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Adelaide Brighton Ltd
ACN 007 596 018

23 February 2017

The Manager
Market Announcements
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Results for announcement to the market – full year ended 31 December 2016

We attached Preliminary Final Report (Appendix 4E) in accordance with Listing Rule 4.3A and management discussion covering the year ended 31 December 2016 for release to the market.

Yours faithfully

MRD Clayton
Company Secretary

For further information please contact:

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Group Corporate Affairs Adviser
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Results for announcement to the market

Company name:	Adelaide Brighton Limited
ABN:	15 007 596 018
Reporting period:	Financial year ended 31 December 2016
Previous corresponding period:	Financial year ended 31 December 2015
Release date:	23 February 2017

				A$m
Revenue from continuing operations	**down**	1.2%	**to**	1,396.2
Earnings before interest and tax	**down**	10.9%	**to**	266.1
Net profit for the period attributable to members	**down**	10.4%	**to**	186.3

Dividends	Amount per security		Franked amount per security
	Current period	Previous corresponding period	
Final ordinary dividend	11.5¢	11.0¢	100%
Final special dividend	4.0¢	4.0¢	100%
Interim ordinary dividend	8.5¢	8.0¢	100%
Interim special dividend	4.0¢	4.0¢	100%

Record date for determining entitlements to the final dividend	28 March 2017
Payment date for final dividend	12 April 2017

Annual General Meeting

Pursuant to listing rule 3.13.1 notice is hereby given that the 2017 Annual General Meeting of Adelaide Brighton Ltd will be held on Thursday 25 May 2017 at the InterContinental Adelaide, North Terrace, Adelaide, SA, commencing at 10.00 am.

	31 Dec 2016	31 Dec 2015
Net tangible asset backing per ordinary share	$1.46	$1.44

Dividend Reinvestment Plan

The Adelaide Brighton Limited Board advises that the Company's Dividend Reinvestment Plan remains suspended until further notice.

KEY POINTS

- Revenue of $1,396.2 million, down 1.2% compared to previous corresponding period (pcp)
- EBIT down 10.9% to $266.1 million, due to lower profits from property sales
- Excluding property profits EBIT up 1.6% to $257.7 million
- NPAT down 10.4% to $186.3 million, due to lower property profits
- Excluding property earnings, NPAT up 3.1% to $178.4 million
- Operating cash flow increased 8.0% to $248.4 million
- Gearing[1] declined to 23.6% at year end, due to strong operating cash flows and property sales
- Final ordinary dividend of 11.5 cents per share, franked to 100%, up 4.5% compared to pcp
- Final special dividend of 4.0 cents per share, franked to 100%, in line with the pcp
- Total FY2016 dividends 28.0 cents, representing a payout of 98% on EPS
- Basic earnings per share declined 10.3% to 28.7 cents, due to lower property profits
- Excluding property profits, EPS up 3.0% to 27.5 cents

FINANCIAL SUMMARY	**12 months ended 31 December**		
($million)	**2016**	**2015**	**% change pcp**
Revenue	**1,396.2**	**1,413.1**	**(1.2)**
Depreciation, amortisation and impairments	(78.1)	(77.8)	0.4
Earnings before interest and tax ("EBIT")	**266.1**	**298.6**	**(10.9)**
Net finance cost[2]	(11.5)	(13.0)	(11.5)
Profit before tax	**254.6**	**285.6**	**(10.9)**
Tax expense	(68.4)	(77.8)	(12.1)
Net profit after tax	**186.2**	**207.8**	**(10.4)**
Non-controlling interests	0.1	0.1	-
Net profit attributable to members ("NPAT")	**186.3**	**207.9**	**(10.4)**
Basic earnings per share ("EPS") (cents)	28.7	32.0	(10.3)
Dividends per share – fully franked (cents)	28.0[3]	27.0[3]	3.7
Net debt[4] ($ million)	288.5	297.2	(2.9)
Gearing (%)	23.6%	24.6%	
Return on funds employed[5] – including property	17.5%	19.8%	
Return on funds employed[5] – excluding property	16.9%	16.8%	

[1] Net debt/equity.
[2] Net finance cost is the net of finance costs shown gross in the Income Statement with interest income included in revenue.
[3] Includes special dividends of 8.0 cents per share for FY 2016 and 8.0 cents per share for FY 2015.
[4] Net debt is calculated as total borrowings less cash and cash equivalents.
[5] Return on funds employed = EBIT/average monthly funds employed.

Summary of results

Net profit after tax

Adelaide Brighton's long term strategy has positioned the Company to be resilient to the cyclical nature of construction markets and in 2016 has seen the Group grow net profit after tax (excluding property) by 3.1%. This was despite a decline in sales volume of 20% in Western Australia and the Northern Territory, and electricity market disruptions which impacted profit before tax by $9 million.

Reported net profit after tax attributable to members (NPAT) for the year ended 31 December 2016 declined 10.4% to $186.3 million primarily due to lower property profits compared to the previous corresponding period. Property contributed $7.9 million to NPAT, compared to $34.9 million in 2015.

Revenue

Revenue of $1,396.2 million was 1.2% lower than in 2015, due to reduced demand for cement from residential and resource construction projects in Western Australia and the Northern Territory. By contrast, continued strength in the residential sector and a ramp up in infrastructure projects in the eastern states and South Australia lifted demand for cement, clinker, concrete and aggregates in these markets. Excluding the impact of lower freight revenue, Group revenue increased slightly versus pcp.

Earnings before interest and tax

Earnings before interest and tax (EBIT) decreased 10.9% from the prior year to $266.1 million on an EBIT margin of 19.1%. Excluding property profits, EBIT grew 1.6% on 2015 to $257.7 million, while the EBIT margin improved from 17.9% in 2015 to 18.5% in 2016.

