



**ADELAIDE BRIGHTON LIMITED
AND ITS CONTROLLED ENTITIES
ABN 15 007 596 018**

**2015 DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

**Adelaide Brighton Limited registered office:
Level 1, 157 Grenfell Street, Adelaide SA 5000**

Adelaide Brighton Limited and its controlled entities

Directors' report

The Directors present their report on the consolidated entity (the Group) consisting of Adelaide Brighton Limited (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2015.

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:

LV Hosking
RD Barro
GF Pettigrew
KB Scott-Mackenzie
AM Tansey
M Brydon (appointed 24 November 2015)

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 2015 is set out below:

Statutory Results

	2015	2014
	\$ million	\$ million
Revenue	1,413.1	1,337.8
Depreciation, amortisation and impairments	(77.8)	(75.0)
Earnings before interest and tax ("EBIT")	298.6	247.5
Net finance cost	(13.0)	(15.0)
Profit before tax	285.6	232.5
Income tax expense	(77.8)	(59.9)
Net profit after tax	207.8	172.6
Attributable to:		
Members of Adelaide Brighton Ltd ("NPAT")	207.9	172.7
Non-controlling interests	(0.1)	(0.1)
Basic earnings per share (cents)	32.0	26.9
Ordinary dividend per share (cents)	19.0	17.0
Special dividend per share (cents)	8.0	-
Franking (%)	100%	100%
Net debt (\$ million)	297.2	359.7
Net debt/equity (%)	24.6%	31.6%

Net profit after tax attributable to members of the Company increased 20.4% to \$207.9 million compared to the prior year. Statutory results are not materially different to underlying results, consequently the commentary below in relation to underlying results is also applicable to the statutory results.

The table below sets out the underlying financial results for the year ended 31 December 2015 which have adjusted for the significant items. An explanation of the significant items and reconciliation to statutory results is provided on page 6.

Underlying Results

	2015	2014
	\$ million	\$ million
Revenue	1,413.1	1,337.8
Underlying depreciation and amortisation	(77.8)	(73.0)
Underlying earnings before interest and tax ("Underlying EBIT")	300.3	245.2
Net finance cost	(13.0)	(15.0)
Underlying profit before tax	287.3	230.2
Underlying income tax expense	(78.2)	(63.8)
Underlying net profit after tax	209.1	166.4
Attributable to:		
Members of Adelaide Brighton Limited ("Underlying NPAT")	209.2	166.5
Non-controlling interests	(0.1)	(0.1)
Underlying basic earnings per share (cents)	32.3	26.0

Adelaide Brighton Limited and its controlled entities

Underlying net profit after tax attributable to members of the Company (Underlying NPAT) of \$209.2 million was \$42.7 million (25.6%) higher than 2014, while revenue increased 5.6% to \$1,413.1 million. The growth in revenue was the result of price increases and contribution from acquisitions undertaken in the second half of 2014, supported by cement and lime volumes.

Underlying earnings before interest and tax (Underlying EBIT) increased by 22.5% to \$300.3 million. Property contributed \$45.0 million to Underlying EBIT on cash proceeds of \$47.9 million. Underlying EBIT excluding property profits increased 4.5% to \$255.3 million.

Underlying EBIT margin (Underlying EBIT divided by revenue) of 21.1% compares to 18.3% in 2014. Excluding property profits, Underlying EBIT margins were down slightly from 18.3% to 18.1%. A number of factors constrained margins including the geographic mix of cement sales, joint venture earnings, import costs (due to currency), and increased proportion of concrete revenue. Almost fully offsetting these were benefits from volume growth, price rises, operating efficiencies and reduced transport costs.

Strong residential demand in the eastern states improved demand for cement, clinker, concrete, aggregates and concrete products. This offset reduced sales in South Australia. Sales volumes increased for all products, assisted by demand in New South Wales, Victoria and Queensland and margins increased in concrete, aggregates and concrete products.

Earnings per share (EPS) increased 19.0% to 32.0 cents, while underlying EPS increased 24.2% to 32.3 cents. Excluding property profits, underlying EPS was 26.9 cents.

Cement

Cement and clinker sales volumes increased marginally in 2015. Strong demand in New South Wales, Victoria and south east Queensland, was primarily driven by residential construction. This demand more than offset the previously anticipated reduced sales to a major South Australian customer and lower sales to resource projects in Western Australia and the Northern Territory.

Residential demand continued to be a driver of activity in the eastern states, with a recovery in the south east Queensland market and strong housing commencements in New South Wales and Victoria. Residential markets in Western Australia and South Australia remained subdued.

Several major infrastructure projects in South Australia are expected to contribute to demand in 2016 and the outlook for infrastructure in New South Wales and Victoria remains healthy.

Despite price increases in the majority of cementitious (cement, clinker and slag) markets, the geographic mix impacted average realised prices, partly offsetting the benefits of volume increases.

Import volumes continued to grow as Adelaide Brighton took advantage of offshore supply to meet domestic demand while rationalising domestic manufacturing capacity in Western Australia. The volume of imported cementitious material sold by the Company exceeded 2.1 million tonnes in 2015, representing more than 20% of estimated industry demand.

Clinker production has ceased at the Munster site in Western Australia. Clinker is now imported and ground into cement at Munster to meet the local market demand. The rationalisation delivered cost savings of circa \$10 million in 2015, which was an incremental \$5 million over the savings delivered in 2014.

The Birkenhead cement works had a good year in 2015, with clinker capacity fully utilised by demand from the South Australian and Victorian markets. This was despite a reduction in sales to a major cement customer in South Australia.

Birkenhead remains a high quality production facility with modern technology and a competitive low cost structure. The strengthening Victorian market has supported the optimisation of expanded grinding capacity at the plant, and this project has achieved the enhanced operating flexibility and returns forecast at the time of the investment.

The decline in the Australian dollar had an adverse effect totalling \$6 million before tax in 2015.

Lime

Lime sales volume increased 2.3% in 2015 led by higher volumes to the gold sector and the recovery from a prior year customer disruption. Demand from the alumina sector was stable.

Average lime prices increased at approximately CPI. Despite the devaluation of the Australian dollar which increases the cost of competing imported products, competition from imported lime activity continues.

Operational benefits from the capital projects undertaken in 2011–2013 have delivered improved efficiencies. On the other hand, energy costs increased by \$3.5 million due to a short term (now resolved) interruption to coal supply. A new lower priced gas contract effective 1 January 2016 and normalisation of coal supply is expected to reduce energy costs in Western Australia in 2016.

Concrete and Aggregates

Concrete volumes improved in 2015 due to increased residential demand in the eastern states and the 2014 acquisitions in South Australia. Total aggregate volumes enjoyed strong “pull through” demand from the concrete operations as well as the Pacific Highway upgrade in New South Wales.

On a like-for-like basis, average prices of concrete and aggregates increased in 2015 improving profitability. Price increases announced for 2016 are anticipated to further improve margins.

Adelaide Brighton Limited and its controlled entities

In the second half of 2014 Adelaide Brighton acquired the Penrice, Direct Mix and Southern Quarries businesses in South Australia and the Webb business in Queensland. The acquired businesses added an estimated 5% to group revenue.

South Australian concrete volumes are slightly below acquisition forecasts due to subdued residential activity and delays to several major projects. However, prices for aggregates are better than anticipated.

In addition, while direct business overlap with the acquired operations was minimal, significant operating synergies in South Australia of \$4.4 million have been delivered in line with pre-acquisition estimates. Synergies have included the reduction of overhead and improvements to systems, logistics and procurement.

It appears that South Australian demand has bottomed in 2015. Several major infrastructure projects have now commenced that are expected to drive growth in 2016 and beyond.

Concrete Products

Revenue increased 7.6% in 2015 to \$147.8 million as a result of higher volumes and prices. Volumes increased as a result of improved residential demand in major markets, particularly in New South Wales and Queensland. Price growth was slightly ahead of CPI.

Concrete products EBIT grew 75.4% to \$11.4 million in 2015, with second half EBIT rising to \$8.2 million. Operational improvement initiatives have continued through the upgrading of plant capabilities, reducing product changeover times and removing inefficient processes across a number of sites.

As a result of these initiatives, the concrete products business is now well positioned to efficiently supply all major markets. These improvements, in addition to the price and volume increases, have led to an improvement in EBIT margins.

Joint Arrangements and Associate

Demand in New South Wales and Victoria led to an overall increase in Independent Cement and Lime's volumes, however, the impact of rising input costs and limited opportunity to recover those cost increases resulted in an overall decline in earnings from \$9.1 million to \$7.9 million in 2015. While the first half was weak, the profit contribution recovered in the second half to \$4.9 million (\$4.0 million in the prior corresponding period). Rising volumes, higher selling prices and lower input costs contributed to second half profitability.

The recovery in demand in south east Queensland has resulted in contribution to Group EBIT from Sunstate increasing from \$8.1 million to \$8.3 million. Market dynamics in the region remain somewhat difficult. While volumes, pricing and cost control contributed to improved earnings in 2015, second half earnings were affected by a reduction in shareholder off take volume.

Earnings from Mawsons declined marginally from 2014 as a result of lower demand in regional Victoria and competitive pressures.

The contribution to Group earnings from Aalborg Portland Malaysia Sdn. Bhd. (APM) declined from \$1.4 million to \$0.9 million. Following the completion of the US\$18.6 million capacity expansion in the second half of 2014, a longer than expected commissioning phase led to higher costs. Production rates met expectations in the last quarter of the year resulting in an improvement in profitability over this period.

Strategic Developments

Adelaide Brighton remains a leading Australian integrated construction materials and lime producing company with balanced exposure across mining and construction sectors.

In this regard, the Company is the largest producer of lime in Australia, the number two supplier of cement and clinker, the leading importer of cement and clinker and the largest producer of concrete products. Adelaide Brighton holds leading market positions in many of its highly localised concrete and aggregates markets.

A number of strategic initiatives supported financial results and shareholder returns in 2015. These are expected to provide further benefits in the long term including: investment in downstream concrete and aggregates businesses; the rationalisation of clinker capacity; the sale of surplus land; and corporate restructuring.

Adelaide Brighton continues to explore alternatives to grow shareholder value through investment in three key areas of its long term strategy. This approach has delivered industry leading growth and shareholder returns:

1. Cost reduction and continuous improvement across the Company;
2. Growth of the lime business to supply the resources sector in WA, SA and NT; and
3. Vertical integration into quality aggregates, concrete, logistics and masonry businesses.

In implementing this strategy Adelaide Brighton pays particular attention at the business and corporate level to certain important drivers of long term shareholder value:

- Financial performance – delivering attractive return on capital
- Market leadership – to maximise operating efficiencies in production, logistics and marketing
- Risk management – maintaining a strong balance sheet and minimising operational risks
- Capital management – efficient utilisation of capital and returns to shareholders
- Governance and social licence – our licence to operate on behalf of shareholders and other stakeholders

Adelaide Brighton Limited and its controlled entities

1. Cost reduction and continuous improvement

Operational improvement initiatives

Adelaide Brighton took significant steps in 2014 to lower costs and delivered incremental benefits of \$21 million pre-tax for the full 2015 year compared to 2014.

Rationalisation of clinker manufacture at Munster, Western Australia

The rationalisation of clinker production at Munster was largely completed in December 2014. The rationalisation leveraged Adelaide Brighton's industry leading import position and the investment in APM for white clinker production and supply. EBIT benefits of \$5 million were realised in 2014, with full year savings of an additional \$5 million in 2015.

Corporate restructure

A Group wide review of operational, human resources, information technology and administration functions resulted in a restructuring of these areas. Following \$4 million of pre-tax benefits in 2014, a further \$3 million has been delivered in 2015. Adelaide Brighton continually assesses its operations to drive efficiency and to adapt to changes in the operating environment as new challenges emerge, with further efficiency measures undertaken in 2015.

Energy

Adelaide Brighton continues its focus on the management of energy costs. Incremental year on year benefits of \$6 million were delivered during the year through a range of initiatives, including fuel switching, demand management and the increased use of alternative fuels.

Synergies

Synergies from the acquisitions completed in 2014 were \$4.4 million in total, and contributed approximately \$3 million incremental benefits to profit before tax in 2015.

Other

Benefits of \$4 million were achieved through a range of other initiatives, including improved efficiency in transport and materials used.

Import strategy delivers competitive supply into key markets

Adelaide Brighton is Australia's largest importer of cementitious materials (cement, clinker and blast furnace slag) utilising more than two million tonnes of imported product in 2015.

This industry leading position underpins supply chain efficiency in procurement, transport, storage and distribution. The use of imported materials allows the supply of competitively priced product into a range of markets where demand exceeds the Company's manufacturing capacity.

The import strategy is supported by long term agreements with two Japanese suppliers for grey clinker, Aalborg Portland Malaysia Sdn. Bhd. for white clinker and a major Japanese trading house for the supply of granulated blast furnace slag.

Energy

Adelaide Brighton continues to be focused on managing its energy costs. The capital upgrade to the Birkenhead wood firing plant is nearing completion, more than doubling the use of alternative fuels. Savings in energy costs in Western Australia from 2016, due to declining gas costs, are expected to fully offset increasing gas costs in South Australia.

Land sales program estimates increased

Adelaide Brighton has been actively engaged in selling and preparing for sale properties released by the rationalisation and improvement program.

Since the beginning of 2013, cash proceeds from the property program have been \$64 million. This includes transactions in 2015 that realised \$47.9 million in cash proceeds and \$34.9 million NPAT.

Development activities and increasing underlying land values have contributed to an upgrade of the Company's estimates of the pipeline of remaining land sales.

It is now estimated that the portfolio of properties targeted for sale could realise in excess of an additional \$140 million in proceeds over the next 10 years with an expected EBIT margin on these sales of circa 85% and an effective tax rate of approximately 20%. Sale proceeds over the next two years could be in the range of \$30 million to \$40 million.

2. Lime growth

Positioned for demand growth

Adelaide Brighton's Munster, Western Australia, lime business is underpinned by low cost long term resource reserves secured by State Agreement and long term statutory approvals. Long term demand growth is driven by the globally competitive Western Australian resources sector.

Adelaide Brighton Limited and its controlled entities

The two lime kilns are amongst the largest globally and are currently at 80% operating capacity. Through the Munster plant's low cost position and reduction in the cost of gas in Western Australia, operating margins are expected to improve in 2016.

Lime volume has been held back in recent years by the non-alumina sector, which represents about 30% of WA lime demand and achieves higher selling prices. The sector appears to be improving, with increased demand in particular from gold projects.

The WA alumina sector remains among the lowest cost globally, underpinning its long term growth. Given possible refinery expansions, there is potential for growth in the alumina sector to increase demand for lime in WA by approximately 15% in the medium term.

3. Downstream integration

Acquisitions delivering value

The 2014 investment in concrete and aggregate operations in South Australia and north Queensland for an enterprise value of \$172 million is delivering in line with expectations. This investment provided access to strategically located assets across important markets for the Group, increasing exposure to concrete and quarrying operations.

Operational performance has met expectations. Adelaide Brighton's systems and management processes allowed for rapid delivery of synergies in line with prior guidance. This has given Adelaide Brighton increased confidence to pursue its strategy of acquiring quality concrete and aggregate operations that deliver shareholder value.

Operational results

Cash flow

Operating cash flow increased by \$35.9 million to \$229.9 million in 2015. The increase was attributable to improvement in conversion of sales to cash and the return to more typical levels for instalments of income tax due to one-off items impacting payments in 2014. Higher cash flows from these items were partially offset by the reduction in proceeds from the sale of carbon units in the prior year of \$20 million.

Capital expenditure totalled \$74.3 million in 2015, broadly in line with depreciation of \$77.8 million. Cash proceeds of \$50.8 million from the sale of assets includes \$47.9 million from the disposal of property. EBIT from disposal of property of \$45 million includes non-cash proceeds of circa \$7 million.

Dividends paid to shareholders increased 39% in 2015 to \$139.5 million. Despite this, strong cash flow, which included property proceeds, reduced net debt by \$62.5 million to \$297.2 million. Net debt to equity gearing fell from 31.6% to 24.6% over the year.

Balance sheet

Net assets increased \$70.6 million to \$1,207.3 million as a result of the strong cash flows and earnings for the year.

Working capital increased by \$29.2 million, with the final payment in 2015 of the carbon tax liability of \$14 million representing almost half of this increase. Inventory and trade debtors increased \$6.6 million and \$7.8 million respectively, increasing at rates less than the growth in revenue. Trade and other payables increased \$0.8 million, while provisions decreased \$5 million primarily as a result of rehabilitation activities undertaken by the Group. Outstanding debtor days averaged 45.6 days, an increase on 2014 average days of 44.3 days.

Strong cash flows reduced net debt by \$62.5 million to \$297.2 million. Net debt to equity gearing of 24.6% at year end was below the targeted range of 25% to 45%.

To maximise shareholder returns, Adelaide Brighton seeks to ensure the balance sheet is efficiently utilised while retaining the flexibility to fund the long term growth strategy as opportunities are identified. Total debt facilities of \$540 million have the following maturity profile:

Facility expiry date	January 2018	January 2019
Facility value	\$330 million	\$210 million

Income statement

Freight and distribution costs declined by \$2.6 million. Despite increased deliveries of premix concrete (due to acquisitions) and stronger residential demand on the east coast, transport costs declined. This was due to lower oil prices which delivered savings in excess of \$4 million and a slow down in remote area resource projects, which also lowered freight revenue in the income statement. Premixed concrete is sold on a delivered basis and as such concrete freight revenue is included in total segment operating revenue and not identified separately as freight revenue.

The 96.9% increase in other income to \$51.4 million was driven by pre-tax property profits of \$45.0 million (2014 \$1.0 million), which offset the impact of significant other income items in the prior year of the \$22.5 million comprising a fair value gain on business acquisition and claim settlement.

Net finance costs decreased from \$15.0 million to \$13.0 million in 2015 given lower average debt, reduced borrowing margins on the facilities and lower underlying market interest rates.

Adelaide Brighton Limited and its controlled entities

Tax expense of \$77.8 million increased \$17.9 million in 2015, which represents an effective tax rate of 27.2% (2014: 25.8%). The increase in tax expense is the result of higher earnings. The low effective tax rate in 2015 is due to the impact of equity accounted joint ventures in the Group's profit before tax and the recognition of \$3.3 million of tax losses relating to property disposals. In 2014, the tax rate was low largely due to a \$17.8 million non-taxable gain on fair value accounting. The tax rate is normally expected to be in the range of 27% to 28%.

The movement in the value of the Australian Dollar against the Malaysian Ringgit during the year resulted in a \$1.3 million loss being recognised in other comprehensive income. The loss reflects movements in the Australian Dollar value of the Group's investment in Aalborg Portland Malaysia Sdn Bhd.

During 2015, the Group early adopted AASB 9 *Financial Instruments* and implemented hedge accounting. A loss of \$1.3 million was recognised in other comprehensive income in relation to the movement in mark-to-market values of hedges outstanding at the end of the year as a result of the strengthening of the Australian Dollar at the end of the year compared to the rate at the time the hedges were initiated.

An actuarial gain of \$4.5 million related to the defined benefit liability was recognised through other comprehensive income compared to an actuarial loss of \$1.2 million in 2014. The current year gain was primarily due to the improvement in value of investments held by the fund up to the end of the year and an increase in discount rate used to calculate the defined superannuation benefit liability.

Reconciliation of Underlying Profit

"Underlying" measures of profit exclude significant items of revenue and expenses, such as the costs related to restructuring, rationalisation and acquisitions, in order to highlight the underlying financial performance of the business across reporting periods.

The following table reconciles underlying earnings' measures to statutory results.

Year ended 31 December \$ million	2015			2014		
	Profit before tax	Income tax	Profit after tax	Profit before tax	Income tax	Profit after tax
Statutory profit	285.6	(77.8)	207.8	232.5	(59.9)	172.6
Rationalisation of clinker production	-	-	-	7.6	(2.3)	5.3
Corporate restructuring costs	1.3	(0.4)	0.9	5.4	(1.6)	3.8
Acquisition expenses	0.6	-	0.6	6.2	(1.1)	5.1
Gain on bargain purchase	(0.2)	-	(0.2)	(17.8)	-	(17.8)
Claim settlement	-	-	-	(3.7)	1.1	(2.6)
Underlying profit	287.3	(78.2)	209.1	230.2	(63.8)	166.4

- **Rationalisation of clinker production**

The Group announced the rationalisation of clinker production at the Munster site in February 2014. As part of the rationalisation, a number of employees were made redundant at a cost of \$5.6 million. In addition, assets not required following the cessation of clinker manufacture at the site were considered impaired and an impairment charge of \$2.0 million was recognised.

