013 of the Closed Group.

	2013 $ million	2012 $ million
Profit before income tax	**200.4**	200.0
Income tax expense	**(55.5)**	(52.5)
Profit for the year	**144.9**	147.5
Retained earnings 1 January	**226.6**	193.9
Retained earnings on members entering / leaving Closed Group	**-**	(10.9)
Profit for the year	**144.9**	147.5
Other comprehensive income	**5.3**	1.2
Dividends paid	**(105.2)**	(105.1)
Retained earnings 31 December	**271.6**	226.6

37 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2013 $ million	2012 $ million
Profit for the year	**151.1**	152.9
Doubtful debts	**(0.9)**	(1.1)
Depreciation and amortisation	**70.6**	65.2
Share based payments expense	**(0.1)**	(1.3)
Finance charges on remediation provision	**1.0**	0.4
(Gain) / loss on sale of non-current assets	**(0.4)**	1.5
Share of un-distributed profits of joint ventures	**(7.9)**	(6.2)
Non-cash retirement benefits expense	**5.3**	1.8
Profit on acquisition of businesses	**-**	(7.6)
Capitalised interest	**(1.2)**	(2.4)
Other	**(0.7)**	(2.8)
Net cash provided by operating activities before changes in assets and liabilities	**218.6**	200.4
Changes in operating assets and liabilities, net of effects from purchase of controlled entity:		
(Increase) in inventories	**(1.5)**	(10.9)
Decrease in prepayments	**-**	1.1
(Increase) in receivables	**(13.1)**	(0.3)
Increase / (decrease) in trade creditors	**9.4**	(3.9)
Increase / (decrease) in provisions	**13.0**	(1.8)
Increase / (decrease) in taxes payable	**11.3**	(0.3)
(Decrease) / increase in deferred taxes payable	**(2.8)**	4.5
(Decrease) in other operating assets and liabilities	**(7.6)**	(1.9)
Net cash inflow from operating activities	**227.3**	186.9

38 Earnings per share

	Consolidated	
	2013 Cents	2012 Cents
Basic earnings per share	**23.7**	24.0
Diluted earnings per share	**23.4**	23.8

	Consolidated	
	2013 Number	2012 Number
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	**638,099,312**	637,014,563
Adjustment for calculation of diluted earnings per share:		
Awards	**6,262,180**	5,975,030
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**644,361,492**	642,989,593

	Consolidated	
	2013 $ million	2012 $ million
Reconciliation of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Profit after tax	**151.1**	152.9
Profit attributable to non-controlling interests	**-**	0.1
Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**151.1**	153.0

39 Events occurring after the balance sheet date

In February 2014, the Directors approved a strategy to rationalise the production of clinker at its Munster site in Western Australia. It is proposed to reduce the volume of clinker produced at the site during 2014. Subject to all necessary legal and supply chain arrangements being in place, it is intended that by 2016 all of the 400,000 tonnes of clinker previously produced at Munster will be replaced by imported clinker, which will be milled into cement utilising the Kwinana import facility and the existing cement mills at Munster.

The financial effects of this event have not been brought to account at 31 December 2013. A provision for redundancy and asset write-off of approximately $8 million will be recognised in 2014.

As at the date of this report, no other matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

40 Segment reporting

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Managing Director. These reports are evaluated regularly in deciding how to allocate resources and in assessing performance.

The two reportable segments have been identified as follows;

- Cement, Lime and Concrete
- Concrete Products

The operating segments Cement and Lime and separately Concrete individually meet the quantitative thresholds required by AASB 8 as well as meeting the aggregation criteria allowing them to be reported as one segment. Concrete Products meets the quantitative threshold therefore is reported as a separate segment. The Cement, Lime and Concrete Products Joint Ventures form part of the above two reportable segments as they meet the aggregation criteria.

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

40 Segment reporting (continued)

(b) Segment information provided to the Managing Director

The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2013 is as follows:

2013	**Cement, Lime and Concrete $ million**	**Concrete Products $ million**	**All other segments $ million**	**Total $ million**
Total segment operating revenue	**1,201.7**	**124.4**	**88.9**	**1,415.0**
Inter-segment revenue	**(25.7)**	**-**	**-**	**(25.7)**
Revenue from external customers	**1,176.0**	**124.4**	**88.9**	**1,389.3**
Depreciation and amortisation	**55.0**	**7.4**	**8.3**	**70.7**
EBIT	**226.5**	**2.1**	**(5.9)**	**222.7**
2012				
Total segment operating revenue	1,147.3	123.7	86.1	1,357.1
Inter-segment revenue	(37.1)	-	-	(37.1)
Revenue from external customers	1,110.2	123.7	86.1	1,320.0
Depreciation and amortisation	49.9	7.9	7.4	65.2
EBIT	220.9	0.4	0.8	222.1

Sales between segments are carried out at arms length and are eliminated on consolidation.