- **Corporate restructuring costs**

Redundancies and one off employment costs of \$1.3 million (2014: \$5.4 million) for the year related to restructuring across the Company. Reduced costs were realised during the year.

- **Acquisition expenses**

The costs associated with acquisitions, including stamp duty, legal and other costs, fluctuate with transaction activity. External costs relating to acquisitions and potential acquisitions recognised as an expense in the income statement totalled \$0.6 million (2014: \$6.2 million) during the year.

- **Acquisition fair value gain**

A gain of \$0.2 million (2014 \$17.8 million) relating to acquisition fair value accounting has been recognised as other income in the income statement.

- **Claim settlement**

In 2014 Adelaide Brighton settled a long standing litigation claim and received a payment of \$4.7 million, which was recognised as other income. The settlement amount, less legal costs of \$1.0 million, is included in the significant items.

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Dividends paid or declared by the Company

During the 2015 financial year, the following dividends were paid:

- A final dividend in respect of the year ended 31 December 2014 of 9.5 cents per share (fully franked) was paid on 16 April 2015. This dividend totalled \$61,585,462; and
- An interim dividend in respect of the year ended 31 December 2015 of 12.0 cents per share (fully franked) was paid on 9 October 2015. This dividend totalled \$77,866,289.

Since the end of the financial year the Directors have approved the payment of a final dividend of 15 cents per share (fully franked), comprising an ordinary dividend of 11 cents per share and a special dividend of 4 cents per share. The final dividend is to be paid on 12 April 2016.

State of affairs

Other than set out in the Review of Operations, 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

As at the date of this report, no matter or circumstance has arisen since 31 December 2015 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

In 2016, Adelaide Brighton anticipates sales volume of cement and clinker to be slightly higher than 2015 and sales volumes of premixed concrete, aggregates and concrete products are also expected to increase.

Price increases have been announced for March and April 2016 in cement, clinker, aggregates, concrete and concrete products. Price increases achieved in 2016 are expected to exceed those achieved last year.

A number of factors are supportive of higher prices including strengthening demand and capacity utilisation and the weakening Australian Dollar, which increases the cost of import substitutes.

Aggregate prices are anticipated to increase significantly above CPI, particularly in Sydney where average delivered costs have risen substantially as the industry moves to supply from further afield as traditional sources have depleted.

Lime sales volumes are expected to be slightly higher and average realised prices are likely to increase. The weaker Australian Dollar reduces the competitiveness of imports relative to Adelaide Brighton's low cost operations, however the threat of small scale lime imports in Western Australia and the Northern Territory remains.

Imports of cement, clinker and slag have been hedged through to November 2016. At current exchange rates it is estimated that import costs will increase by approximately \$8 million.

This will be more than offset by cost reductions mainly due to reduced gas costs in Western Australia. Efficiency remains a key operational priority as part of the rolling program of cost reduction to sustain leading margins and shareholder returns.

Property sale proceeds over the next two years could be in the range of \$30 million to \$40 million.

Adelaide Brighton will, as always, look to participate in industry consolidation where it adds value to shareholders.

To maximise shareholder returns, Adelaide Brighton seeks to ensure the balance sheet is efficiently utilised while retaining the flexibility to fund long term growth as opportunities are identified. Prudent capital management remains an important part of this approach.

Environmental performance

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

Environmental performance is monitored 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.

The Group's major operations have ongoing dialogue with the relevant authorities responsible for monitoring or regulating the environmental impact of Group operations.

Group entities respond as required to requests made by regulatory authorities, including requests for information and site inspections.

The New South Wales Environment Protection Authority ("NSW EPA") investigated Hurd Haulage Pty Ltd, firstly, in disposing of concrete wash-out, and that investigation is continuing, and secondly concerning the management of sediments entering and removed from the sedimentation basins at Yarrabee Road Quarry.

The NSW EPA decided not to take further action concerning the management of sediments at Yarrabee Road Quarry, and it acknowledged the action taken by Hurd Haulage Pty Ltd to address the issues raised and to ensure its activities at the site are undertaken in an environmentally satisfactory manner.

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The Concrete and Aggregates business dealt with, but received penalties for, two minor accidental spills of concrete, one on 2 November 2015 on a road at Lake Cathie, New South Wales, with Hurd Haulage Pty Ltd receiving a Penalty Infringement Notice of \$8,000 issued by the Port Macquarie Hastings Council, and the other on 3 November 2015 onto the footpath in Dartbrook Road, Auburn, New South Wales, with Hy-Tec Industries Pty Ltd receiving a Penalty Infringement Notice of \$4,000 issued by the Auburn City Council. Both Penalty Infringement Notices were issued under the Protection of the Environment Operations Act 1997 (NSW).

The NSW EPA investigated Morgan Cement International Pty Ltd ("MCI") concerning the unexpected overflow of ground granulated blast furnace slag which occurred on Saturday, 14 March 2015 from a silo at MCI's premises at Port Kembla, New South Wales.

MCI cooperated with the NSW EPA's investigation, which continued until 4 March 2016 when a prosecution was commenced in the Land and Environment Court of New South Wales. It is alleged that MCI committed an offence against section 64(1) of the Protection of the Environment Operations Act 1997 (NSW). It is alleged that MCI failed to maintain certain plant and equipment, which it is alleged contravened a condition of its relevant licence that plant and equipment must be maintained in a proper and efficient condition. MCI is to appear before the court for the first time on 15 April 2016.

The NSW EPA also investigated MCI concerning dust emissions from a storage shed at MCI's Port Kembla site on 23 June 2015. A Penalty Notice for \$15,000 was issued and paid, and the NSW EPA varied MCI's operating licence to bring forward an independent environmental site audit required to be conducted at the site.

Director profiles

Director	Experience	Special responsibilities
Les Hosking Age 71	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 retired 6 November 2014) and Chairman, Carbon Market Institute Limited (appointed October 2010 and retired 27 November 2014).	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 54	Non-executive Director since August 2008. Over 25 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 67	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). Former Director, Holocentric Pty Ltd (appointed 18 September 2012 and retired 19 August 2014), 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

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Director	Experience	Special responsibilities
<p>Ken Scott-Mackenzie BE(Mining), Dip Law Age 65</p>	<p>Independent non-executive Director since July 2010. Mining Engineer with over 40 years experience in infrastructure, construction and mining services gained in Australia and Africa, as well as extensive experience in financial, legal and commercial aspects of projects. Former Chairman, Linking Melbourne Authority (appointed May 2013 and ceased in October 2015) and former Chairman, Macmahon Holdings Limited (appointed Chairman in November 2009 and a Director in May 2009 and retired 21 March 2014) and former Chairman, Murchison Metals Ltd (appointed Director in May 2011 and Chairman in July 2011. Resigned November 2012).</p>	<p>Chairman, Safety, Health and Environment Committee Member, Nomination, Remuneration and Governance Committee Member, Independent Directors' Committee</p>
<p>Arlene Tansey FAICD, MBA, JD, BBA Age 58</p>	<p>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. Chairman, Future Fibre Technologies Limited (appointed March 2015), Urbanise.com Limited (appointed 27 June 2014). Director, Primary Health Care Limited (appointed August 2012), Lend Lease Real Estate Investments Limited (appointed October 2010), Hunter Phillip Japan Limited (appointed March 2013), Urbanise.com (Mena) Pty Ltd (appointed October 2015), Mystrata Holdings Pty Ltd (appointed June 2015), Mystrata Pty Ltd (appointed June 2015). External member of Infrastructure New South Wales (appointed June 2014). Former Director, Pacific Brands Limited (appointed March 2010 and retired October 2013), Lend Lease Funds Management Limited (appointed October 2010 and ceased January 2015) and Australian Research Alliance for Children and Youth Limited (appointed September 2013 and ceased October 2015). External Member, Serco Asia Pacific Advisory Board.</p>	<p>Chairman, Nomination, Remuneration and Governance Committee Member, Audit, Risk and Compliance Committee Member, Independent Directors' Committee</p>
<p>Martin Brydon MBA, FAICD, FAIM, Dip Elect Eng, Dip Elron Eng Age 60</p>	<p>Managing Director since November 2015. More than 30 years experience in the construction materials industry ranging from electrical engineering, operational and general management, sales and marketing and strategy and business development. Appointed Chief Executive Officer of Adelaide Brighton Limited in May 2014.</p>	

Adelaide Brighton Limited and its controlled entities

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, Remuneration & Governance Committee		Independent Directors' Committee		SH&E Committee	
	A	H	A	H	A	H	A	H	A	H
LV Hosking	9	9	4	4	6	6	3	3		
R Barro	9	9							2	2
GF Pettigrew	9	9	4	4	6	6	3	3	2	2
KB Scott-Mackenzie	9	9			6	6	3	3	2	2
AM Tansey	9	9	4	4	6	6	3	3		
M Brydon ⁽¹⁾	1	1								

A Number of meetings attended.

H Number of meetings held during period of office.

⁽¹⁾ Mr Brydon was appointed Managing Director effective from 24 November 2015.

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	4,851
R D Barro	217,869,876
G F Pettigrew	7,739
K B Scott-Mackenzie	5,000
A M Tansey	10,000
M Brydon	8,400

Full details of the interests in share capital of Directors of the Company are set out in the Remuneration Report on pages 15 to 32 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 15 to 32 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 28 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 and its wholly owned subsidiaries. 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 2015 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

Adelaide Brighton Limited and its controlled entities

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 2015 to 30 April 2016. 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 28 to the Financial Statements on page 74 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 28, 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 85.

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 Note 27.

Registered office

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

Dated 18 March 2016

Signed in accordance with a resolution of the Directors



M Brydon
Director

Adelaide Brighton Limited and its controlled entities

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Adelaide SA 5000*

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Adelaide SA 5001*



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Dear Fellow Shareholders

On behalf of the Board and as Chair of the Nomination, Remuneration and Governance Committee, I am pleased to present Adelaide Brighton's 2015 Remuneration Report to you.

We have, over recent years, designed a remuneration framework that we feel incorporates robust performance measures linked to our strategic plans. These measures provide remuneration outcomes that appropriately reflect our business performance both over the annual cycle and over the longer term and which also supports attracting and retaining the best executives to deliver on our business strategy.

2015 Review of Remuneration Framework

During the year we conducted a thorough review of our remuneration structure. This review took into account contemporary market practice, the expectations of our stakeholders, the objective of continuing to grow shareholder value and confirmed our view that our framework and practices are generally appropriate. As a result of this review, for the 2016 financial year:

- A deferred element will be incorporated into our annual short term incentive program. The deferred element of any award made will be in the form of rights over Adelaide Brighton shares. Those rights (and any shares allocated upon exercise of the rights) will be released from restriction progressively – half after 2 years and the remainder after 3 years. This design is intended to emphasise the need for management to continue to make decisions that deliver our annual targets in a manner that is consistent with delivering sustainable growth in value for our shareholders over the longer term. For 2016, 25% of any award will be deferred, increasing to 50% from 2017.
- The measure to be used for the annual short term incentive program will be net profit after tax (NPAT), rather than profit before tax (PBT) as the Directors believe this measure better reflects shareholder experience.
- To further align the remuneration outcomes of executives with the longer term interests of shareholders, a formal Clawback Policy has been adopted, which provides the Board with the ability to reduce or forfeit incentives from 2016 in the case of a material misstatement in Company financial results or serious misconduct by an executive.

Together with the above initiatives, the Board retains flexibility in relation to incentives and can exercise discretion to adjust for changes in corporate activity and market specific circumstances.

Short Term Incentive

Adelaide Brighton delivered strong financial performance in 2015 delivering a 5.6% increase in revenue to a record of \$1,413.1 million, driven by the contribution from acquisitions made in 2014, improved prices and improved cement and lime sales volumes. Our strong financial performance resulted in underlying profit before tax (PBT) growth of 24.8% to \$287.3 million including property profits of \$45.0 million. Excluding property PBT was up by 5.7%, which is largely in line with revenue growth, reflecting the benefits of efficiency gains and price increases, offsetting the impact of a weaker Australian Dollar which increased import costs and a change in the geographic mix of cement sales.

Underlying PBT was 127.4% of target and 109.6% of target when property transactions are excluded. In its annual assessment of STI's the Board recognised that management delivered better than expected outcomes from property transactions and recognised the Group PBT achievement at 110% of target.

The Board set relevant and challenging non-financial targets for the individual Key Management Personnel (KMP) in 2015. Performance against these non-financial targets was assessed impacting individual KMP outcomes.

The overall result was short term incentives for KMP vesting in the range of 88.4% to 96.8% of their potential maximum.

Long Term Incentive

Tranche 1 of the 2012 long term incentive grant was tested. This vested at 71.3%, having exceeded the 66th percentile against the relative total shareholder return (TSR) performance condition and having achieved 58.7% vesting against the compound annual growth in earnings per share (EPS) target based on EPS growth of 5.9% over the performance period.

Adelaide Brighton Limited and its controlled entities

Fixed remuneration

Fixed remuneration levels remain modest relative to peers of a similar market capitalisation despite modest increases across the executive team from 1 January 2015.

Non-executive Director base and Committee fees were increased by 2.3% for the 2015 financial year to ensure the fees paid to non-executive Directors remain competitive with fees paid by comparable companies. The fees for the Safety, Health and Environment Committee were significantly less than the fees for the other Committees and they were aligned with the other Committee fees.

Board renewal


The Directors recognise the importance of Board renewal. Directors have reviewed the Board's composition and continue their commitment and focus on Board renewal and increased diversity.

Conclusion

These remuneration outcomes reflect the level of performance achieved against our applicable targets during 2015.

We have prepared the 2015 Remuneration Report in line with our objective of transparently explaining our remuneration framework and practices and the link between company and individual performance and incentive remuneration outcomes. I am confident our Report delivers on this objective.

As always, we would value your feedback and look forward to welcoming you to the 2016 Annual General Meeting.



Arlene Tansey
Chairman of Nomination, Remuneration and Governance Committee

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Remuneration Report

The Directors of Adelaide Brighton Limited (the Company) present the Remuneration Report (Report) for the Company and the Group for the financial year ended 31 December 2015. The Report outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of the Company and is prepared in accordance with section 300A of the *Corporations Act 2001*. This Report, which forms part of the Directors' Report, has been audited by PricewaterhouseCoopers.

The KMP of Adelaide Brighton comprises all Directors and those Executives who have authority and responsibility for the planning, directing and controlling of the activities of the Group. In this Report, 'Executives' refers to members of the Group executive team identified as KMP.

On the basis of size of role and responsibility (including revenue and EBIT responsibilities), and change in strategic oversight, from 1 January 2015, the Regional Executive General Managers of Cement and Lime (having met the definition of KMP) are disclosed as KMP.

Following from this, the KMP detailed in this Report for the 2015 financial year are:

Table 1

Name	Role
Executives	
M Brydon	Managing Director and Chief Executive Officer (CEO)
M Kelly	Chief Financial Officer (CFO)
G Agriogiannis	Executive General Manager, Concrete and Aggregates
AL Dell ⁽¹⁾	Executive General Manager, Concrete Products
BD Lemmon	Regional Executive General Manager, Cement and Lime WA/NT
MF Miller	Regional Executive General Manager, Cement and Lime SA/NSW
Former Executive	
SB Rogers ⁽²⁾	Former Executive General Manager, Concrete Products
Directors	
LV Hosking	Non-executive Chairman
RD Barro	Non-executive Director
GF Pettigrew	Non-executive Director
KB Scott-Mackenzie	Non-executive Director
AM Tansey	Non-executive Director

⁽¹⁾ AL Dell commenced in his position as Executive General Manager, Concrete Products from 1 May 2015

⁽²⁾ SB Rogers ceased employment with the Company on 29 May 2015

Section 1 – Remuneration summary

1.1 Financial performance in 2015

The Directors are pleased to present Adelaide Brighton Limited's strong financial performance for 2015, with the Company posting record revenue, EBIT and profit before tax (PBT). In summary:

- NPAT increased by \$35.2 million or 20.4% on 2014.
- Revenue increased by \$75.3 million, up 5.6% on 2014.
- EBIT was up \$51.1 million, up 20.6% on 2014.

Over and above the contribution from stronger demand, ongoing benefits of the Company's long term strategy continued to increase its financial performance. A number of recent strategic initiatives contributed to the Company's financial results and shareholder returns in 2015 and are expected to provide ongoing benefits:

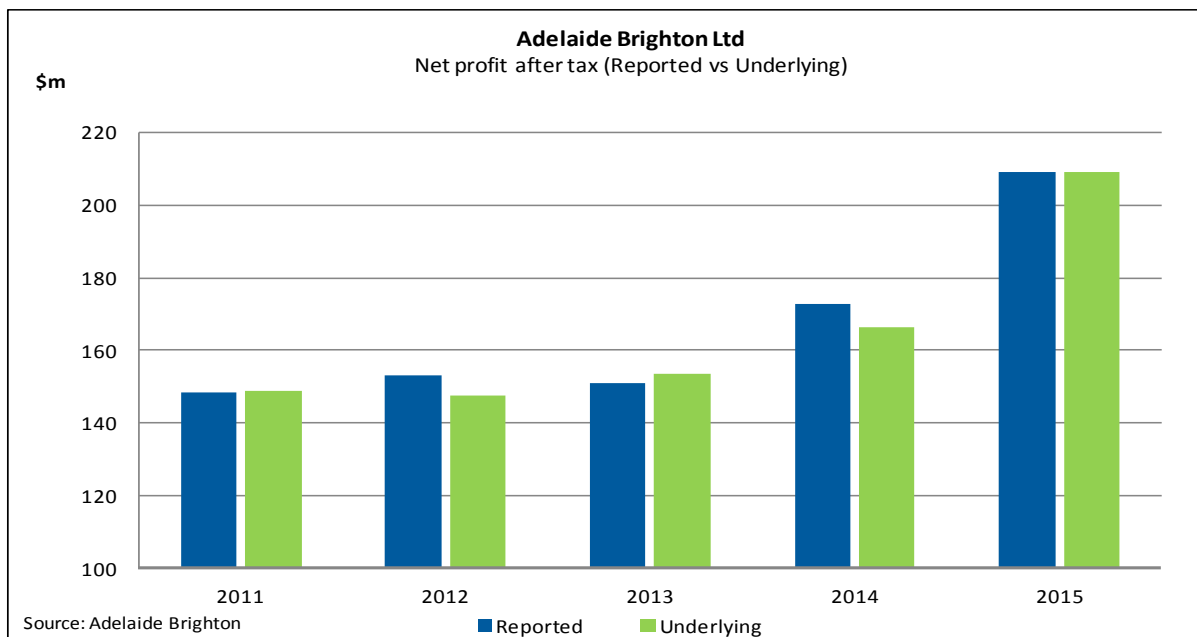
- The 2014 concrete and aggregates business acquisitions added an estimated 5% to Group revenue in 2015.
- Cash proceeds from land sales of \$47.9 million in 2015 generated NPAT of \$34.9 million.
- Rationalisation of clinker manufacture in Western Australia added \$5 million in EBIT benefits in 2015.
- Corporate restructuring delivered \$3 million of pre-tax benefits in 2015.

2015 reported Group PBT was 126.7% of budget, while underlying Group PBT was 127.4% of budget. Taking into account a range of considerations, including budget assumptions and management initiatives, the Board adjusted Group PBT financial outcomes used for STI purposes to \$285.4 million, which was 126.6% of budget. Divisional results for STI purposes were similarly adjusted.

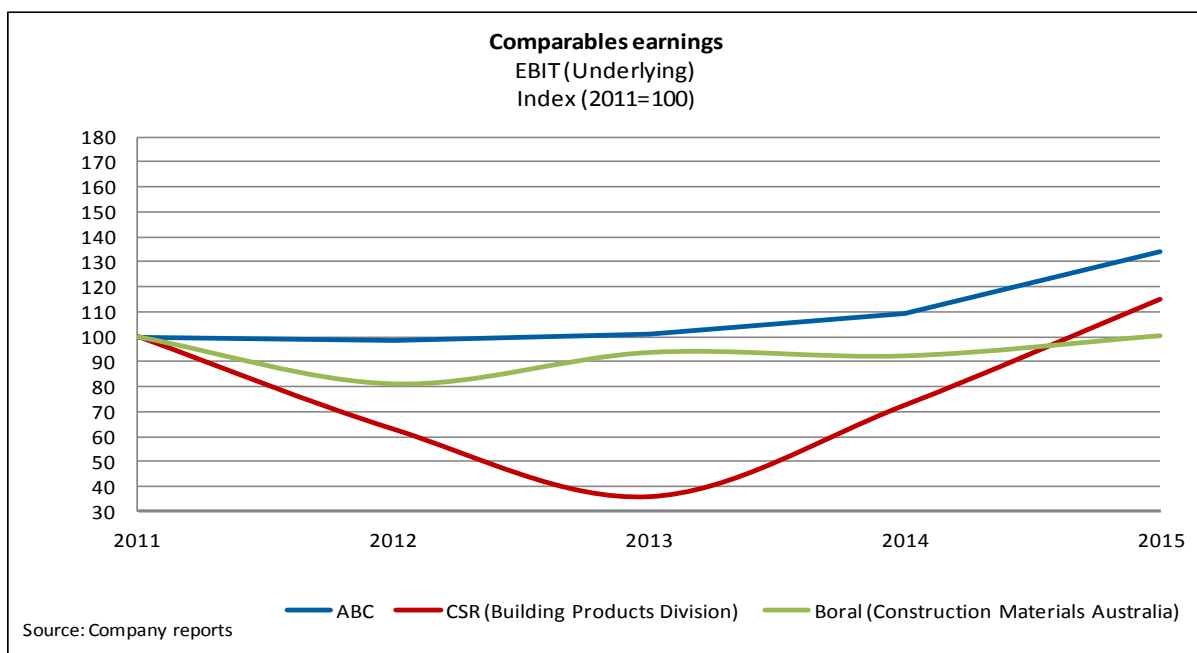
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1.2 Long term financial highlights

Adelaide Brighton has delivered 6.7% compound annual growth in reported NPAT over the last five years. Through our strategy of cost reduction and continuous improvement; growth in the lime business and vertical integration into quality aggregates, concrete, and logistics and masonry businesses, Adelaide Brighton has managed to increase profitability over this period delivering value to shareholders in what have been challenging market conditions.

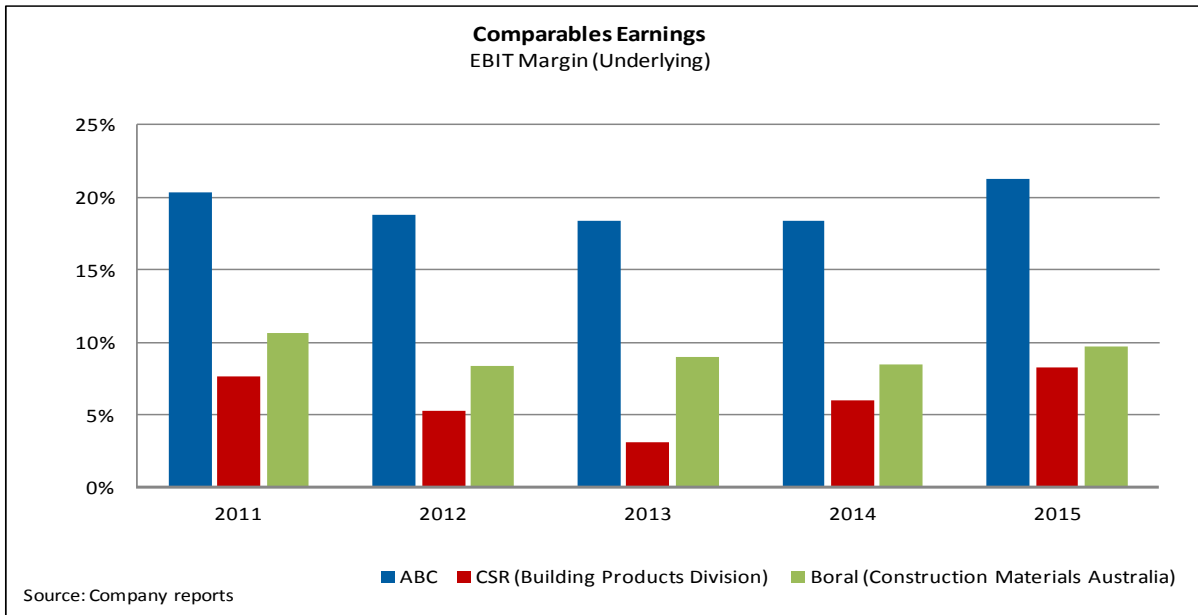


As can be seen in the graph below Adelaide Brighton's EBIT performance continues to outperform its listed peers.



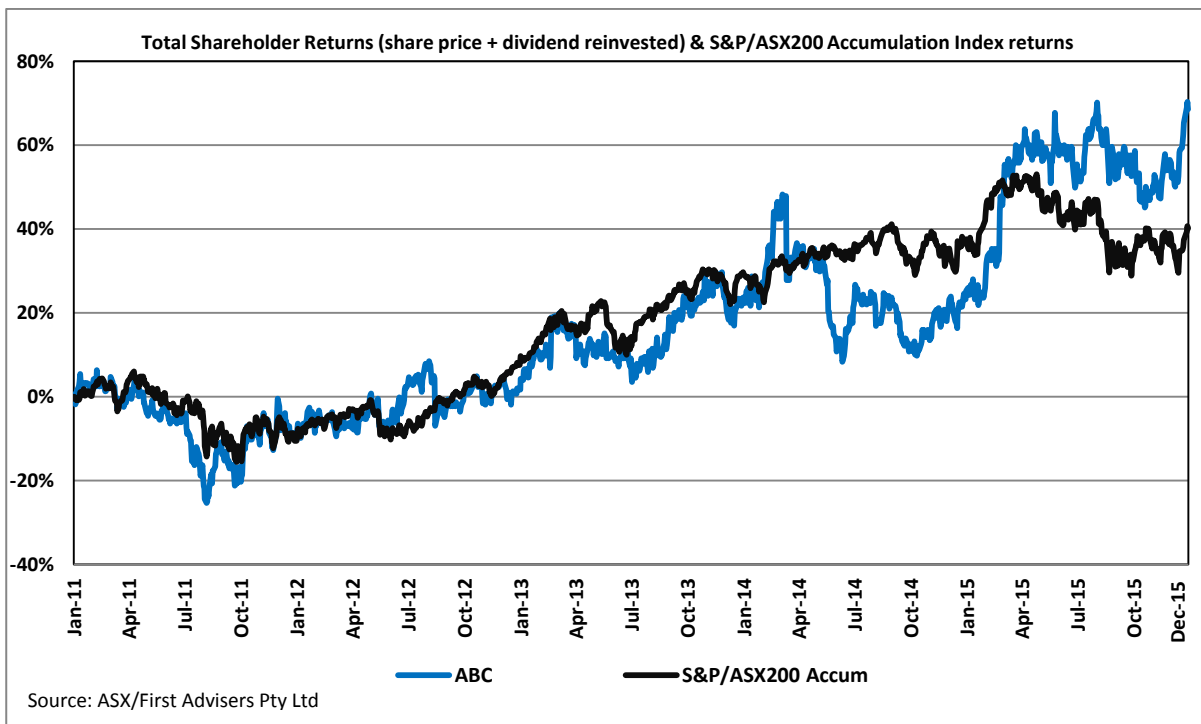
Adelaide Brighton Limited and its controlled entities

Adelaide Brighton's has maintained its leading EBIT margin.



Over this period, Adelaide Brighton's total return to shareholders has outperformed the Comparator Group¹, and as shown in the graph below, outperformed the ASX200 Accumulation Index.

¹ Comparator Group is the companies in the S&P/ASX200 Accumulation Index, excluding all GICS financial companies and selected resources companies.



Adelaide Brighton Limited and its controlled entities

Section 2 – Executive remuneration framework

2.1 Remuneration framework

Our executive remuneration framework consists of the following components:

- Fixed annual remuneration
- An annual short term incentive
- A long term incentive

Adelaide Brighton's mix of fixed and at risk components for the Executives disclosed in this Report, as a percentage of potential maximum total annual remuneration for the 2015 financial year, is shown below.

As highlighted at the beginning of our Remuneration Report, from 2016 our annual short term incentive will also include 25% of any awarded STI to be deferred into rights to receive Adelaide Brighton shares, with half deferred for two years and the remaining half deferred for three years (to then be increased to 50% from 2017). The mix of potential remuneration components for the 2016 and 2017 financial years is also shown below.

CEO

2015

Fixed annual remuneration	Short term incentive	Long term incentive
33 $\frac{1}{3}$ %	33 $\frac{1}{3}$ %	33 $\frac{1}{3}$ %
Cash 66 $\frac{2}{3}$ %		Equity 33 $\frac{1}{3}$ %

2016

Fixed annual remuneration	Short term incentive	Long term incentive
33 $\frac{1}{3}$ %	25% 8 $\frac{1}{3}$ %	33 $\frac{1}{3}$ %
Cash 58 $\frac{1}{3}$ %		Equity 41 $\frac{2}{3}$ %

2017

Fixed annual remuneration	Short term incentive	Long term incentive
33 $\frac{1}{3}$ %	16 $\frac{2}{3}$ % 16 $\frac{2}{3}$ %	33 $\frac{1}{3}$ %
Cash 50%		Equity 50%

Key Management Personnel

2015

Fixed annual remuneration	Short term incentive	Long term incentive
46%	32%	22%
Cash 78%		Equity 22%

2016

Fixed annual remuneration	Short term incentive	Long term incentive
46%	24% 8%	22%
Cash 70%		Equity 30%

2017

Fixed annual remuneration	Short term incentive	Long term incentive
46%	16% 16%	22%
Cash 62%		Equity 38%

Adelaide Brighton Limited and its controlled entities

The table below provides a summary of our remuneration framework for the 2015 financial year, and illustrates the way in which each element of remuneration has been structured to support our Group business objectives and to align with the generation of shareholder wealth.

Component	Performance measure	'At risk' weight	Strategic objective/performance link
FIXED ANNUAL REMUNERATION (FAR) Salary and other benefits (including statutory superannuation)	Considerations: <ul style="list-style-type: none"> Long term individual performance Role, responsibility and potential Benchmarked to competitive market rate 		<ul style="list-style-type: none"> Remuneration set at competitive levels in the market to attract, retain and engage key talent Motivate to achieve outstanding performance
+			
ANNUAL SHORT TERM INCENTIVE (STI) Cash + Rights to restricted shares (from 2016)	Financial targets – using profit before tax (PBT) as financial measure CEO and CFO – 80% relating to Group performance against budget Division Executive General Managers – 60% relating to Group performance and 20% relating to Divisional performance against budget Non-financial targets (20%) Relating to personal performance	Maximum: 60%-80% of FAR (100% of FAR for CEO)	<ul style="list-style-type: none"> Alignment to Group budget through PBT Non-financial targets drive leadership performance and behaviours consistent with achieving the Group's short and long term objectives and commitments including safety, strategic plans, individual business targets and other specific personal or non-financial performance objectives which align the interest of Company executives and shareholders
+			
LONG TERM INCENTIVE (LTI) Rights to receive fully paid ordinary shares	Earnings Per Share (EPS) (50%) and Total Shareholder Return (TSR) (50%) Measured over a four year performance period	CEO 50%-100% of FAR Others: 20%-70% of FAR	<ul style="list-style-type: none"> Ensure strong link with the creation of long term shareholder value to encourage the achievement of growth of the Company's business EPS was chosen as a performance hurdle as it: <ul style="list-style-type: none"> 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 TSR was chosen because it: <ul style="list-style-type: none"> Ensures alignment between comparative shareholder return and reward for the executive; and Provides a relative, external market performance measure having regard to a peer group of companies (Comparator Group) with which the Group competes for capital, customers and talent
=			
TOTAL REMUNERATION	The total remuneration mix is designed to attract, retain and motivate a highly capable executive team, encourage and drive leadership performance that reinforces the Group's short and long term strategic objectives and provides a common interest between executives and shareholders by linking the rewards that accrue to executives to the creation of value for shareholders		

Adelaide Brighton Limited and its controlled entities

Section 3 – Company performance and remuneration outcomes for 2015

3.1 Overview of Company performance

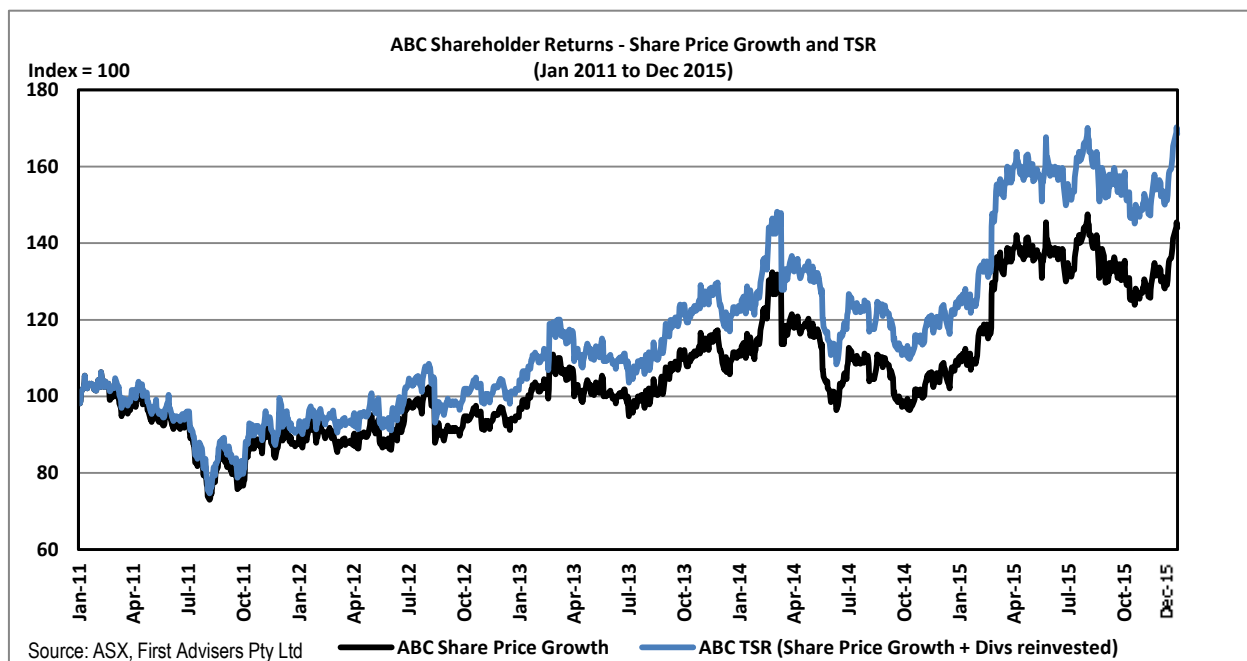
Key profit measures for 2015 versus 2014 show an improvement of between 16.7% and 25.6% (depending on the metric), on revenue growth of 5.6%. This represents a record year for Adelaide Brighton in respect to all metrics, both on a reported and underlying profit basis.

Table 2

	2014 Reported \$m	2014 Underlying \$m	2015 Reported \$m	2015 Underlying \$m	Reported vs 2014 %	Underlying vs 2014 %
Revenue	1,337.8	1,337.8	1,413.1	1,413.1	5.6%	5.6%
EBITDA	322.5	318.2	376.4	378.1	16.7%	18.8%
EBIT	247.5	245.2	298.6	300.3	20.6%	22.5%
PBT	232.5	230.2	285.6	287.3	22.8%	24.8%
NPAT	172.7	166.5	207.9	209.2	20.4%	25.6%

Adelaide Brighton has performed well against the S&P/ASX200 Accumulation Index delivering total shareholder return of 43.7% against the Comparator Group over the measurement period of the long term incentive tested in 2015 (Tranche 1 of the 2012 Award).

As shown in the graph below, this shareholder value has been delivered through a combination of share price growth and dividends.



Adelaide Brighton Limited and its controlled entities

The table below provides an overall view of the Company's financial performance and operating cash flow over the past five financial years to 31 December 2015.

Table 3 - Shareholders' wealth improvement from year 2011 to year 2015

Financial year ended 31 December	2011 ⁽¹⁾	2012	2013	2014	2015
Closing share price as at 31 December (\$)	2.89	3.12	3.67	3.57	4.75
Total cash dividends per share (cents)	16.5	16.5	19.5 ⁽²⁾	17.0	27.0 ⁽³⁾
Franking	100%	100%	100%	100%	100%
Operating cash flow (\$ million)	151.3	186.9	227.3	194.0	229.9
Earnings per share (cents)	23.3	24.0	23.7	26.9	32.0

⁽¹⁾ Comparative information for 2011 has not been restated to reflect changes to accounting policies. Refer Note 42 to the 2013 Financial Statements.

⁽²⁾ Includes 3.0 cents special dividend.

⁽³⁾ Includes 8.0 cents total special dividend.

3.2 Linking remuneration to Company performance

This section explains how the Group's performance has driven Short Term Incentive and Long Term Incentive outcomes for our Executives during 2015. Strong Company performance across key indicators is reflected in the remuneration outcomes during the year.

3.2.1 Short Term Incentive – key performance outcomes

Performance measure	Outcome
Financial	Underlying PBT was 127.4% of target and 109.6% of target when property transactions are excluded.
Non-financial	<p>Non-financial targets for the Executives were met at between 72% and 84% during 2015.</p> <p>Examples of personal non-financial target objectives achieved by the CEO and Executives during 2015 included:</p> <ul style="list-style-type: none"> • Development of strategic plans for Group's expansion in addition to specific Division organic growth plans. • Successful achievement across the Group; productivity gains, cost reduction, operational improvement and improved asset management which achieved improved return on investment. • Successful launch of "Safety Leaders – Everyone, Everyday" strategy including visible safety leadership. • Successful collaboration with leading diversity specialist to promote and support active management of the Group's diversity and inclusion objectives. • Successful restructuring and development of Group's north Queensland cement and concrete and aggregates business. • Successful above CPI price increase achieved within the Concrete Products Division. • Implementation of Adelaide Brighton's slag marketing strategy in New South Wales. • Commissioning of Concrete Products manufacturing plant upgrades in Victoria and Queensland within budget and project timelines. • Successful divestments of 3 properties which delivered significant value outcomes for shareholders during the year. • Successful negotiation of a long term (99 years) property lease for expansion of the Company's operations at Kwinana, finalisation of a long term agreement for port services and regulatory approvals to support the Company's clinker importation strategy in Western Australia. • Successful development of a cement products packaged products strategy, initiating the development of a cohesive national strategy for cement packaged products. <p>A number of these objectives and projects contributed to the Group's performance in 2015 and will reinforce future performance.</p>
Overall STI outcomes	Overall, the achievement of the financial and non-financial targets resulted in the STI opportunity being awarded at 88.4% to 96.8% of the potential STI.

Adelaide Brighton Limited and its controlled entities

3.2.2 Short Term Incentive – actual outcomes

The short term incentive payments shown in the table below reflect the performance achieved and amounts payable to Executives for the 2015 financial year.

Table 4

For the financial year ended 31 December 2015	Maximum potential STI opportunity as % of FAR	% of the maximum STI opportunity achieved	% of the STI maximum opportunity not achieved ⁽¹⁾	Maximum potential STI opportunity (\$) ⁽¹⁾	Actual STI payment \$ ⁽²⁾
Executives					
M Brydon	100.0	96.8	3.2	1,329,900	1,287,343
M Kelly	80.0	96.4	3.6	565,909	545,536
G Agriogiannis	80.0	95.6	4.4	395,705	378,294
AL Dell ⁽³⁾	51.2	88.4	11.6	160,000	141,361
BD Lemmon	60.0	96.8	3.2	260,865	252,517
MF Miller	60.0	91.3	8.7	225,000	205,362
Former Executive					
SB Rogers ⁽⁴⁾	80.00	-	100.0	163,617	-

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

⁽²⁾ The 2015 STI was determined in conjunction with the finalisation of 2015 results and paid in February 2016.

⁽³⁾ The STI award for Mr Dell has been determined on a pro-rata basis reflecting the proportion of the year in his role as Executive General Manager, Concrete Products.