The operating revenue assessed by the Managing Director includes revenue from external customers and a share of revenue from the joint ventures and associates in proportion to the Group's ownership interest, excluding freight, interest and royalty revenue. A reconciliation of segment operating revenue to revenue from continuing operations is provided as follows:

	Consolidated	
	2013 $ million	2012 $ million
Total segment operating revenue	**1,415.0**	1,357.1
Inter-segment revenue elimination	**(25.7)**	(37.1)
Freight revenue	**128.3**	129.4
Interest revenue	**1.8**	2.6
Royalties	**0.7**	0.5
Elimination of joint venture and associate revenue	**(292.1)**	(269.4)
Revenue from continuing operations	**1,228.0**	1,183.1

The Managing Director assesses the performance of the operating segments based on a measure of EBIT. This measurement basis excludes the effect of net interest. A reconciliation of the EBIT to operating profit before income tax is provided as follows:

	Consolidated	
	2013 $ million	2012 $ million
EBIT	**222.7**	222.1
Net interest	**(14.1)**	(14.6)
Profit before income tax	**208.6**	207.5

(c) Other segment information

Revenues of approximately $157.2 million (2012: $144.2 million) are derived from a single customer. These revenues are attributable to the Cement, Lime and Concrete segment.

41 Parent entity financial information

(a) Summary financial information

The individual financial statements for the Company show the following aggregate amounts:

	2013 $ million	2012 $ million
Balance sheet		
Current assets	**1,051.3**	803.0
Total assets	**1,572.1**	1,334.4
Current liabilities	**475.6**	204.4
Total liabilities	**736.0**	525.1
Net assets	**836.1**	809.3
Shareholders' equity		
Issued capital	**692.0**	689.6
Reserves		
Share-based payments	**3.3**	2.2
Retained earnings	**140.7**	117.5
Total shareholders' equity	**836.0**	809.3
Profit for the year	**128.3**	158.0
Total comprehensive income	**128.3**	158.0

(b) Guarantees entered into by the parent entity

Bank guarantees	**2.5**	2.1

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2013 or 31 December 2012 other than the Bank guarantees detailed above.

42 Changes to Accounting Policies

a) Summary of changes

The Group has adopted Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that have mandatory application from 1 January 2013. The nature and effect of the changes in accounting policies are further explained below.

i) Stripping costs

Interpretation 20 requires the cost of removing overburden from a surface mine, commonly referred to as stripping costs, to be recognised as an asset if the costs can be attributed to an identifiable component of the ore body (reserve), the costs relate to the improved access to that component can be measured reliably and it is probable that future economic benefits associated with the stripping activity (improved access to the reserve) will flow to the entity.

The Group previously recognised an asset for stripping costs on a total site basis, recognising an expense in the income statement as reserves were extracted. A site by site review of previously deferred stripping costs indicated that the majority of stripping costs deferred as an asset by the Group were not able to be attributed to identifiable components of the reserve and consequently did not meet the initial recognition criteria of Interpretation 20. In accordance with the transitional requirements of the Interpretation, the Group has retrospectively applied the policy resulting in the carrying value of the deferred stripping asset of $4.2 million that did not meet the initial recognition criteria to be recognised in retained earnings, net of tax expense.

42 Changes to Accounting Policies (continued)

(a) Summary of Changes (continued)

ii) Employee benefits

The AASB released a revised standard on the accounting for employee benefits (AASB 119 Employee Benefits) which requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called "corridor" method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in the income statement. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and guidance on the timing of the recognition of termination benefits.

As this accounting standard is operative from 1 January 2013, the Group has retrospectively applied the requirements of the standard.

iii) Joint arrangements

AASB 11 introduces a principles based approach to joint arrangements. This standard classifies joint arrangements into two categories, Joint Ventures or Joint Operations, depending upon the exposure the investor has to the ownership in the underlying assets and obligation for liabilities of the joint arrangement. Joint Ventures are equity accounted, while Joint Operations are proportionally consolidated.

The Group has previously recognised all joint ventures using the equity method of accounting. Two joint ventures, Burrell Mining Services JV and Batesford Quarry, qualify as Joint Operations, while the remainder meet the criteria as a Joint Venture and continue to be equity accounted.