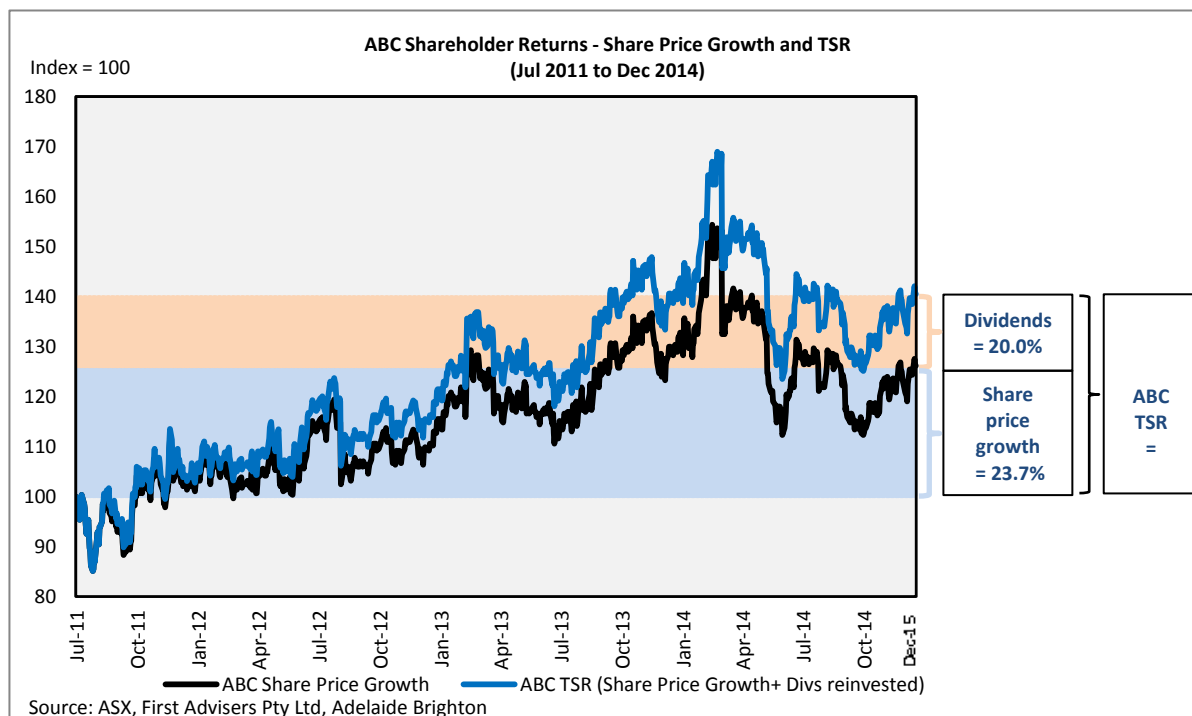
⁽⁴⁾ Mr Rogers ceased employment on 29 May 2015. No short term incentive payment was made to Mr Rogers for the 2015 year.

3.2.3 Long Term Incentive – key performance outcomes

During 2015, Tranche 1 of the 2012 Awards was tested for earliest exercise in May 2015 and vested at 71.3%:

- The Total Shareholder Return component vested at 83.8% with the Company achieving a Total Shareholder Return of 43.7% being the 66th percentile of the Comparator Group.
- The compound annual EPS growth rate over the 2012 to 2014 financial period was 5.9% with the EPS component partially vesting at 58.7%.

The chart below illustrates Adelaide Brighton's total shareholder return over the measurement period for Tranche1 of the 2012 Award. The Total Shareholder Return of 43.7% resulted from share price growth and payment of ordinary and special dividends totalling 60.0 cents fully franked over the period.



Adelaide Brighton Limited and its controlled entities

3.2.4 Long Term Incentive – actual outcomes

Details of the movement in Awards held by Executives during the 2015 financial year are set out below.

Table 5

For the financial year ended 31 Dec 2015	Number held at 1 Jan 2015	Number granted during the year ⁽¹⁾	Number exercised / vested during the year	Number lapsed / forfeited during the year ⁽³⁾	Number held at 31 Dec 2015	Value of Awards at grant date ⁽⁴⁾ \$	Value per share at the date of exercise ⁽⁵⁾ \$	Value at lapse date ⁽⁶⁾ \$
Executives								
M Brydon	1,146,263	391,147	189,584 ⁽²⁾	76,312	1,271,514	897,684	4.52	4.62
M Kelly	695,787	145,638	134,975 ⁽²⁾	54,331	652,119	346,618	4.52	4.62
G Agriogiannis	363,501	72,740	70,785 ⁽²⁾	28,492	336,964	173,121	4.52	4.62
AL Dell	-	47,059	-	-	47,059	112,003	-	-
BD Lemmon	223,816	51,150	43,790 ⁽²⁾	17,626	213,550	121,737	4.45	4.62
MF Miller	184,319	44,118	36,062 ⁽²⁾	14,516	177,859	105,001	4.45	4.62
Former Executive								
SB Rogers	360,725	-	70,244 ⁽²⁾	28,275	-	-	4.50	4.62
				262,206 ⁽⁷⁾				4.64

(1) This represents the maximum number of Awards granted in 2015 that may vest to each Executive. As the Awards granted in 2015 only vest on satisfaction of performance conditions which are to be tested in future financial periods, none of the Awards as set out above vested or were forfeited during the year. At the end of the applicable performance period, any Awards that have not vested will expire.

(2) These Awards which were exercisable during 2015 were in fact exercised, being Tranche 1 of the 2012 Awards. The number of Awards that vested during the period and exercisable at 31 December 2015 is NIL. The number of Awards that vested but not yet exercisable at 31 December 2015 is NIL.

(3) This includes the portion of Tranche 1 of the 2012 Awards that reached the end of its performance period on 31 December 2014 that did not meet the performance conditions and was forfeited.

(4) Fair value of Awards granted during 2015 as at grant date.

(5) The value per share at the date of exercise is the Volume 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 \$2,458,283 based on the Volume Weighted Closing Price.

(6) The value at lapse date of Awards that were granted as part of remuneration and that lapsed 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.

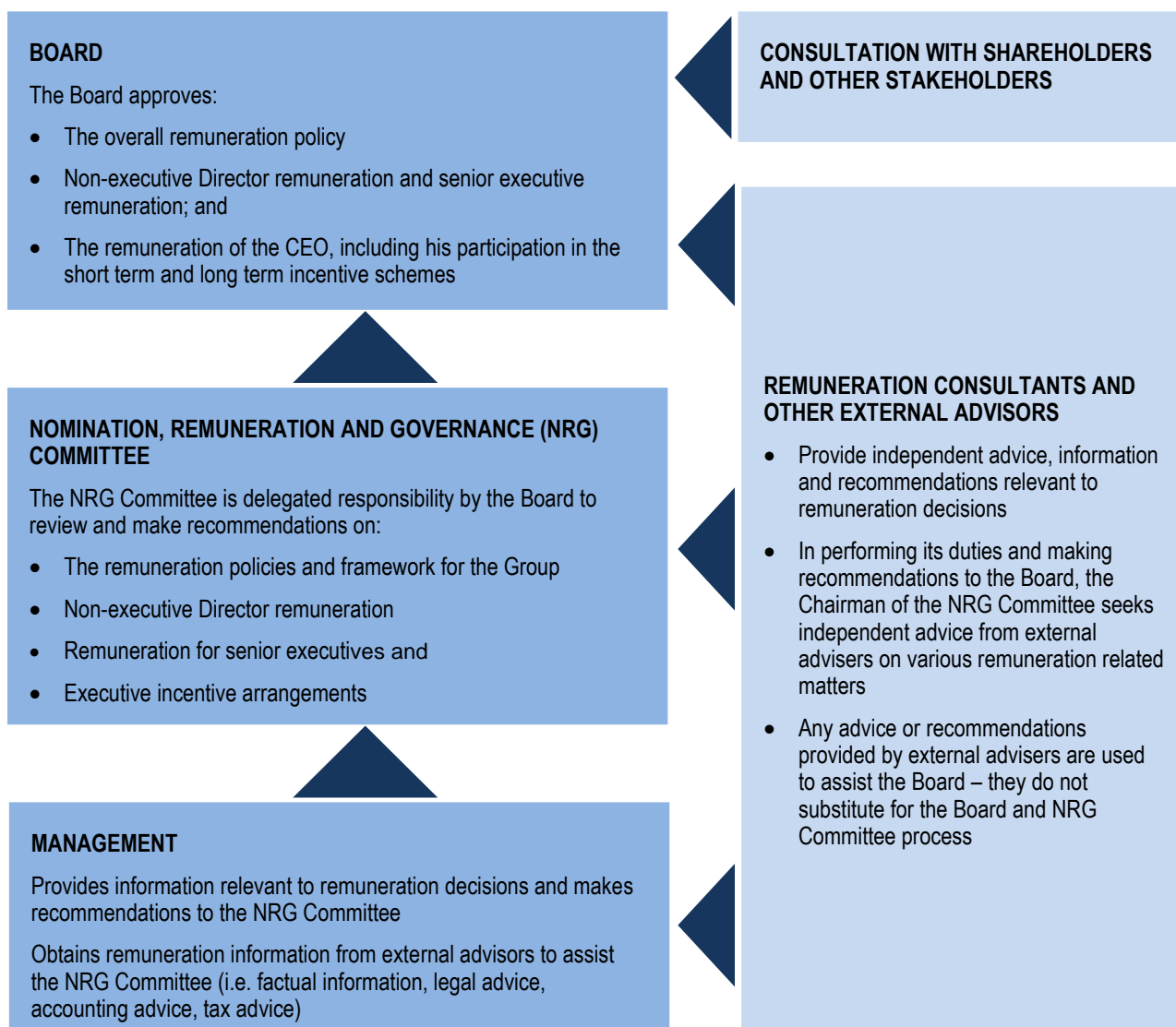
(7) Awards covering Tranche 2 of the 2012 Award, 2013 Award and 2014 Award which lapsed on cessation of employment.

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Section 4 – Remuneration governance

4.1 Responsibility for setting remuneration

Our governance framework for determining executive remuneration is outlined below:



From time to time during the financial year ended 31 December 2015, the Company engaged external consultants to provide insights on remuneration trends, regulatory and governance updates and market data in relation to the remuneration of non-executive Directors, the CEO and other executives. No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were obtained during the financial year ended 31 December 2015.

4.2 Remuneration policy

The Company's remuneration strategy and policy are set by the Board and overseen by the NRG Committee. The Board ensures remuneration policies are clearly aligned with the Group strategy, which is focused on maintaining and growing long term shareholder value. In determining executive remuneration, the Board has adopted a policy that aims to:

- Be competitive in the markets in which the Group operates in order to attract, reward, 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 and in the context of the broader community sentiment regarding executive pay.
- Drive leadership performance and behaviours that reinforce the Group's short and long term strategic and operational objectives
- Provide a common interest between executives and shareholders by linking the rewards that accrue to executives to the creation of long term 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.

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The governance of remuneration outcomes is a key focus of the Board and the NRG Committee. Remuneration policies are regularly reviewed to ensure that remuneration for executives continue to remain aligned with Company performance.

Section 5 – Executive remuneration

5.1 Fixed annual remuneration

The amount of fixed remuneration for an individual executive (expressed as a total amount of salary and other benefits, including superannuation contributions) is set with regard to the size and nature of an executive's role, the long term performance of an individual, his or her future potential within the Group and market practice. The Company's stated approach is also to set fixed remuneration levels at relatively modest levels compared to peers for executives who are new to their roles and to then progressively increase remuneration based on individual performance in that role.

Fixed remuneration is reviewed annually 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 peer companies and similar roles across a Comparator Group comprising those companies in the ASX 51-150.

From 1 January 2015 the Board resolved to increase fixed remuneration for the executive team by 2.3 per cent, with the exception of Brad Lemmon and Michael Miller, who received a 7.1 per cent increase, in line with the Company's policy of increasing remuneration levels based on individual performance in roles. Fixed remuneration levels remain conservative relative to peer companies of a similar market capitalisation.

5.2 At-risk remuneration – Short Term Incentive

Adelaide Brighton's STI is the Company's at risk short term incentive component of the remuneration mix for senior executives, including Executives.

A summary of the key features of the 2015 STI is as follows:

Form and purpose of the STI	
Who participates in the STI?	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.
Why does the Board consider the STI an appropriate incentive?	The STI is designed to put a meaningful proportion of senior executives' remuneration at risk, to be delivered on the achievement of performance targets linked to the Group's annual business objectives, ensuring senior executives create sustainable value for shareholders.
Does the STI comprise a deferred component?	The Board has determined it appropriate to introduce a deferred component to the STI for the 2016 STI (see NRG Chairman letter and section 2.1 – Remuneration framework).
Performance conditions	
When and how are the STI performance conditions set?	<p>All performance conditions are set by the Board and agreed with the executive, in general, by the end of February in each year.</p> <p>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. These include the dynamics of the construction and resources industries, exchange rates and energy considerations.</p> <p>Our management team has responded well to external pressures over recent years, and has generated positive return for longer term shareholders in a challenging environment with the Company outperforming our industry competitors. Accordingly, the Board strongly believes that our STI 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.</p>

Adelaide Brighton Limited and its controlled entities

Reward opportunity											
What level of reward can be earned under the STI?	<p>STI outcomes of financial targets vest progressively in accordance with the following scale:</p> <table border="1"> <thead> <tr> <th>Financial target achieved</th> <th>% of STI financial award</th> </tr> </thead> <tbody> <tr> <td>Below 95%</td> <td>Nil</td> </tr> <tr> <td>95%</td> <td>50%</td> </tr> <tr> <td>Between 95% and 110%</td> <td>Pro rata</td> </tr> <tr> <td>110% or above</td> <td>100%</td> </tr> </tbody> </table> <p>Non-financial objectives are set at a stretch level of performance.</p>	Financial target achieved	% of STI financial award	Below 95%	Nil	95%	50%	Between 95% and 110%	Pro rata	110% or above	100%
Financial target achieved	% of STI financial award										
Below 95%	Nil										
95%	50%										
Between 95% and 110%	Pro rata										
110% or above	100%										
Governance											
How is performance against the performance conditions assessed?	<p>All performance conditions under the STI are clearly defined and measurable.</p> <p>In respect of the financial targets, the Board compares the actual PBT earned against the budgeted PBT for the year, and assesses the degree to which the Group met these targets. The Board may adjust for exceptional, abnormal or extraordinary factors which may have affected the Group's performance during the year.</p> <p>In assessing the 2015 STI, the Board adjusted the PBT used for STI purposes to a level that was lower than both reported and underlying PBT. The Board considered items individually taking account of a range of matters, including budget assumptions and management initiatives.</p> <p>In 2015, the STI scheme used budgeted PBT as the metric for determining financial performance. This measure is not used for any other purpose and does not reflect the shareholder experience as closely as other measures, such as NPAT. The measure will be changed to NPAT for the 2016 year for target setting and measuring Group financial performance for the purposes of the STI. Divisional financial performance will continue to be based on PBT performance.</p> <p>The Board also considers the NRG Committee's assessment of the CEO's performance against the agreed non-financial targets, and that of the senior executives (based on the recommendation of the CEO).</p>										
When is performance against the performance conditions determined and the cash award paid?	<p>Assessment of performance against the performance hurdles for the relevant year is determined at the February meeting of the NRG Committee and the Board, in conjunction with finalisation of the Group's full year results, and is normally paid to the executive following release of the Company's full year results in February.</p>										
<h3>5.3 At-risk remuneration – Long Term Incentive</h3> <p>The Company makes annual grants of Awards under the Executive Performance Share Plan (Plan) to all senior executives who are eligible to participate.</p> <p>A summary of the key features of the Plan as it applies to the 2015 LTI Award is as follows:</p>											
Driving performance											
Who participates and how does the Plan drive performance and align participants' interests with shareholders?	<p>The LTI is offered to senior executives whose behaviour and performance have a direct impact on the Group's long term performance. Its purpose is to focus executives on the Group's long term business strategy to create and protect shareholder value over a four year performance period, thus aligning executives' interests more closely with shareholders.</p>										
Vesting, performance conditions and reward opportunity											
What is the vesting / performance period?	<p>The 2015 Awards will be tested and become exercisable to the extent of any vesting from 1 May 2019.</p>										
What happens on the exercise of Awards?	<p>Shares are delivered to the executive on the exercise of the Awards. Awards are granted at no cost to the executive and no amount is payable by the executive on the exercise of the Awards.</p> <p>Any unexercised 2015 Awards will expire on 30 September 2019.</p>										
How is the TSR performance condition measured and what amount can be earned?	<p>The Company's TSR performance must equal or exceed the growth in the returns of the median companies 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 2014 to 31 December 2018.</p>										

Adelaide Brighton Limited and its controlled entities

	The 2015 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 calculated and what amount can be earned?	<p>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.</p> <p>Awards under the 2015 Award are to vest progressively in accordance with the following scale:</p> <table border="1"> <thead> <tr> <th>Compound annual growth in EPS</th> <th>% of Awards subject to EPS hurdle to vest</th> </tr> </thead> <tbody> <tr> <td>Below 5% per annum</td> <td>Nil</td> </tr> <tr> <td>5% per annum</td> <td>50%</td> </tr> <tr> <td>Between 5% and 10% per annum</td> <td>Pro rata</td> </tr> <tr> <td>10% per annum or above</td> <td>100%</td> </tr> </tbody> </table>		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%
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%											
Is re-testing permitted?	No. Re-testing of either of the performance conditions applicable to a tranche of Awards is not permitted.											
Governance												
Is there ability to 'claw back' in appropriate circumstances?	<p>Yes. The rules of the 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.</p> <p>In light of contemporary practice and in addition to the rules of the Plan, the Board has also implemented a formal Clawback Policy. The Clawback Policy provides the Board with the ability to reduce or forfeit incentives in the case of a material misstatement in Company financial results or serious misconduct by a Participant from the 2016 financial year onwards. It has been adopted to further align the remuneration outcomes of Participants with the longer term interests of the Company.</p>											
What other conditions apply to the Awards (including benefits and entitlements)?	<p>An executive's entitlement to shares under an Award may also be adjusted to take account of capital reconstructions and bonus issues.</p> <p>The rules of the Plan 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).</p> <p>Until the Awards vest, executives have no legal or beneficial interest in Adelaide Brighton Limited shares, no entitlement to receive dividends and no voting rights in relation to any securities granted under the 2015 Award, or any of the other Awards.</p> <p>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.</p>											
Cessation of employment or a change of control												
What happens to Awards that are not yet exercisable on cessation of employment?	<p>If an Executive resigns or is terminated for cause, the Awards in respect of any tranche that is not exercisable will generally be forfeited.</p> <p>The rules of the Plan provide that in other circumstances, and at the discretion of the Board, 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.</p>											
How would a change of control of the Group impact on LTI entitlements?	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 under the rules of the Plan.											

Adelaide Brighton Limited and its controlled entities

Section 6 – Executive Service Agreements

The remuneration and other terms of employment for Executives are set out in formal employment contracts referred to as Service Agreements. All Service Agreements are for an unlimited duration and details of 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.

Table 6

Name	Notice periods	Separation payments⁽¹⁾
M Brydon	6 months' notice by either party (or payment in lieu)	6 months fixed annual remuneration where the Company terminates on notice.
M Kelly	3 months' notice by either party (or payment in lieu)	12 months fixed annual remuneration where the Company terminates on notice. ⁽²⁾
G Agriogiannis	3 months' notice by either party (or payment in lieu)	9 months fixed annual remuneration where the Company terminated on notice.
AL Dell	6 months' notice by either party (or payment in lieu)	6 months fixed annual remuneration where the Company terminates on notice.
B Lemmon	6 months' notice by either party (or payment in lieu)	6 months fixed annual remuneration where the Company terminates on notice.
M Miller	6 months' notice by either party (or payment in lieu)	6 months fixed annual remuneration where the Company terminates on notice.

⁽¹⁾ In the case of resignation, no separate 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⁾ No separation payment will exceed the limit under the *Corporations Act 2001*.

On termination of employment for any reason, the CEO and other Executives are prohibited from engaging in any activity that would compete with the Group for a period of 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.

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Section 7 – Non-executive Directors' fees

7.1 Policy and approach to setting fees

Overview of policy	<p>Non-executive Directors receive a base fee in relation to their service as a Director of the Board, and an additional fee for membership of, or for chairing a committee.</p> <p>The Chairman, taking into account the greater time commitment required, receives a higher fee but does not receive any additional payment for service on the respective committees.</p> <p>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.</p> <p>In setting fee levels, the NRG Committee takes into account:</p> <ul style="list-style-type: none">• Independent professional advice;• Fees paid by comparable companies;• The general time commitment and responsibilities involved; and• The level of remuneration necessary to attract and retain Directors of a suitable calibre.																					
Aggregate fees approved by shareholders	<p>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.</p>																					
Base fees for 2015	<p>Non-executive Director base and Committee fees were increased by 2.3% for the 2015 financial year. Fees for the Safety, Health and Environment Committee were significantly less than the fees for the other Committees and were aligned with the other Committee fees. Fees for non-executive Director roles as Chairman or member of the Board's various committees were harmonised across the Committees. Fees payable to non-executive Directors are inclusive of contributions to superannuation.</p> <table><thead><tr><th>Base fees (Board)</th><th>\$</th><th>\$</th></tr></thead><tbody><tr><td>Non-executive Chairman ⁽¹⁾</td><td>317,642</td><td></td></tr><tr><td>Non-executive Director</td><td>105,881</td><td></td></tr><tr><th>Committee fees</th><th>Committee chair</th><th>Committee member</th></tr><tr><td>Audit, Risk and Compliance Committee</td><td>25,411</td><td>14,294</td></tr><tr><td>Nomination, Remuneration and Governance Committee</td><td>25,411</td><td>14,294</td></tr><tr><td>Safety, Health and Environment Committee</td><td>25,411</td><td>14,294</td></tr></tbody></table> <p>⁽¹⁾ The Chairman of the Board receives no additional fee for Committee work.</p> <p>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.</p> <p>Directors are also entitled to be reimbursed for all business related expenses, including travel, as may be incurred in the discharge of their duties.</p>	Base fees (Board)	\$	\$	Non-executive Chairman ⁽¹⁾	317,642		Non-executive Director	105,881		Committee fees	Committee chair	Committee member	Audit, Risk and Compliance Committee	25,411	14,294	Nomination, Remuneration and Governance Committee	25,411	14,294	Safety, Health and Environment Committee	25,411	14,294
Base fees (Board)	\$	\$																				
Non-executive Chairman ⁽¹⁾	317,642																					
Non-executive Director	105,881																					
Committee fees	Committee chair	Committee member																				
Audit, Risk and Compliance Committee	25,411	14,294																				
Nomination, Remuneration and Governance Committee	25,411	14,294																				
Safety, Health and Environment Committee	25,411	14,294																				

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Section 8 – Key Management Personnel disclosure tables

8.1 Non-executive Directors' statutory remuneration

Details of non-executive Directors' remuneration are set out in the following table:

Table 7

Non-executive Director	Year	Fees and allowances			Post-employment benefits
		Directors' base fees (incl. superannuation) \$	Committee fees (incl. superannuation) \$	Total \$	Superannuation contributions ⁽¹⁾ \$
L V Hosking (Chairman)	2015	317,642	-	317,642	23,449
	2014	310,500	-	310,500	23,449
R D Barro	2015	105,881	14,294	120,175	10,426
	2014	103,500	10,350	113,850	9,758
G F Pettigrew	2015	105,881	53,999	159,880	14,535
	2014	103,500	49,163	152,663	13,878
K B Scott-Mackenzie	2015	105,881	39,705	145,586	12,631
	2014	103,500	29,498	132,998	11,400
A M Tansey	2015	105,881	39,705	145,586	12,631
	2014	103,500	38,813	142,313	12,198
Total non-executive Directors' remuneration	2015	741,166	147,703	888,869	73,672
	2014	724,500	127,824	852,324	70,683

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

Adelaide Brighton Limited and its controlled entities

8.2 Executive statutory remuneration

Table 8

	Year	Short term employee benefits			Post employment benefits		Share based payment expense ⁽³⁾	Total	% of remuneration consisting of awards ⁽⁴⁾
		FAR	STI payment ⁽¹⁾	Other benefits	Super-annuation benefits ⁽²⁾	Termination benefits	Long term incentive		
		\$	\$	\$	\$	\$	\$	%	
Executives									
M Brydon	2015	1,294,900	1,287,343	166,667 ⁽⁵⁾	35,000	-	383,498	3,167,408	12
	2014	1,243,194	1,091,041	166,667	27,823	-	270,053	2,798,778	10
M Kelly	2015	677,386	545,536	-	30,000	-	233,303	1,486,225	16
	2014	663,566	484,178	-	27,917	-	179,279	1,354,940	13
G Agriogiannis	2015	474,631	378,294	-	20,000	-	129,811	1,002,736	13
	2014	463,510	339,594	-	20,000	-	99,828	922,932	11
AL Dell ⁽⁶⁾	2015	243,173	141,361	-	16,000	-	-	400,534	-
BD Lemmon ⁽⁷⁾	2015	404,775	252,517	-	30,000	-	313,269	1,000,561	31
MF Miller ⁽⁷⁾	2015	342,466	205,362	-	32,534	-	258,243	838,605	31
Former Executive									
SB Rogers ⁽⁸⁾	2015	194,105	-	-	12,500	93,838	(36,268)	264,175	14
	2014	454,816	344,677	100,000 ⁽⁹⁾	25,000	-	94,276	1,018,769	9
Total executive remuneration	2015	3,631,436	2,810,413	166,667	176,034	93,838	1,281,856	8,160,244	
	2014 ⁽¹⁰⁾	3,490,646	2,259,490	1,135,667	106,990	291,877	1,769,634	9,054,304	

(1) STI payment includes payments relating to 2015 performance accrued but not paid as at 31 December 2015.

(2) Includes Company contributions to superannuation and allocations by employees made by way of salary sacrifice of fixed remuneration.

(3) 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 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 the 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 27.

(4) % 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.

(5) Living Away from Home Allowance payment made pursuant to Mr Brydon's Service Agreement to assist him in discharging his duties from the Company's Sydney office. This is the second installment of Mr Brydon's Living Away from Home Allowance, with the final installment to be paid in 2016.

(6) Mr Dell commenced in the position of Executive General Manager, Concrete Products, on 1 May 2015.

(7) On the basis of size and responsibility (including revenue and EBIT responsibilities) and change in strategic oversight, from 1 January, the positions of Regional Executive General Manager, Cement and Lime, held by Messrs Lemmon and Miller (having met the definition of KMP) are disclosed as KMP.

(8) Mr Rogers (in the position of Executive General Manager, Concrete Products) ceased employment with the Company on 29 May 2015.

(9) Payment made to Mr Rogers to cash out certain entitlements as part of Mr Rogers' transition to a new fully compliant Service Agreement.

(10) Total executive remuneration for FY2014 includes total remuneration of \$2,958,885 for former Managing Director and CEO, Mr Chellew. Refer to the 2014 Remuneration Report for full details of the remuneration.

Adelaide Brighton Limited and its controlled entities

8.3 Equity holdings of Key Management Personnel

A summary of Executives' and non-executive Directors' current shareholdings in the Company as at 31 December 2015 is set out below.

While the Board has considered minimum shareholding guidelines for non-executive Directors, it has continued to determine that it is not appropriate to require a particular holding, given that this is a matter for individual preference. The Board considers that Executives' interests are sufficiently aligned to those of our shareholders through the LTI (as the LTI is subject to share price fluctuation).

Table 9

	Balance at beginning of year ⁽¹⁾	Granted as remuneration during the year	Net movement due to other changes	Balance at end of year
Executives				
M Brydon	8,400	189,584	(189,584)	8,400
M Kelly	-	134,975	(129,475)	5,500
G Agriogiannis	-	70,785	(70,785)	-
AL Dell ⁽²⁾	-	-	-	-
BD Lemmon	-	43,790	(43,790)	-
MF Miller	-	36,062	(36,062)	-
Former executive				
SB Rogers	-	70,244	(70,244)	-
Non-executive Directors				
LV Hosking	4,851	-	-	4,851
RD Barro ⁽³⁾	217,869,876	-	-	217,869,876
GF Pettigrew	7,739	-	-	7,739
KB Scott-Mackenzie	5,000	-	-	5,000
AM Tansey	10,000	-	-	10,000

⁽¹⁾ The balances reported in this Table 9 include shares held directly, indirectly or beneficially by each KMP or close members of their family or an entity over which the person or the family member has either direct or indirect control, joint control or significant influence as at 31 December 2015.

⁽²⁾ Mr Dell commenced in the position of Executive General Manager, Concrete Products effective from 1 May 2015. He was not eligible for shares granted under the LTI Tranche 1 of 2012 Award.

⁽³⁾ The balances relating to Mr Barro include shares owned by entities over which Raymond Barro has a significant influence, or which he jointly controls, but he does not control these entities himself.

Adelaide Brighton Limited and its controlled entities

Diversity Report

Adelaide Brighton is committed to being an inclusive workplace that values and promotes diversity of skills, experience and cultural background. We recognise that an inclusive culture enables us to attract and retain the best people with the appropriate skills to contribute to the continuing success of our business. In 2015 we revised the Diversity Policy and established the Diversity and Inclusion Policy which now outlines seven 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 during the 2015 financial year, are set out below:

Objectives	Diversity measures to facilitate achievement of objectives	Progress
To promote a culture of diversity and inclusion	<ul style="list-style-type: none"> Review by the Board and Nomination, Remuneration and Governance Committee of Adelaide Brighton's diversity policy and achievements relative to the industry structure in which the Company operates. 	<ul style="list-style-type: none"> In 2015, the Board and the Nomination, Remuneration and Governance Committee discussed the Company's diversity measures, revised the policy and objectives to continue to develop a positive workplace culture to ensure there is an emphasis on inclusion as well diversity.
	<ul style="list-style-type: none"> Proactively engage with our people to develop inclusion 	<ul style="list-style-type: none"> Executive Leadership Team developed a new diversity and inclusion plan to increase the engagement of women in the company and promote inclusion.
	<ul style="list-style-type: none"> Company-wide training in workplace policies (including diversity, anti-bullying and harassment, Equal Employment Opportunity). 	<ul style="list-style-type: none"> Employee inductions include information on Company policies such as equal employment opportunity and anti-bullying. Communication of revised Diversity and Inclusion Policy and Code of Conduct.
	<ul style="list-style-type: none"> Our employees would recommend this Company as a great place to work. 	<ul style="list-style-type: none"> 77% of respondents in our survey of employees in 2015 indicated they would be happy to recommend Adelaide Brighton as a great place to work (8.0% above the IBM Australian Norm).
To ensure that recruitment and selection processes seek out candidates from a diverse background, with selection decisions being based on merit	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Recruitment training continues across the business with a view to eliminate any unconscious bias that may occur. 14% of all new hires in 2015 were female.
	<ul style="list-style-type: none"> Promote Adelaide Brighton as a diverse employer with an inclusive culture. 	<ul style="list-style-type: none"> Website careers pages reviewed and refreshed to promote diversity and inclusion.
Develop inclusive leaders who value diversity of opinions and challenge the status quo	<ul style="list-style-type: none"> All leaders to undergo training on how to lead inclusively and develop an inclusive workplace culture. 	<ul style="list-style-type: none"> Executive Leadership Team and 40 Senior Leaders completed "Unconscious Bias" training.

Adelaide Brighton Limited and its controlled entities

Build talent pipelines through investment in skills and capabilities	<ul style="list-style-type: none"> • Ensure performance, development and succession management processes support the career progression of individuals regardless of gender or cultural background. 	<ul style="list-style-type: none"> • Development programs are provided for individuals as part of Our Business My Potential program. • Talent and Succession Management process proactively challenges gender representation. • 5% of women and 2% of men progressed internally in 2015.
	<ul style="list-style-type: none"> • Sponsor or encourage professional networking, coaching and mentoring programs to give female employees the opportunity to connect with other professionals. 	<ul style="list-style-type: none"> • Where identified, these programs continue to be supported across the organisation.
	<ul style="list-style-type: none"> • Sponsor MBA or post-graduate studies for high potential female employees. 	<ul style="list-style-type: none"> • Adelaide Brighton supports external study and development for high potential employees.
	<ul style="list-style-type: none"> • In recognition of the low numbers of females entering into engineering and manufacturing vocations: <ul style="list-style-type: none"> – 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. 	<ul style="list-style-type: none"> • Continued sponsorship of the Women in Engineering program at the University of Wollongong in 2015 that provides both a financial benefit and a work placement opportunity. • Scholarships in place at University of Adelaide and University of Technology Sydney.
To reward and remunerate fairly	<ul style="list-style-type: none"> • 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. <p>Pay parity is also considered at the time of hiring new employees, to eliminate potential gaps in pay arising from hiring decisions.</p>	<ul style="list-style-type: none"> • The gender pay parity review was completed in 2015 as part of Adelaide Brighton's annual remuneration review processes.
To provide flexible work practices	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • As per previous years, 100% of the women who commenced and finished maternity leave in 2015 have returned to work in either a full or part time capacity. • 16% of female employees and 1% of male employees have a flexible work arrangement.

Adelaide Brighton Limited and its controlled entities

Understand the diversity of our workforce	<ul style="list-style-type: none"> • Measure age, gender, and cultural identity of our workforce. 	<ul style="list-style-type: none"> • Employee survey of cultural identity undertaken in 2015.
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Adelaide Brighton is committed to the regular review of its objectives to ensure that these continue to be appropriate and relevant. This commitment includes the completion of the workplace profile report as required by the Workplace Gender Equality Act 2012. A copy of the workplace profile report is available in the investor relations section of our website at <http://www.adbri.com.au/ourresponsibilities#reporting>. 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 focused 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 2015):

		Male	Female
Board	20%	4	1
Senior executives	0%	6	0 ⁽¹⁾
Senior managers (direct reports to senior executives)	17%	34	7
Total workforce	14%	1,216	170

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

⁽¹⁾ A senior executive appointment to the position of Executive General Manager, Human Resources and Health, Safety and Environment was made in January 2016.



**ADELAIDE BRIGHTON LIMITED
AND ITS CONTROLLED ENTITIES
ABN 15 007 596 018**

**FINANCIAL REPORT
FOR THE 12 MONTH PERIOD
1 JANUARY 2015 TO 31 DECEMBER 2015**

Adelaide Brighton Limited and its controlled entities

Income statement

For the year ended 31 December 2015

		Consolidated	
	Notes	2015 \$ million	2014 \$ million
Revenue from continuing operations	3	1,413.1	1,337.8
Cost of sales		(884.1)	(823.5)
Freight and distribution costs		(211.2)	(217.0)
Gross profit		317.8	297.3
Other income	3	51.4	26.1
Marketing costs		(20.7)	(20.2)
Administration costs		(68.1)	(75.6)
Finance costs	4	(14.7)	(16.8)
Share of net profits of joint ventures and associate accounted for using the equity method	10(a)	19.9	21.7
Profit before income tax		285.6	232.5
Income tax expense	5(a)	(77.8)	(59.9)
Profit for the year		207.8	172.6
Profit attributable to:			
Owners of the Company		207.9	172.7
Non-controlling interests		(0.1)	(0.1)
		207.8	172.6
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	33	32.0	26.9
Diluted earnings per share	33	31.9	26.8

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

Adelaide Brighton Limited and its controlled entities

Statement of comprehensive income

For the year ended 31 December 2015

		Consolidated	
	Notes	2015 \$ million	2014 \$ million
Profit for the year		207.8	172.6
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	21(a)	(1.3)	0.5
Changes in the fair value of cash flow hedges	21(a)	(1.3)	-
Income tax relating to these items	5(c)	0.4	-
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain / (loss) on retirement benefit obligation	19(b)	4.5	(1.2)
Income tax relating to these items	5(c)	(1.4)	0.4
Other comprehensive income for the year, net of tax		0.9	(0.3)
Total comprehensive income for the year		208.7	172.3
Total comprehensive income for the year attributable to:			
Owners of the Company		208.8	172.4
Non-controlling interests		(0.1)	(0.1)
Total comprehensive income for the year		208.7	172.3

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

Adelaide Brighton Limited and its controlled entities

Balance sheet

As at 31 December 2015

		Consolidated	
	Notes	2015 \$ million	2014 \$ million
Current assets			
Cash and cash equivalents	6	33.3	31.8
Trade and other receivables	7	208.3	199.7
Inventories	8	161.5	154.4
Assets classified as held for sale	9	-	1.5
Total current assets		403.1	387.4
Non-current assets			
Receivables	7	32.9	32.7
Retirement benefit asset	19(b)	1.3	-
Joint arrangements and associate	10	142.2	139.9
Property, plant and equipment	11	986.1	994.2
Intangible assets	12	272.9	266.4
Total non-current assets		1,435.4	1,433.2
Total assets		1,838.5	1,820.6
Current liabilities			
Trade and other payables	15	122.9	121.3
Borrowings	16	1.0	1.4
Current tax liabilities		15.0	1.3
Provisions	17	33.6	24.7
Provision for carbon emissions	14	-	14.0
Other liabilities	18	6.8	4.2
Total current liabilities		179.3	166.9
Non-current liabilities			
Borrowings	16	329.5	390.1
Deferred tax liabilities	5(f)	85.4	74.7
Provisions	17	36.9	49.9
Retirement benefit obligations	19(b)	-	2.2
Other non-current liabilities		0.1	0.1
Total non-current liabilities		451.9	517.0
Total liabilities		631.2	683.9
Net assets		1,207.3	1,136.7
Equity			
Share capital	20	729.2	727.9
Reserves	21(a)	1.2	3.3
Retained earnings	21(b)	474.3	402.8
Capital and reserves attributable to owners of the Company		1,204.7	1,134.0
Non-controlling interests		2.6	2.7
Total equity		1,207.3	1,136.7

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

Adelaide Brighton Limited and its controlled entities

Statement of changes in equity

For the year ended 31 December 2015

Consolidated		Attributable to owners of Adelaide Brighton Limited				Non-controlling interests \$ million	Total equity \$ million	
		Notes	Share capital \$ million	Reserves \$ million	Retained earnings \$ million			Total \$ million
Balance at 1 January 2015			727.9	3.3	402.8	1,134.0	2.7	1,136.7
Profit for the year			-	-	207.9	207.9	(0.1)	207.8
Other comprehensive income			-	(2.2)	3.1	0.9	-	0.9
Total comprehensive income for the year			-	(2.2)	211.0	208.8	(0.1)	208.7
Transactions with owners in their capacity as owners:								
Dividends provided for or paid		22	-	-	(139.5)	(139.5)	-	(139.5)
Executive performance share plan		20(b)/21(a)	1.3	0.1	-	1.4	-	1.4
			1.3	0.1	(139.5)	(138.1)	-	(138.1)
Balance at 31 December 2015			729.2	1.2	474.3	1,204.7	2.6	1,207.3
Balance at 1 January 2014			699.1	4.3	355.6	1,059.0	2.8	1,061.8
Profit for the year			-	-	172.7	172.7	(0.1)	172.6
Other comprehensive income			-	0.5	(0.8)	(0.3)	-	(0.3)
Total comprehensive income for the year			-	0.5	171.9	172.4	(0.1)	172.3
Transactions with owners in their capacity as owners:								
Dividend reinvestment plan share issues			24.6	-	-	24.6	-	24.6
Dividends provided for or paid		22	-	-	(124.7)	(124.7)	-	(124.7)
Executive performance share plan		20(b)/21(a)	4.2	(1.5)	-	2.7	-	2.7
			28.8	(1.5)	(124.7)	(97.4)	-	(97.4)
Balance at 31 December 2014			727.9	3.3	402.8	1,134.0	2.7	1,136.7

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

Adelaide Brighton Limited and its controlled entities

Statement of cash flows

For the year ended 31 December 2015

	Notes	Consolidated	
		2015 \$ million	2014 \$ million
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,545.8	1,460.1
Payments to suppliers and employees (inclusive of goods and services tax)		(1,272.1)	(1,227.1)
Joint venture distributions received		16.2	21.0
Interest received		1.7	1.8
Interest paid		(13.0)	(16.0)
Receipts from sale of carbon units		-	20.0
Other income		5.6	7.1
Income taxes paid		(58.5)	(72.9)
Income taxes refunded		4.2	-
Net cash inflow from operating activities	32	229.9	194.0
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(74.3)	(60.4)
Payments for acquisition of businesses, net of cash acquired		(6.5)	(155.5)
Proceeds from sale of property, plant and equipment		50.8	13.6
Loans to joint venture entities		(0.9)	(1.9)
Repayment of loans from other parties		0.6	0.6
Net cash (outflow) from investing activities		(30.3)	(203.6)
Cash flows from financing activities			
Proceeds from issue of shares		2.8	8.1
Proceeds from borrowings		-	122.2
Repayment of borrowings		(61.5)	-
Dividends paid to Company's shareholders	22	(139.5)	(100.1)
Net cash (outflow) / inflow from financing activities		(198.2)	30.2
Net increase in cash and cash equivalents		1.4	20.6
Cash and cash equivalents at the beginning of the year		31.8	11.1
Effects of exchange rate changes on cash and cash equivalents		0.1	0.1
Cash and cash equivalents at the end of the year	6	33.3	31.8

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

Adelaide Brighton Limited and its controlled entities
Notes to and forming part of the consolidated financial statements
For the year ended 31 December 2015

1 Summary of significant accounting policies

Adelaide Brighton Limited (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 18 March 2016. 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 either set out below or included in the accompanying notes. These policies have been consistently applied to all the years presented. The financial statements are for the consolidated entity consisting of Adelaide Brighton Limited 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 where appropriate to enhance comparability.