Due to the nature of the two entities, the change in accounting method for the Joint Operations does not impact on the Net Assets in the Consolidated Balance Sheet, nor the Profit after tax in the Consolidated Income Statement.

b) Impact on financial statements

The restatement of the affected financial statement line items for the prior periods is as follows:

Balance sheet 2012 (extract)

	2012	**Increase/ (Decrease)**	**2012 (Restated)**
	$million	**$million**	**$million**
Cash and cash equivalents	7.0	1.8	8.8
Trade and other receivables	169.6	0.6	170.2
Inventories	138.7	(3.9)	134.8
Investments accounted for using the equity method	132.1	(3.1)	129.0
Property, plant & equipment	901.4	1.1	902.5
Intangible assets	184.9	(0.1)	184.8
Total assets	**1,616.7**	**(3.6)**	**1,613.1**
Trade and other payables	94.5	0.5	95.0
Provisions	26.0	0.1	26.1
Deferred tax liabilities	67.7	(1.0)	66.7
Retirement benefit obligations	9.0	(1.0)	8.0
Total liabilities	**608.6**	**(1.4)**	**607.2**
Net assets	1,008.1	(2.2)	1,005.9
Retained earnings	306.6	(2.2)	304.4
Total equity	**1,008.1**	**(2.2)**	**1,005.9**

42 Changes to Accounting Policies (continued)

(b) Impact on financial statements (continued)

Balance sheet 2011 (extract)

	2011 $million	Increase/ (Decrease) $million	2011 (Restated) $million
Cash and cash equivalents	11.0	2.1	13.1
Trade and other receivables	168.9	1.1	170.0
Inventories	127.9	(4.0)	123.9
Investments accounted for using the equity method	97.2	(2.9)	94.3
Property, plant & equipment	851.0	0.4	851.4
Intangible assets	183.0	(0.1)	182.9
Total assets	**1,466.2**	**(3.4)**	**1,462.8**
Trade and other payables	98.5	0.7	99.2
Provisions	21.7	0.1	21.8
Deferred tax liabilities	70.7	(0.9)	69.8
Retirement benefit obligations	10.9	(1.3)	9.6
Total liabilities	**509.1**	**(1.4)**	**507.7**
Net assets	957.1	(2.0)	955.1
Retained earnings	257.3	(2.0)	255.3
Total equity	**957.1**	**(2.0)**	**955.1**

Income statement (extract)

	2012 $million	Profit Increase/ (Decrease) $million	2012 (Restated) $million
Revenue from continuing operations	1,176.2	6.9	1,183.1
Cost of sales	(716.1)	(4.3)	(720.4)
Freight and distribution costs	(187.2)	(0.1)	(187.3)
Administration costs	(62.7)	(3.5)	(66.2)
Finance costs	(18.9)	1.8	(17.1)
Share of net profits of joint venture entities accounted for using the equity method	30.2	(2.5)	27.7
Profit before income tax	**209.2**	**(1.7)**	**207.5**
Income tax expense	(55.1)	0.5	(54.6)
Profit for the year	**154.1**	**(1.2)**	**152.9**
Profit is attributable to:			
Equity holders of the Company	154.2	(1.2)	153.0
Non-controlling interests	(0.1)	-	(0.1)
	154.1	(1.2)	152.9

42 Changes to Accounting Policies (continued)

(b) Impact on financial statements (continued)

Statement of comprehensive income (extract)

	2012 $million	Other Comprehensive Income Increase/ (Decrease) $million	2012 (Restated) $million
Profit for the year	154.1	(1.2)	152.9
Actuarial gain on retirement benefit obligation	0.3	1.4	1.7
Income tax relating to components of other comprehensive income	(0.1)	(0.4)	(0.5)
Other comprehensive income for the year, net of tax	0.2	1.0	1.2
Total comprehensive income for the year	154.3	(0.2)	154.1
Total comprehensive income for the year is attributable to:			
Equity holders of the Company	154.4	(0.2)	154.2
Non-controlling interests	(0.1)	-	(0.1)
Total comprehensive income for the year	154.3	(0.2)	154.1

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was a decrease of 0.1 cents per share.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 47 to 98 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 31 December 2013 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 35 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 36.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

M. Chellew

Mark Chellew
Managing Director

Dated 5 March 2014

Auditor's Independence Declaration

As lead auditor for the audit of Adelaide Brighton Limited for the year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

K R Reid
Partner
PricewaterhouseCoopers

Adelaide
5 March 2014

pwc

Independent auditor's report to the members of Adelaide Brighton Limited

Report on the financial report

We have audited the accompanying financial report of Adelaide Brighton Limited (the company), which comprises the balance sheet as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Adelaide Brighton Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

pwc

Auditor's opinion

In our opinion:

(a) the financial report of Adelaide Brighton Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 30 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Adelaide Brighton Limited for the year ended 31 December 2013 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

K R Reid
Partner

Adelaide
5 March 2014