Historical cost convention

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

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).

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 15 Revenue From Contracts With Customers

AASB 15 *Revenue From Contracts With Customers* will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard replaces the existing notion of risk and rewards with the notion of control to recognise when a good or service transfers to a customer. When adopted, the standard will not have a material impact on the financial statements. The standard is mandatory for financial years commencing on or after 1 January 2018.

AASB 16 Leases

AASB 16 *Leases* will replace the current standard on lease accounting, AASB 117. AASB 16 introduces a single lessee accounting model and requires the lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A full assessment of the impact of the standard has not been undertaken at this time, however the Group has significant operating leases that are likely to result in the recognition of an asset and liability that will be material to the balance sheet. The standard is mandatory for financial years commencing on or after 1 January 2019.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by Adelaide Brighton Limited as at 31 December 2015 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(d)).

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.

Adelaide Brighton Limited and its controlled entities
Notes to and forming part of the consolidated financial statements
For the year ended 31 December 2015

1 Summary of significant accounting policies (continued)

(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) 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) 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 Limited'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.

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.

(d) 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 fair value gain on acquisition.

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.

Adelaide Brighton Limited and its controlled entities
Notes to and forming part of the consolidated financial statements
For the year ended 31 December 2015

1 Summary of significant accounting policies (continued)

(e) 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.

(f) 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.

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 areas involving significant estimates and assumptions are listed below.

- Impairment of assets – note 13
- Provisions for close down and restoration costs – note 17(iv)
- Defined benefit superannuation plan – note 19

Detailed information about each of these estimates and assumptions is included in notes 13, 17(iv) and 19 together with information about the basis of calculation for each affected line item in the financial statements.

3 Revenue and other income

Accounting policy - 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 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 period in which the services are rendered.

(ii) Interest income

Interest income is recognised using the effective interest rate method.

Adelaide Brighton Limited and its controlled entities
Notes to and forming part of the consolidated financial statements
For the year ended 31 December 2015

3 Revenue and other income (continued)

	Consolidated	
	2015	2014
	\$ million	\$ million
Revenue from continuing operations		
Sales revenue	1,411.0	1,335.6
Interest from joint ventures	0.8	0.8
Interest from other parties	0.9	1.0
Royalties	0.4	0.4
	1,413.1	1,337.8
Other income		
Net gain on disposal of property, plant and equipment	45.9	1.2
Fair value accounting gain on business acquisition	0.2	17.8
Claim settlement	-	4.7
Rental income	3.0	2.0
Other income	2.3	0.4
	51.4	26.1
Revenue and other income (excluding share of net profits of joint ventures and associate accounted for using the equity method)	1,464.5	1,363.9

The Group has a strategy of divesting properties that are released from operational activities as a result of a rationalisation and improvement program. During the year the Group realised a net gain on the sale of properties of \$45.0 million (2014 \$1.0 million) which is recognised in other income.

4 Expenses

Accounting policy - 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.

Profit before income tax includes the following specific expenses:

Depreciation		
Buildings	4.3	4.3
Plant and equipment	66.0	62.7
Mineral reserves	5.6	4.5
Total depreciation	75.9	71.5
Amortisation of intangibles	1.9	1.5
Impairment of plant and equipment ¹	-	2.0
Other charges		
Employee benefits expense	150.7	154.8
Defined contribution superannuation expense	11.1	10.1
Operating lease rental charge	1.9	2.1
Impairment expense recognised on trade debtors	1.1	2.3
Provision for inventory	0.4	0.5
Finance costs		
Interest and finance charges paid / payable	14.5	16.2
Unwinding of the discount on restoration provisions and retirement benefit obligation	0.9	1.2
Fair value (gain) on forward foreign currency contracts at fair value through profit or loss	(0.2)	-
Total finance costs	15.2	17.4
Amount capitalised ²	(0.5)	(0.6)
Finance costs expensed	14.7	16.8

¹ As a result of the rationalisation of clinker production at the Munster site in 2014, an impairment charge of \$2.0 million was recognised in the prior year for the excess of the written down value compared to the recoverable amount of the assets impacted by the rationalisation (\$nil in 2015).

² 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 3.1% p.a. (2014: 3.9% p.a.).

Adelaide Brighton Limited and its controlled entities
Notes to and forming part of the consolidated financial statements
For the year ended 31 December 2015

5 Income tax

Accounting policy – 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 for 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 previously unrecognised 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 Limited and its wholly owned Australian subsidiaries implemented the tax consolidation legislation as of 1 January 2004. Adelaide Brighton Limited, 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 Limited.

Amounts receivable or payable under a 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 Limited 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.

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.

Adelaide Brighton Limited and its controlled entities
Notes to and forming part of the consolidated financial statements
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5 Income tax (continued)

	Consolidated	
	2015	2014
	\$ million	\$ million
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	285.6	232.5
Tax at the Australian tax rate of 30% (2014: 30%)	85.7	69.8
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non allowable expenses	0.5	1.6
Non assessable income	(0.5)	-
Non assessable capital profits	(1.3)	(1.8)
Rebateable dividends	(3.9)	(4.1)
Fair value adjustment	(0.1)	(5.4)
Previously unrecognised tax losses offset against capital gains	(3.3)	-
Under/(over) provided in prior years	0.7	(0.2)
Aggregate income tax expense	<u>77.8</u>	<u>59.9</u>
Aggregate income tax expense comprises:		
Current taxation expense	68.1	54.5
Net deferred tax	10.0	5.5
(Over) provided in prior year	(0.3)	(0.1)
	<u>77.8</u>	<u>59.9</u>
(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	(0.3)	(1.8)
Net deferred tax	0.3	0.6
	<u>-</u>	<u>(1.2)</u>
(c) Tax expense relating to items of other comprehensive income		
Actuarial gain / (loss) on retirement benefit obligation (note 19)	1.4	(0.4)
Changes in the fair value of cash flow hedges (note 21(a))	(0.4)	-
	<u>1.0</u>	<u>(0.4)</u>
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised:		
Capital losses	<u>13.4</u>	<u>16.8</u>
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.		
(e) Non-current deferred tax assets		
The balance comprises temporary differences attributable to:		
Share based payment reserve	1.3	1.2
Defined benefit obligations	-	0.7
Provisions	21.0	28.6
Other assets	5.8	0.8
Tax losses	-	0.3
Deferred tax assets – before offset	<u>28.1</u>	<u>31.6</u>
Offset deferred tax liability (note 5(f))	<u>(28.1)</u>	<u>(31.6)</u>
Net deferred tax assets – after offset	<u>-</u>	<u>-</u>

Adelaide Brighton Limited and its controlled entities
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5 Income tax (continued)

	Consolidated	
	2015	2014
	\$ million	\$ million
(e) Non-current deferred tax assets (continued)		
Movements:		
Opening balance at 1 January – before offset	31.6	46.5
Recognised in the income statement	(2.4)	(19.5)
Recognised in other comprehensive income	(1.0)	0.4
Recognised in equity	(0.3)	(0.6)
Acquired in business combinations	0.2	4.8
Closing balance at 31 December – before offset	<u>28.1</u>	<u>31.6</u>
(f) Non-current deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	95.5	95.1
Inventories	9.9	9.3
Other	8.1	1.9
Deferred tax liabilities – before offset	<u>113.5</u>	<u>106.3</u>
Offset deferred tax assets (Note 5(e))	(28.1)	(31.6)
Net deferred tax liabilities – after offset	<u>85.4</u>	<u>74.7</u>
Net deferred tax liabilities to be settled after more than 12 months	75.1	74.3
Net deferred tax liabilities to be settled within 12 months	10.3	0.4
	<u>85.4</u>	<u>74.7</u>
Movements:		
Opening balance at 1 January – before offset	106.3	110.8
Recognised in the income statement	6.1	(15.5)
Acquired in business combinations		11.3
Under/(over) provision in prior year	1.1	(0.3)
Closing balance at 31 December – before offset	<u>113.5</u>	<u>106.3</u>

6 Cash and cash equivalents

Accounting policy – cash and cash equivalents

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.

Current

Cash at bank and in hand	31.5	29.8
Term deposits	1.8	2.0
Cash and cash equivalents	<u>33.3</u>	<u>31.8</u>

(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	33.3	31.8
Cash overdrafts	-	-
Net cash balance	<u>33.3</u>	<u>31.8</u>

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in note 23. 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.

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7 Trade and other receivables

Accounting policy – trade and other receivables

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

The Group applies the simplified approach to providing for expected credit losses for all trade receivables as set out in note 23(b).

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.

There was no difference in the closing loss allowance as at 31 December 2014 (as calculated under AASB 139) and the opening loss allowance as at 1 January 2015 (calculated under AASB 9).

	Consolidated	
	2015	2014
	\$ million	\$ million
Current		
Trade receivables	168.4	164.9
Loss allowance provision	(1.8)	(1.9)
	166.6	163.0
Amounts receivable from joint ventures	29.3	27.6
Prepayments	6.2	4.7
Other receivables	6.2	4.4
Total current	208.3	199.7
Non-current		
Loans to joint ventures	30.2	29.3
Other non-current receivables	2.7	3.4
Total non-current	32.9	32.7
Movement in loss allowance provision		
Opening balance at 1 January	1.9	1.6
Amounts written off during the year	(0.8)	(2.4)
Loss allowance provision recognised during the year	0.7	2.7
Closing balance at 31 December	1.8	1.9

Fair value and credit, interest and foreign exchange risk

Due to the short-term nature of current 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 23.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

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8 Inventories

Accounting policy - 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.

Current

Finished goods	70.4	71.8
Raw materials and work in progress	60.2	55.6
Engineering spare parts stores	30.9	27.0
	161.5	154.4

Inventory expense

Inventories recognised as expense during the year ended 31 December 2015 and included in cost of sales amounted to \$825.6 million (2014: \$770.2 million).

9 Assets classified as held for sale

Accounting policy – assets 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 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.

Current

Land and buildings	-	1.5
	-	1.5

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10 Joint arrangements and associate

Accounting policy - joint arrangements and associate

(i) 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.

(ii) 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.

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.

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 statement of 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.

(a) 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		2015	2014
	2015	2014	2015	2014	2015	2014
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Investment in joint ventures and associate	107.2	104.5	35.0	35.4	142.2	139.9
Profit from continuing operations	19.0	20.3	0.9	1.4	19.9	21.7
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	19.0	20.3	0.9	1.4	19.9	21.7

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10 Joint arrangements and associate (continued)

(b) Interests in joint arrangements and associate

Name	Principal place of business	Ownership interest		Activities
		2015 %	2014 %	
Aalborg Portland Malaysia Sdn. Bhd.	Malaysia	30	30	White clinker and cement manufacture
Batesford Quarry	Victoria	50	50	Limestone products
Burrell Mining Services JV	New South Wales and Queensland	50	50	Concrete products for the coal mining industry
E.B. Mawson & Sons Pty Ltd and Lake Boga Quarries Pty Ltd	New South Wales and Victoria	50	50	Premixed concrete and quarry products
Independent Cement and Lime Pty Ltd	New South Wales and Victoria	50	50	Cementitious product distribution
Peninsula Concrete Pty Ltd	South Australia	50	50	Premixed concrete
Sunstate Cement Ltd	Queensland	50	50	Cement milling and distribution

Each of the above entities, except Aalborg Portland Malaysia Sdn. Bhd., 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.

(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 exercise by the joint venture partner, the occurrence of which affects the value of the interest. The minimum amount of the contingent liability is \$30.4 million (2014: \$25 million).

11 Property, plant and equipment

Accounting policy – 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

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11 Property, plant and equipment (continued)

Accounting policy – property plant and equipment (continued)

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

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.

Consolidated at 31 December 2015

\$ million	Freehold land	Buildings	Leasehold property	Plant & equipment	Mineral reserves	Asset retirement cost	In course of construction	Total
At cost	155.9	142.0	9.2	1,300.5	199.0	26.2	51.4	1,884.2
Accumulated depreciation	-	(57.7)	(3.1)	(803.1)	(29.0)	(5.2)	-	(898.1)
Net book amount	155.9	84.3	6.1	497.4	170.0	21.0	51.4	986.1
Reconciliations								
Carrying amount at 1 January 2015	156.0	87.7	6.4	525.3	174.2	22.5	22.1	994.2
Additions	3.0	0.1	0.1	24.6	1.1	-	45.4	74.3
Disposals	(5.2)	(0.1)	-	(4.2)	(0.9)	-	-	(10.4)
Business combinations	2.1	0.3	-	2.9	0.7	0.1	-	6.1
Reclassification	-	0.6	-	14.4	-	-	(16.1)	(1.1)
Depreciation/amortisation	-	(4.3)	(0.4)	(65.6)	(4.8)	(0.8)	-	(75.9)
Other	-	-	-	-	(0.3)	(0.8)	-	(1.1)
Carrying amount at 31 December 2015	155.9	84.3	6.1	497.4	170.0	21.0	51.4	986.1

Consolidated at 31 December 2014

\$ million	Freehold land	Buildings	Leasehold property	Plant & equipment	Mineral reserves	Asset retirement cost	In course of construction	Total
At cost	156.0	142.1	9.0	1,282.7	202.5	26.9	22.1	1,841.3
Accumulated depreciation	-	(54.4)	(2.6)	(757.4)	(28.3)	(4.4)	-	(847.1)
Net book amount	156.0	87.7	6.4	525.3	174.2	22.5	22.1	994.2
Reconciliations								
Carrying amount at 1 January 2014	130.5	87.9	6.8	498.8	131.4	4.7	29.6	889.7
Additions	6.9	0.2	0.1	28.7	0.5	-	24.5	60.9
Disposals	(0.3)	(0.3)	-	(3.9)	-	-	-	(4.5)
Business combinations	13.0	2.8	-	44.5	46.2	10.8	-	117.3
Held for sale	(1.5)	-	-	-	-	-	-	(1.5)
Reclassification	7.4	1.4	-	21.4	-	-	(32.0)	(1.8)
Impairment	-	-	-	(2.0)	-	-	-	(2.0)
Depreciation/amortisation	-	(4.3)	(0.5)	(62.2)	(4.2)	(0.3)	-	(71.5)
Other	-	-	-	-	0.3	7.3	-	7.6
Carrying amount at 31 December 2014	156.0	87.7	6.4	525.3	174.2	22.5	22.1	994.2

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11 Property, plant and equipment (continued)

Leased assets

Plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	Consolidated	
	2015	2014
	\$ million	\$ million
Cost	2.7	3.5
Accumulated depreciation	(0.5)	(0.2)
Net book amount	<u>2.2</u>	<u>3.3</u>

12 Intangible assets

Accounting policy – intangible assets

(i) *Goodwill*

Goodwill is measured as described in note 1(d). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of joint ventures is included in the investment 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 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 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.

\$ million	Consolidated			
	Goodwill	Software	Other intangibles	Total
31 December 2015				
Cost	248.7	18.1	13.9	280.7
Accumulated amortisation	-	(6.9)	(0.9)	(7.8)
Carrying amount at 31 December 2015	<u>248.7</u>	<u>11.2</u>	<u>13.0</u>	<u>272.9</u>
Opening balance at 1 January 2015	248.7	11.2	6.5	266.4
Reclassification	-	1.1	-	1.1
Additions in current year	-	0.5	6.8	7.3
Amortisation charge	-	(1.6)	(0.3)	(1.9)
Closing balance at 31 December 2015	<u>248.7</u>	<u>11.2</u>	<u>13.0</u>	<u>272.9</u>

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12 Intangible assets (continued)

\$ million 31 December 2014	Consolidated			Total
	Goodwill	Software	Other intangibles	
Cost	248.7	16.4	7.1	272.2
Accumulated amortisation	-	(5.2)	(0.6)	(5.8)
Carrying amount at 31 December 2014	<u>248.7</u>	<u>11.2</u>	<u>6.5</u>	<u>266.4</u>
Opening balance at 1 January 2014	170.6	10.6	2.7	183.9
Reclassification	-	1.8	-	1.8
Additions in current year	-	0.2	-	0.2
Business combinations	78.1	-	3.9	82.0
Amortisation change	-	(1.4)	(0.1)	(1.5)
Closing balance at 31 December 2014	<u>248.7</u>	<u>11.2</u>	<u>6.5</u>	<u>266.4</u>

13 Impairment tests

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.

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

	Consolidated	
	2015 \$ million	2014 \$ million
Cement and Lime	134.0	134.0
Concrete and Aggregates	105.9	105.9
Cement, Lime, Concrete and Aggregates segment	<u>239.9</u>	<u>239.9</u>
Concrete Products segment	8.8	8.8
	<u>248.7</u>	<u>248.7</u>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on 2015 actual results and 2016 financial budgets approved by the Board. 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	
	2015	2014	2015	2014	2015	2014
	%	%	%	%	%	%
Cement, Lime, Concrete and Aggregates	36.6	36.0	1.4	1.9	9.6	9.0
Concrete Products	24.5	26.6	2.0	2.0	10.0	9.8

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 12 years.

³ Pre-tax discount rate applied to cash flow projections.

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13 Impairment tests (continued)

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

Significant estimate – key assumptions used for value-in-use calculations

The Group tests annually whether goodwill, other intangible assets with an indefinite life and other non-current assets have suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions detailed above.

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.

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.

14 Carbon asset and liability

Accounting policy - carbon accounting

An entity within the Group was a Liable Entity under the Clean Energy Legislation (the Scheme) and also qualified for assistance under the Jobs and Competitiveness Program (JCP). The Group was required to surrender eligible emission units to the Clean Energy Regulator (the Regulator) for covered emissions, while units were 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 17.

(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.

(a) Background

The Federal Government introduced a price on carbon emissions from 1 July 2012 through the introduction of the Scheme, and was repealed effective 1 July 2014. Obligations and benefits accrued before that date are not impacted by the repeal.

The Scheme required entities with operational control of a facility where certain emissions exceed 25,000 tonnes of carbon dioxide equivalence (tCO₂-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 were 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 were 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.

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14 Carbon asset and liability (continued)

(a) Background (continued)

The Group was directly liable for certain emissions associated with sites that exceed the threshold. In addition to this, the Group incurred 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.

(b) Carbon balances recognised

	Consolidated	
	2015	2014
	\$ million	\$ million
Provision for carbon emissions	-	14.0
Classified as:		
Current	-	14.0
Non-current	-	-
	-	14.0

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

Opening balance	14.0	47.9
Liability for covered emissions	-	31.7
Carbon units remitted to Regulator	(14.0)	(65.6)
Closing balance	-	14.0

15 Trade and other payables

Current

Trade payables and accruals	120.7	108.9
Trade payables - joint ventures	2.2	12.4
	122.9	121.3

Information about the Group's exposure to foreign exchange risk is provided in note 23.

16 Borrowings and lease commitments

Accounting policy - 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.

Accounting policy - 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 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.

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16 Borrowings and lease commitments (continued)

Accounting policy – leases (continued)

	Consolidated	
	2015	2014
	\$ million	\$ million
Current		
Finance lease	1.0	1.4
Non-current		
Bank loans – unsecured	328.8	388.3
Finance lease	0.7	1.8
	329.5	390.1

Details of the Group's exposure to interest rate changes is set out in note 23. Due to the short term fixed interest rates of the borrowings, the carrying value is the fair value.

Lease commitments – finance leases

Commitments in relation to finance leases for various plant and equipment are payable as follows:

Within one year	1.1	1.7
Later than one year but not later than five years	0.7	1.9
Minimum lease payments	1.8	3.6
Future finance charges	(0.1)	(0.4)
Total lease liabilities	1.7	3.2

The present value of finance lease liabilities is as follows:

Within one year	1.0	1.4
Later than one year but not later than five years	0.7	1.8
Minimum lease payments	1.7	3.2

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	4.4	4.9
Later than one year but not later than five years	8.9	9.8
Later than five years	9.1	8.8
	22.4	23.5

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.

17 Provisions

Accounting policy – 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. Non-employee benefit 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.

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17 Provisions (continued)

Accounting policy – provisions (continued)

(i) *Short-term employee benefit 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) *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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Workers' compensation*

Certain entities within the Group are self insured for workers' compensation purposes. For self-insured entities, provision is made that covers incidents 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.

(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 based on the net present value of the estimated future costs of a closure plan.

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 period as part of finance costs.

Significant estimates– future cost to rehabilitate

Restoration provisions are based on estimates of the future cost to rehabilitate currently disturbed areas using current costs, forecast cost inflation factors and rehabilitation requirements. The Group progressively rehabilitates as part of the quarrying process. Cost estimates are evaluated at least annually on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Provisions for close down and restoration costs at the end of the year was \$37.7m (2014: \$42.7m).

	Consolidated	
	2015	2014
	\$ million	\$ million
Current		
Employee benefits	28.0	20.0
Restoration provisions	4.0	3.4
Workers' compensation	0.6	1.0
Other provisions	1.0	0.3
	33.6	24.7
Non-current		
Employee benefits	3.2	8.6
Restoration provisions	33.7	39.3
Workers' compensation	-	2.0
	36.9	49.9

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

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17 Provisions (continued)

	Workers' compensation \$ million	Restoration provisions \$ million	Other provisions \$ million
Opening balance at 1 January 2015	3.0	42.7	0.3
Assumed in business combinations	-	0.1	-
Additional provision recognised – charged to income statement	-	-	0.9
Additional provision recognised – charged to asset retirement cost	-	(0.8)	-
Charged to income statement – unwind of discount	-	0.9	-
Credited to income statement – reversal of amounts unused	(1.9)	(2.2)	-
Payments	(0.5)	(3.0)	(0.2)
Closing balance at 31 December 2015	0.6	37.7	1.0

18 Other liabilities

	Consolidated	
	2015 \$ million	2014 \$ million
Current		
GST liability	6.8	4.2

19 Retirement benefit obligations

Accounting policy – 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 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 high quality corporate 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 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 the income statement.

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.

Significant estimate – key assumptions

The present value of defined benefit superannuation plan obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These include selection of a discount rate, future salary increases and expected rates of return. The assumptions used to determine the obligations and the sensitivity of balances to changes in these assumptions are detailed in note 19(d).

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19 Retirement benefit obligations (continued)

(a) Superannuation plan details

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. During the 12 months to 31 December 2015, 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.

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19 Retirement benefit obligation (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	Net obligation/ (asset) \$ million
At 1 January 2015	58.9	(56.7)	2.2
Current service cost	2.0	-	2.0
Interest expense/(income)	1.4	(1.4)	-
Transfers in	0.3	(0.3)	-
	3.7	(1.7)	2.0
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(1.5)	(1.5)
(Gain) from change in financial assumptions	(2.8)	-	(2.8)
Experience (gain)	(0.2)	-	(0.2)
	(3.0)	(1.5)	(4.5)
Contributions:			
Employers	-	(1.0)	(1.0)
Plan participants	0.9	(0.9)	-
Payments from Plan:			
Benefit payments	(8.1)	8.1	-
At 31 December 2015	52.4	(53.7)	(1.3)
At 1 January 2014	55.4	(54.9)	0.5
Current service cost	2.1	-	2.1
Interest expense/(income)	2.0	(2.0)	-
Transfers in	-	-	-
	4.1	(2.0)	2.1
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(2.7)	(2.7)
Gain from change in financial assumptions	2.9	-	2.9
Experience losses	1.0	-	1.0
	3.9	(2.7)	1.2
Contributions:			
Employers	-	(1.6)	(1.6)
Plan participants	1.0	(1.0)	-
Payments from Plan:			
Benefit payments	(5.5)	5.5	-
At 31 December 2014	58.9	(56.7)	2.2

(c) Categories of plan assets

The major categories of plan assets are as follows:

	31 December 2015		31 December 2014	
	Unquoted \$ million	in %	Unquoted \$ million	in %
Australian equity	15.0	28%	15.9	28%
International equity	16.1	30%	18.1	32%
Fixed income	10.2	19%	9.1	16%
Property	6.5	12%	5.7	10%
Cash	1.1	2%	3.4	6%
Other	4.8	9%	4.5	8%
Total	53.7	100%	56.7	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.

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19 Retirement benefit obligations (continued)

(d) Actuarial assumptions and sensitivity

The significant actuarial assumptions used were as follows:

	2015 %	Consolidated 2014 %
Discount rate - % p.a.	3.9	2.7
Future salary increases - % p.a.	2.0 in the first year 3.0 in the second year 4.0 thereafter	4.0

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

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
31 December 2015			
Discount rate	0.50 ppts	Decrease by 1.8%	Increase by 1.9%
Future salary increases	0.50 ppts	Increase by 1.4%	Decrease by 1.4%
31 December 2014			
Discount rate	0.50 ppts	Decrease by 2.0%	Increase by 2.2%
Future salary increases	0.50 ppts	Increase by 1.7%	Decrease by 1.6%

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

From 1 July 2014, the Group made contributions to the Plan at rates of between 6% and 9% of member salaries. For the period from 1 January 2013 to 30 June 2014, the Group made contributions to the Plan at rates of between 10% and 13% of member salaries. Expected contributions to the defined benefit plan for the year ending 31 December 2016 are \$0.9 million (2015: \$1.0 million).

The weighted average duration of the defined benefit obligation is 7 years (2014: 7 years).

20 Share capital

Accounting policy – share capital

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.

	2015 \$ million	Consolidated 2014 \$ million
(a) Share capital		
Issued and paid up capital 648,885,747 (2014: 648,267,667) ordinary shares, fully paid	729.2	727.9
(b) Movements in ordinary share capital		
Opening balance at 1 January	727.9	699.1
618,080 shares issued under Executive Performance Share Plan (2014: 2,078,332) (i)	1.3	4.2
Dividend Reinvestment Plan - nil share issues (2014: 7,732,647) (Note 20(d))	-	24.6
Closing balance at 31 December	729.2	727.9

(i) Ordinary shares issued under the Adelaide Brighton Limited Executive Performance Share Plan (refer note 27).

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20 Share capital (continued)

(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 August 2014 the Company reactivated the Dividend Reinvestment Plan (DRP), effective for the 2014 interim dividend. Under the DRP, holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the DRP at a price determined by the Board. The operation of the DRP for any dividend is at the discretion of the Board, which suspended the DRP in February 2015 with immediate effect, and has not been reactivated since that time.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, continuing 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 gearing ratio at 31 December 2015 and 31 December 2014 was as follows:

	Consolidated	
	2015 \$ million	2014 \$ million
Total borrowings	330.5	391.5
Less: cash and cash equivalents	(33.3)	(31.8)
Net debt	<u>297.2</u>	<u>359.7</u>
Total equity	1,207.3	1,136.7
Gearing ratio	<u>24.6%</u>	<u>31.6%</u>

(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 27.

21 Reserves and retained earnings

(a) Reserves

Foreign currency translation reserve	0.2	1.5
Share-based payment reserve	1.9	1.8
Cash flow hedge reserve	(0.9)	-
	<u>1.2</u>	<u>3.3</u>

Foreign currency translation reserve

Opening balance at 1 January	1.5	1.0
Currency translation differences arising during the year	(1.3)	0.5
Closing balance at 31 December	<u>0.2</u>	<u>1.5</u>

Share-based payment reserve

Opening balance at 1 January	1.8	3.3
Awards expense	1.3	1.5
Deferred tax	(0.3)	(0.6)
Issue of shares to employees	(0.9)	(2.4)
Closing balance at 31 December	<u>1.9</u>	<u>1.8</u>

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21 Reserves and retained earnings (continued)

(a) Reserves (continued)

	Consolidated	
	2015	2014
	\$ million	\$ million
Cash flow hedge reserve		
Opening balance at 1 January	-	-
Revaluation – gross	(1.3)	-
Deferred tax on revaluation	0.4	-
Closing balance at 31 December	<u>(0.9)</u>	-

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(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the income statement 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. Refer note 27.

Cash flow hedge reserve

The cash flow hedge reserve is used to recognise the accumulated movement in fair value of instruments that qualify for hedge accounting. The accumulated amount of a hedging instrument is transferred to the carrying value of inventory on recognition or, for hedges of items that are not non-financial assets or non-financial liabilities, to the income statement at the time of recognising the item in the income statement.

(b) Retained earnings

Opening balance at 1 January	402.8	355.6
Net profit for the year	207.9	172.7
Actuarial gain / (loss) on defined benefit obligation net of tax	3.1	(0.8)
Dividends	(139.5)	(124.7)
Closing balance at 31 December	<u>474.3</u>	<u>402.8</u>

22 Dividends

	The Company	
	2015	2014
	\$ million	\$ million
Dividends paid during the year		
2014 final dividend of 9.5 cents (2013 – 12.0 cents) per fully paid ordinary share, franked at 100% (2013 – 100%) paid on 16 April 2015	61.6	76.6
2015 interim dividend of 12.0 cents (2014 – 7.5 cents) per fully paid ordinary share, franked at 100% (2014 – 100%) paid on 9 October 2015	77.9	48.1
Total dividends	<u>139.5</u>	<u>124.7</u>
Dividends paid:		
In cash	139.5	100.1
Issue of shares through dividend reinvestment plan	-	24.6
Total dividends	<u>139.5</u>	<u>124.7</u>

Dividend not recognised at year end

Since the end of the year the Directors have recommended the payment of a final dividend of 15.0 cents (2014: 9.5 cents) per fully paid share, franked at 100% (2014: 100%). The aggregate amount of the proposed final dividend to be paid on 12 April 2016, not recognised as a liability at the end of the reporting period, is

97.3	61.6
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Franked dividend

The franked portion of the dividend proposed as at 31 December 2015 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 2016.

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22 Dividends (continued)

Franked dividend (continued)

	Consolidated	
	2015	2014
	\$ million	\$ million
Franking credits available for subsequent financial years based on a tax rate of 30% (2014: 30%)	<u>130.3</u>	<u>116.8</u>

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; and
- (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 \$41.7 million (2014: \$26.4 million).

23 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange, interest rate risk, and commodity price 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 where the Group's exposure is material.

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, which are reviewed on intervals appropriate to the individual risk. 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 and price caps to hedge the price risk related to certain electricity purchases.

(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 commitments and highly probable 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 Forward Exchange Contracts (FEC) to hedge its foreign exchange risk on these overseas trading activities against movements in foreign currency exposure to the Australian Dollar. FECs are entered into for a duration in line with forecast purchases and currency matched to the underlying exposure. Ineffectiveness of the hedge can arise primarily from changes in the timing of foreign currency payments compared to the duration of the FEC.

The Group treasury risk management policy is to progressively hedge up to 100% of material highly probable purchases for up to nine months forward on a rolling basis. Longer dated hedge positions are deemed too expensive versus the value at risk due to the respective currencies' interest rate spread.

As at the end of the reporting period, the Group had the following exposure to foreign exchange risk, expressed in Australian dollar:

\$ million – consolidated	<u>2015</u>	<u>2014</u>
Forward foreign exchange contracts:		
Buy foreign currency	40.9	-
Sell Australian dollar (cash flow hedges)	40.0	-
Net exposure	<u>0.9</u>	<u>-</u>

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23 Financial risk management (continued)

(a) Market risk (continued)

(ii) Electricity price risk

The Group's electricity purchases include market based pricing mechanisms, exposing cash flows to future movements in the underlying price of electricity in certain markets. Electricity price risk is assessed on the basis of forward projections of the Group's electricity demand and forecast market pricing to calculate a Value At Risk (VAR) measure. Hedging the price risk is considered when the VAR outweighs the cost of risk mitigation alternatives.

The Group considers and utilises where effective, futures electricity price caps (Caps) to manage this risk exposure. Caps are available for the relevant markets that the Group has price risk, matching the underlying price exposure of the Group. Ineffectiveness of the hedge arises from differences in the quantity of actual electricity purchases compared to the nominal quantity of the hedging instrument.

(iii) 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 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 debt facilities on periods up to 90 days, at a variable lending rate comprising the fixed bank margin applied to the daily bank bill swap rate effective at the date of each cash advance. During both 2015 and 2014, the Group's borrowings at variable rates were denominated in Australian Dollars.

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.

As at the end of the reporting period, the Group had the following exposure to variable and fixed rate financial instruments:

Consolidated	2015		2014	
	Weighted average interest rate	Balance \$ million	Weighted average interest rate	Balance \$ million
Variable rate instruments:				
Cash at bank, on hand and at call	2.50%	33.3	2.75%	31.8
Bank facilities	3.28%	328.8	3.86%	388.3
Fixed rate instruments:				
Finance leases	5.46%	1.7	5.78%	3.2

(iv) Summarised sensitivity analysis

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, liabilities recognised at 31 December are generally in Australian Dollars. All borrowings are denominated in Australian Dollars.

Electricity price risk impacts on future purchases of electricity, therefore recognised liabilities for electricity purchases are not impacted.

The following table summarises the sensitivity of the Group's floating rate borrowings to interest rate risk at the end of the reporting period. 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.

\$ million - consolidated	2015		2014	
	Impact on post-tax profit	Impact on equity	Impact on post-tax profit	Impact on equity
Interest rates – increase by 1%	(2.3)	(2.3)	(2.7)	(2.7)
Interest rates – decrease by 1%	2.3	2.3	2.7	2.7

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23 Financial risk management (continued)

(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, and financial guarantees. Financial guarantees are only provided in exceptional circumstances and are subject to approval in accordance with the Board approved delegated authorities.

For banks and financial institutions, only independently rated parties with investment grade rating are accepted. Derivative counterparties and cash transactions are limited to high credit quality institutions.

For trading credit risk, the Group assesses the credit quality of the customer, taking into account its financial position, past experience, external credit agency reports and credit references. Individual customer 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. 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.

The Group has no significant concentration of credit risk. As at 31 December 2015, the Group held no collateral over outstanding debts. Consequently, the maximum exposure to credit risk represents the carrying value of receivables and derivatives.

The Company applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance provision as at 31 December 2015 is determined as set out below, which incorporates forward looking information.

2015	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate (%)	0.12	0.24	2.38	34.92	
Gross carrying amount (\$ million)	118.0	67.5	8.4	3.7	197.6
Provision (\$ million)	0.1	0.2	0.2	1.3	1.8

The gross carrying amount includes external receivables of \$168.4 million and joint venture receivables of \$29.3 million.

(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 credit standby facilities that the Group has at its disposal to further reduce liquidity risk.

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23 Financial risk management (continued)

(c) Liquidity risk (continued)

Financing arrangements

	Consolidated	
	2015	2014
	\$ million	\$ 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	540.0	540.0
	544.0	544.0
Used at balance date		
Bank overdrafts	-	-
Bank facilities	330.0	390.0
	330.0	390.0
Unused at balance date		
Bank overdrafts	4.0	4.0
Bank facilities	210.0	150.0
	214.0	154.0
Maturity profile of bank facilities. Maturing on:		
5 January 2018	330.0	330.0
4 January 2019	210.0	210.0
	540.0	540.0

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. For bank facilities the cash flows have been estimated using interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities

\$million	< 6 months	6-12 months	1-2 years	> 2 years	Total
31 December 2015					
Non-derivatives					
Trade payables	122.9	-	-	-	122.9
Bank facilities	5.1	5.1	350.5	-	360.7
Finance leases	0.4	0.7	0.8	-	1.9
	128.4	5.8	351.3	-	485.5
Derivatives					
Gross settled forward foreign exchange contracts (cash flow hedges):					
- (inflow)	(29.8)	(8.5)	-	-	(38.3)
- outflow	28.9	8.3	-	-	37.2
	(0.9)	(0.2)	-	-	(1.1)
31 December 2014					
Non-derivatives					
Trade payables	121.1	-	-	-	121.1
Bank facilities	7.3	7.3	29.3	392.3	436.2
Finance leases	0.9	0.8	1.6	0.3	3.6
	129.3	8.1	30.9	392.6	560.9

Adelaide Brighton Limited and its controlled entities
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23 Financial risk management (continued)

(d) Financial instruments, derivatives and hedging activity

The Company early adopted AASB 9 *Financial Instruments* from 1 January 2015 and implemented hedge accounting in late August 2015. Under hedge accounting, changes in the value of qualifying instruments during the hedging period are recognised in comprehensive income rather than recognised in the income statement as the previous policy of the Group. The change to hedge accounting is undertaken prospectively, with instruments held by the Group prior to the change accounted for in accordance with the previous policy.

The change in accounting policy allows the Company to manage risk in an effective manner, without the accounting treatment of the instruments distorting the reported results.

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk can be found in (b) above.

Accounting policy – financial instruments

The Group classifies its financial assets in the following categories: financial assets at amortised cost, financial assets at fair value through profit or loss and hedging instruments. The classification depends on the purpose for which the financial assets were acquired, which is determined at initial recognition based upon the business model of the Group.

(i) Financial assets at amortised cost

The Group classifies its financial assets as at amortised cost if the asset is held with the objective of collecting contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. These include trade receivables and bank term deposits. Bank term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are financial assets at amortised cost and are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. Refer to note 7 for details relating to trade receivables.

(ii) Financial assets through profit or loss

Forward foreign exchange contracts are derivative instruments entered into by the Group for the purpose of managing foreign currency risk prior to late August 2015 which do not qualify for hedge accounting. 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.

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.

(iii) Hedging instruments

Financial instruments entered into by the Group for the purpose of managing foreign currency risk associated with its highly probable inventory purchases and electricity price risk with its highly probable electricity purchases after late August 2015 qualify for hedge accounting. Instruments are initially recognised at fair value on the date a contract is entered into.

Changes in fair value of instruments that qualify for hedge accounting are recognised in other comprehensive income in the cash flow hedge reserve. Amounts accumulated in the hedge reserve are recognised as part of the initial carrying amount of an asset or liability or reclassified to the income statement, depending upon the purpose of the hedging instrument.

Refer to note 21(a) for details of the movements in the Group's reserves relating to hedging activities.

Adelaide Brighton Limited and its controlled entities
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23 Financial risk management (continued)

(d) Financial instruments, derivatives and hedging activity (continued)

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

	Consolidated 2015	2014
<i>Hedging instrument – forward foreign exchange contracts</i>		
Carrying amount (liability) – \$million	1.3	-
Notional amount – \$million	38.3	-
Maturity date	Jan – Sep 2016	-
Hedge ratio	1:1	-
Change in value of outstanding hedge instruments since 1 January – \$million	(1.3)	-
Change in value of hedge item used to determine hedge effectiveness – \$million	1.3	-
Weighted average hedge rate	A\$1 : US\$0.7058	-
<i>Hedging instrument – electricity price caps</i>		
Carrying amount (asset) – \$million	0.6	-
Notional amount – megawatts	10	-
Maturity date	Jan – Mar 2016	-
Hedge ratio	1:1	-
Change in value of outstanding hedge instruments since 1 January – \$million	-	-
Change in value of hedge item used to determine hedge effectiveness – \$million	-	-
Cap price	\$300/MwH	-

(e) Transitional disclosures

The Company has elected to apply AASB 9 Financial Instruments as issued in December 2014 because the new accounting policies provide more reliable and relevant information. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated.

The change in policy as a result of early adopting AASB 9 has not resulted in any restatement of prior year balances. The early adoption of AASB 9 has not had a material impact on the opening balance sheet as at 1 January 2015 and related retained earnings, based on the following grounds:

- The financial assets (trade receivables and bank term deposits) and the financial liabilities (trade and other payables, borrowings and other liabilities) which were previously classified at amortised cost under AASB 139 are continued to be classified at amortised cost under AASB 9.
- Moving from the historical loss provision to the expected loss rate provision does not have material impact on the previously provided allowance under AASB 139.
- No hedge accounting was adopted in the previous year.

24 Fair value measurements

Fair value hierarchy

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying amounts of financial instruments disclosed in the balance sheet approximate to their fair values. AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Recognised fair value measurements

The Group measures and recognises derivatives used for hedging foreign currency risk and electricity price risk at fair value. The Group held liabilities in relation to forward exchange contracts of \$1.3m (2014: \$nil) and assets in relation to electricity price caps of \$0.6 million (2014: \$nil) as at the end of the reporting period. The fair values of these hedges are measured with reference to forward interest rates and exchange rates and the present value of the estimated future cash flows (level 2).

Adelaide Brighton Limited and its controlled entities
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24 Fair value measurements (continued)

Fair value hierarchy (continued)

(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).

25 Contingencies

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

	Consolidated	
	2015	2014
	\$ million	\$ million
(a) Guarantees		
Bank guarantees	22.3	19.8

(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.

26 Commitments for capital expenditure

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

Within one year	29.6	5.0
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27 Share-based payment plans

Accounting policy - share-based payments

Share-based compensation benefits are provided to executives via the Adelaide Brighton Limited Executive Performance Share Plan ("the Plan" or "EPSP").

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).

Adelaide Brighton Limited and its controlled entities
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27 Share-based payment plans (continued)

(a) Employee Share Plan

The establishment of the Adelaide Brighton Limited 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 (2014 – 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 Plan provides for grants of Awards to eligible executives. This plan was approved by shareholders at the Annual General Meeting held on 19 November 1997

Under the Plan, eligible executives are granted Awards (each being an entitlement to a fully paid ordinary share of Adelaide Brighton Limited, subject to the satisfaction of performance conditions) on terms and conditions determined by the Board. On exercise of the Award following vesting, participants are issued shares of the Company. Detailed discussion of performance conditions is set out in the Remuneration Report on pages 15 to 32.

The exercise price for each Award is \$nil.

Movement in number of Awards outstanding

	Consolidated	
	2015	2014
Outstanding at beginning of the year	3,319,603	6,262,180
Granted	795,761	1,065,255
Forfeited	(510,997)	(1,929,500)
Exercised	(618,080)	(2,078,332)
Expired	-	-
Outstanding at the end of the year	<u>2,986,287</u>	<u>3,319,603</u>
Exercisable at the end of the year	-	-

The average value per share at the earliest exercise date during the year was \$4.60 (2014: \$3.92). The value per share is calculated using the Volume 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 fair value of Awards at the grant date are independently determined using a pricing model. 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 impact of the Award's performance conditions have been incorporated into the valuation through the use of a discount for lack of marketability and TSR vesting conditions. Volatility of the Company's share price has been considered in valuing the Awards, however the independent valuer has reached the conclusion that the volatility is not a factor in assessing the fair value of the Awards.

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27 Share-based payment plans (continued)

(b) Executive Performance Share Plan (continued)

The tables below set out the key assumptions used by the independent valuer in their valuation model to assess the fair value of the Awards.

Awards granted in 2015 – weighted average pricing model inputs

	2015 Awards	2014 Awards	2013 Awards	2012 Awards – Tranche 2	2012 Awards – Tranche 1
Share price at grant date - per share	\$4.43	\$3.84	\$3.84	\$3.84	\$3.84
Expected future dividends - per share	\$0.71	\$0.66	\$0.60	\$0.35	\$0.10
Risk-free interest rate - % p.a.	2.35	1.87	1.87	1.88	1.88
Lack of marketability discount - % p.a.	2.50	2.50	2.50	2.50	2.50
TSR condition discount	50%	50%	50%	50%	-
Earliest exercise date	1-May-19	1-May-18	1-May-17	1-May-16	1-May-15

Awards granted in 2014 – weighted average pricing model inputs

	2014 Awards
Share price at grant date - per share	\$3.89
Expected future dividends - per share	\$0.61
Risk-free interest rate - % p.a.	3.39
Lack of marketability discount - % p.a.	2.50
TSR condition discount	50%
Earliest exercise date	1-May-18

Comparative information has been updated to reflect the most recent Award valuations undertaken by the independent valuer.

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 Group recognised share based payments expense of \$1,323,686 during the year (2014: \$1,521,941).

The weighted average remaining contractual life of Awards outstanding at the end of the period was 1.8 years (2014: 1.8 years).

28 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	
	2015	2014
	\$	\$
(a) Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial statements	777,498	651,210
(b) Non-audit services		
PricewaterhouseCoopers Australian firm		
Other assurance services	132,917	104,073

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29 Related parties

(a) Compensation of key management personnel

	Consolidated	
	2015	2014
	\$ million	\$ million
Short-term employee benefits	7.5	7.1
Post-employment benefits	0.2	1.0
Share-based payments	1.3	1.8
	9.0	9.9

(b) Other transactions with key management personnel

R D Barro, a Director of Adelaide Brighton Limited, is Managing Director of Barro Group Pty Ltd. Barro Group Pty Ltd and Adelaide Brighton Limited, 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.

M P Chellew, an executive Director of Adelaide Brighton Limited until his retirement on 21 May 2014, M Brydon, Managing Director and Chief Executive Officer, and M Kelly, a senior executive of Adelaide Brighton Limited, have been Directors of Sunstate Cement Ltd during the reporting period. M Brydon was also a Director of Independent Cement and Lime Pty Ltd until 6 March 2014 and of Aalborg Portland Malaysia Sdn. Bhd. until 13 November 2014. G Agriogiannis, a senior executive of Adelaide Brighton Limited 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, the Mawsons Group and Aalborg Portland Malaysia Sdn. Bhd., which are all joint ventures or associates of the Group.

(c) Controlled entities

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

Transactions entered into during the year with Directors of the Company and the Group, or their related parties, are on standard commercial terms and conditions, and include the purchase of goods from the Group and the receipt of dividends from the Company.

	Consolidated	
	2015	2014
	\$	\$
Aggregate amounts of the above transactions with the Directors and their related parties:		
Sales to Director related parties	60,530,291	54,853,108
Purchases from Director related parties	20,398,478	44,361,860

Details of interests in controlled entities are set out in note 30. The ultimate parent company is Adelaide Brighton Limited.

(d) Joint arrangement and associate entities

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, Independent Cement and Lime Pty Ltd and Peninsula Concrete Pty Ltd. Hy-Tec Industries Pty Ltd, Hy-Tec Industries (Victoria) Pty Ltd, Hy-Tec Industries (Queensland) Pty Ltd, Adbri Masonry Group Pty Ltd, Adelaide Brighton Cement Ltd and Cockburn Cement Ltd purchased finished products, raw materials and transportation services from Sunstate Cement Ltd, Independent Cement and Lime Pty Ltd and Aalborg Portland Malaysia Sdn. Bhd.

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

Adelaide Brighton Limited and its controlled entities
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29 Related parties (continued)

(e) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2015	2014
	\$'000	\$'000
Sales of goods		
- Joint venture entities	223,705	199,259
Purchases of materials and goods		
- Joint venture entities	88,295	76,793
Interest revenue		
- Joint venture entities	762	761
Dividend and distribution income		
- Joint venture entities	16,227	20,984
Superannuation contributions		
- Contributions to superannuation funds on behalf of employees	12,189	11,682
Loans advanced to/(from):		
- Joint venture entities	940	1,861

(f) 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:

Current receivables		
- Joint venture entities (interest)	345	393
- Joint venture entities (trade)	28,962	27,242
Non-current receivables		
- Joint venture entities (loans)	30,212	29,276
Current payables		
- Joint venture entities (trade)	2,243	12,378

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

(g) Loans to related parties

A loan to a joint venture entity, Independent Cement and Lime Pty Ltd, has interest charged at commercial rates on the outstanding balance. Interest revenue brought to account by the Group during the reporting year on this loan was \$762,637 (2014: \$760,758).

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30 Subsidiaries and transactions with non-controlling interests

The Group's material subsidiaries at 31 December are set out below. The subsidiaries 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.

Name of entity	Place of incorporation	Class of shares	Ownership interest held by the Group	
			2015 %	2014 %
Adbri Masonry Group Pty Ltd	Australia	Ord	100	100
Adbri Masonry Pty Ltd	Australia	Ord	100	100
Adelaide Brighton Cement Investments Pty Ltd	Australia	Ord	100	100
Adelaide Brighton Cement Ltd	Australia	Ord	100	100
Adelaide Brighton Management Ltd	Australia	Ord	100	100
Aus-10 Rhyolite Pty Ltd	Australia	Ord	100	100
Cockburn Cement Ltd	Australia	Ord	100	100
Exmouth Limestone Pty Ltd	Australia	Ord	51	51
Hurd Haulage Pty Ltd	Australia	Ord	100	100
Hy-Tec Industries Pty Ltd	Australia	Ord	100	100
Hy-Tec Industries (Queensland) Pty Ltd	Australia	Ord	100	100
Hy-Tec Industries (Victoria) Pty Ltd	Australia	Ord	100	100
Morgan Cement International Pty Ltd	Australia	Ord	100	100
Northern Cement Ltd	Australia	Ord	100	100
Premier Resources Ltd	Australia	Ord	100	100
Screenings Pty Ltd	Australia	Ord	100	100
Southern Quarries Pty Ltd	Australia	Ord	100	100

31 Deed of cross guarantee

As at the date of this report, Adelaide Brighton Limited, 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, Hurd Haulage Pty Ltd, Aus-10 Rhyolite Pty Ltd, Screenings Pty Ltd, Southern Quarries Holdings Pty Ltd, Direct-Mix Holdings Pty Ltd and Southern Quarries 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". Aus-10 Rhyolite Pty Ltd, Screenings Pty Ltd, Southern Quarries Holdings Pty Ltd, Direct-Mix Holdings Pty Ltd and Southern Quarries Pty Ltd entered into the Deed on 3 December 2014. No changes to the Deed were made during 2015.

Set out below is a consolidated balance sheet as at 31 December 2015 of the Closed Group.

	2015 \$ million	2014 \$ million
Current assets		
Cash and cash equivalents	28.2	26.8
Trade and other receivables	207.6	199.6
Inventories	161.2	153.8
Assets classified as held for sale	-	1.5
Total current assets	397.0	381.7
Non-current assets		
Receivables	32.9	32.6
Retirement benefit asset	1.3	-
Joint arrangements and associate	86.5	85.6
Other financial assets	21.4	25.1
Property, plant and equipment	958.7	965.3
Intangible assets	270.7	259.8
Total non-current assets	1,371.5	1,368.4
Total assets	1,768.5	1,750.1

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31 Deed of cross guarantee (continued)

	2015	2014
	\$ million	\$ million
Current liabilities		
Trade and other payables	130.3	127.3
Borrowings	0.7	0.9
Current tax liabilities	14.9	1.3
Provisions	33.4	24.5
Provision for carbon emissions	-	14.0
Other liabilities	6.8	4.1
Total current liabilities	<u>186.1</u>	<u>172.1</u>
Non-current liabilities		
Borrowings	329.0	389.2
Deferred tax liabilities	85.0	74.2
Provisions	36.9	49.4
Retirement benefit obligations	-	2.2
Provision for carbon emissions	-	-
Other non-current liabilities	0.1	0.1
Total non-current liabilities	<u>451.0</u>	<u>515.1</u>
Total liabilities	<u>637.1</u>	<u>687.2</u>
Net assets	<u>1,131.4</u>	<u>1,062.9</u>
Equity		
Contributed equity	729.2	727.9
Reserves	1.3	1.6
Retained earnings	400.9	333.4
Total equity	<u>1,131.4</u>	<u>1,062.9</u>

Set out below is a condensed consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 31 December 2015 of the Closed Group.

Profit before income tax	282.3	226.8
Income tax expense	(78.1)	(59.8)
Profit for the year	<u>204.2</u>	<u>167.0</u>
Retained earnings 1 January	333.4	259.0
Retained earnings on members entering / leaving Closed Group	-	32.9
Profit for the year	204.2	167.0
Other comprehensive income	2.8	(0.8)
Dividends paid	(139.5)	(124.7)
Retained earnings 31 December	<u>400.9</u>	<u>333.4</u>

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

	Consolidated	
	2015	2014
	\$ million	\$ million
Profit for the year	207.8	172.6
Doubtful debts	0.8	2.3
Depreciation, amortisation and impairment	77.8	75.0
Share based payments expense	(1.5)	(5.5)
Finance charges on remediation provision	0.9	1.2
(Gain) on sale of non-current assets	(45.9)	(1.2)
Share of profits of joint ventures, net of dividends received	(3.7)	(0.7)
Non-cash retirement benefits expense	1.0	0.9
Non-cash remediation obligation	(2.2)	(7.3)
Fair value accounting gain on acquisition of business	(0.2)	(17.8)
Capitalised interest	(0.5)	(0.6)
Other	(0.5)	1.0
Net cash provided by operating activities before changes in assets and liabilities	<u>233.8</u>	<u>219.9</u>

Adelaide Brighton Limited and its controlled entities
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32 Reconciliation of profit after income tax to net cash inflow from operating activities (continued)

	Consolidated	
	2015	2014
	\$ million	\$ million
Changes in operating assets and liabilities, net of effects from purchase of business combinations:		
(Increase) in inventories	(6.6)	(13.9)
(Increase) / decrease in prepayments	(1.4)	1.4
(Increase) in receivables	(7.8)	(9.5)
Increase in trade creditors	0.8	4.7
(Decrease) / increase in provisions	(2.2)	3.6
Increase / (decrease) in taxes payable	13.6	(18.6)
Increase in deferred taxes payable	10.9	4.0
(Decrease) / increase in other operating assets and liabilities	(11.2)	2.4
Net cash inflow from operating activities	229.9	194.0

33 Earnings per share

Accounting policy - 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.

	Consolidated	
	2015	2014
	Cents	Cents
Basic earnings per share	32.0	26.9
Diluted earnings per share	31.9	26.8

	Consolidated	
	2015	2014
	Number	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	648,680,849	641,365,689
Adjustment for calculation of diluted earnings per share:		
Awards	2,986,287	3,319,603
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	651,667,136	644,685,292

	Consolidated	
	2015	2014
	\$ million	\$ million
Reconciliation of earnings used in calculating earnings per share		
<i>Basic and diluted earnings per share</i>		
Profit after tax	207.8	172.6
Loss/(profit) attributable to non-controlling interests	0.1	0.1
Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	207.9	172.7

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34 Segment reporting

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Managing Director and Chief Executive Officer. 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, Concrete and Aggregates
- Concrete Products

The operating segments Cement, Lime, Concrete and Aggregates 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. Joint arrangements and associates related to the reportable segments form part of the above two reportable segments.

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

(b) Segment information provided to the Managing Director and Chief Executive Officer

The segment information provided to the Managing Director and Chief Executive Officer for the reportable segments is as follows:

31 December 2015	Cement, Lime, Concrete and Aggregates \$ million	Concrete Products \$ million	Unallocated \$ million	Total \$ million
Total segment operating revenue	1,536.7	147.8	-	1,684.5
Inter-Company revenue	(64.0)	-	-	(64.0)
Revenue from external customers	1,472.7	147.8	-	1,620.5
Depreciation and amortisation	(65.6)	(8.3)	(3.9)	(77.8)
EBIT	321.7	11.4	(34.5)	298.6
Share of net profits of joint venture and associate entities accounted for using the equity method	19.9	-	-	19.9
31 December 2014				
Total segment operating revenue	1,411.2	137.4	-	1,548.6
Inter-Company revenue	(40.8)	-	-	(40.8)
Revenue from external customers	1,370.4	137.4	-	1,507.8
Depreciation and amortisation	(62.1)	(7.7)	(3.2)	(73.0)
Impairment	(2.0)	-	-	(2.0)
EBIT	271.4	6.1	(30.0)	247.5
Share of net profits of joint venture and associate entities accounted for using the equity method	21.7	-	-	21.7

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

The operating revenue assessed by the Managing Director and Chief Executive Officer 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	
	2015 \$ million	2014 \$ million
Total segment operating revenue	1,684.5	1,548.6
Inter-Company revenue elimination	(64.0)	(40.8)
Freight revenue	125.8	139.4
Interest revenue	1.7	1.8
Royalties	0.4	0.4
Elimination of joint venture and associate revenue	(335.3)	(311.6)
Revenue from continuing operations	1,413.1	1,337.8

Adelaide Brighton Limited and its controlled entities
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34 Segment reporting (continued)

(b) Segment information provided to the Managing Director and Chief Executive Officer (continued)

The Managing Director and Chief Executive Officer 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:

EBIT	298.6	247.5
Net interest	(13.0)	(15.0)
Profit before income tax	285.6	232.5

(c) Other segment information

Revenues of \$193.8 million (2014: \$168.7 million) are derived from a single customer. These revenues are attributable to the Cement, Lime, Concrete and Aggregates segment.

35 Parent entity financial information

The financial information for the parent entity, Adelaide Brighton Limited ("the Company"), 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.

(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.

Adelaide Brighton Limited and its controlled entities
Notes to and forming part of the consolidated financial statements
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35 Parent entity financial information (continued)

(a) Summary financial information

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

	2015 \$ million	2014 \$ million
Balance sheet		
Current assets	1,750.6	1,556.3
Total assets	2,114.6	1,920.5
Current liabilities	911.7	674.3
Total liabilities	1,241.9	1,063.9
Net assets	872.7	856.6

(b) Guarantees entered into by the parent entity

Bank guarantees	5.9	2.5
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(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2015 or 31 December 2014 other than the bank guarantees detailed above.

Shareholders' equity		
Share capital	722.1	720.8
Reserves		
Share-based payments	1.9	1.8
Retained earnings	148.7	134.0
Total shareholders' equity	872.7	856.6
Profit for the year	154.2	118.1
Total comprehensive income	154.2	118.1

36 Events occurring after the balance sheet date

As at the date of this report, no matter or circumstance has arisen since 31 December 2015 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.

37 Business combinations

During the year, the Group finalised the acquisition accounting for businesses purchased in 2014. A reconciliation of the carrying value of the goodwill related to those acquisitions is set out below.

	Consolidated 2015 \$ million
Goodwill reported at 31 December 2014	75.6
Additional goodwill recognised	2.5
Restated goodwill recognised at 31 December 2014	<u>78.1</u>

No impairment losses were recognised in relation to the goodwill associated with these acquisitions.

Adelaide Brighton Limited and its controlled entities
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37 Business combinations (continued)

The effect of finalising the accounting for prior year acquisitions has resulted in the restatement of the affected financial statement line items for the prior period as follows:

	31 December 2014	Increase/ (Decrease)	31 December 2014
Balance sheet (extract)	\$ million	\$ million	(Restated) \$ million
Cash and cash equivalents	31.7	0.1	31.8
Trade and other receivables	199.3	0.4	199.7
Inventories	154.7	(0.3)	154.4
Property, plant and equipment	989.6	4.6	994.2
Intangible assets	263.9	2.5	266.4
Trade and other payables	120.4	0.9	121.3
Deferred tax liabilities	76.8	(2.1)	74.7
Provisions	41.4	8.5	49.9
Net assets	<u>1,136.7</u>	<u>-</u>	<u>1,136.7</u>

Adelaide Brighton Limited and its controlled entities

31 December 2015

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 37 to 83 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 2015 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 31 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 31.

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 Executive Officer 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 Brydon

Director

Dated 18 March 2016



Auditor's Independence Declaration

As lead auditor for the audit of Adelaide Brighton Limited for the year ended 31 December 2015, 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.

A handwritten signature in black ink, appearing to read 'Kevin Reid', is written over a large, faint, light-colored signature line.

Kevin Reid
Partner
PricewaterhouseCoopers

Adelaide
18 March 2016



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 2015, the consolidated income statement and consolidated 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*.



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 2015 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 15 to 32 of the directors' report for the year ended 31 December 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

Pricewaterhouse Coopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Kevin Reid', is written over a large, stylized, abstract signature line that starts with a long horizontal stroke and curves upwards and then downwards.

Kevin Reid
Partner

Adelaide
18 March 2016