Margins

EBIT margins excluding property improved as a result of price increases, cost initiatives and higher joint venture earnings. These more than offset the impact of lower cement volumes and electricity supply disruptions in South Australia. Import costs were higher due to the weaker Australian dollar. Joint arrangements and associate earnings increased from $21.5 million in 2015 to $30.9 million in 2016 reflecting improved demand and higher cement prices on the east coast of Australia.

Operating cash flow and debt

Operating cash flow increased 8.0% from the prior year to $248.4 million, driven by improved operating profit and stronger cash conversion. Property sales contributed $20.6 million to cash flow, bringing sales in the last four years to more than $85 million. The estimate of the sales value of the remaining property pipeline over the next decade exceeds $120 million. Gearing reduced to 23.6% at year end, assisted by strong operating cash flows and property sale proceeds.

Earnings per share

Earnings per share (EPS) were 28.7 cents, while EPS excluding property profits increased 3.0% from the prior year to 27.5 cents.

Dividends

A final ordinary fully franked dividend of 11.5 cents per share and a fully franked special dividend of 4.0 cents per share were declared, bringing total dividends for FY 2016 to 28.0 cents fully franked. The record date for the final 2016 dividend is 28 March 2017 with payment on 12 April 2017.

The special dividend takes into consideration Adelaide Brighton's strong cash flow, low gearing, current capital expenditure outlook and availability of franking credits.

Strategic developments

Through an ongoing cost reduction program, $16 million in new savings were delivered in 2016, including $9 million in annualised energy costs savings. Further operational improvements will be implemented in 2017.

In line with its vertical integration strategy, the Company has agreed to purchase a Melbourne, Victoria, concrete and quarry business which is expected to complete in March 2017. The total acquisition cost is $61 million representing 7.0 times 2016 EBITDA.

Review of Operations

Demand Overview

Demand in east coast markets remained strong in the second half of 2016. Residential activity was robust in Victoria, New South Wales and Queensland, while South Australia returned to growth. Non-residential building and infrastructure[1] activity also underpinned demand in these markets.

In New South Wales, strong residential activity was augmented by non-residential building and transport infrastructure projects. In Victoria, multi-residential activity remained a key source of demand and was further supported by non-residential building.

South east Queensland markets continue to improve, particularly the Gold Coast and Sunshine Coast regions. Increasing South Australian demand was driven by several infrastructure projects and stronger demand from mining operations.

Cement demand declined sharply in Western Australia and the Northern Territory, given weak residential and non-residential activity and lower sales volumes to resource construction projects. Western Australian lime demand was stable over the year, with a small improvement in the second half, while Northern Territory lime demand was also stable.

Cement and clinker

Sales – WA and NT slowdown contrasts east coast strength

Cement and clinker sales volumes decreased 4% compared to 2015. Volumes declined in Western Australia and the Northern Territory by approximately 20% due to completion of a number of major resources projects and weakening residential and commercial activity.

This was partially offset by higher sales to construction markets in New South Wales, Victoria and south east Queensland, and a return to normal sales to a major mining customer in South Australia.

Cement sales in South Australia were also assisted by the start of major infrastructure projects, which are anticipated to ramp up over 2017 and continue into 2018.

While cement selling prices increased in almost all markets, geographic mix resulted in a lower weighted average prices predominantly in the first half of the year.

Overall cement margins declined due to lower volumes, and higher energy and import costs. The impact of the WA and NT demand downturn has been moderated by the company's strategy to rationalise inefficient production, expand import operations and lower supply costs, and an improvement in the performance of businesses on the east coast.

Operations – Electricity disruptions in South Australia impact costs

(i) Energy disruptions

Energy in South Australia had an unfavourable pre-tax impact of $13 million versus pcp. $9 million of this was a result of the market wide disruptions to electricity supply in that state. The disruptions caused higher electricity and gas prices, production losses at Adelaide Brighton plants and subsequent reduced sales to customers whose production facilities were temporarily suspended.

The disruption resulted from the closure of generation capacity in South Australia, the temporary closure of the Heywood interconnector in July 2016 and the severe weather event that disrupted electricity supplies in September 2016.

The Birkenhead and Angaston operations were not physically damaged by the weather events and electricity market disruption was mitigated through managing production and the use of alternative energy sources.

[1] Non-residential building includes education, health, office, retail, hotels and factories, while infrastructure includes roads, bridges and railways.

(ii) Imports

Imports remain a key component of the Adelaide Brighton growth strategy, leveraging the domestic production footprint of the Group and providing highly competitive supply into key markets. Import volumes declined slightly to 2.0 million tonnes as a result of the lower sales volumes in Western Australia and the Northern Territory. Import costs increased by $7 million before tax, due to the decline in the Australian dollar compared to the previous year.

(iii) Operational Improvement

Adelaide Brighton continues to identify opportunities for operational improvement including the rationalisation of inefficient production, reducing energy costs and other efficiency improvements to ensure the operations achieve optimal performance.

Lime

Sales – Volumes stable

Lime sales volumes in 2016 were similar to the prior year, with demand from the non-alumina sector stabilising after a period of recovery and demand from the alumina sector improving slightly in the second half.

Operations – Energy costs down

Lime margins improved as a result of lower operating costs, with natural gas contract negotiations delivering pre-tax benefits of $8 million. A small investment in loading capability delivered benefits through more efficient use of rail transport. Maintenance and transport costs have also benefited from contract renegotiations.

Concrete and Aggregates

Sales – residential and project demand supports growth

Concrete and aggregate volumes increased due to strong demand in the eastern states, particularly New South Wales and Queensland. Average selling prices for concrete were up 3.7% and aggregates prices increased significantly more than CPI, with demand from all major concrete and aggregates markets improving.

The recovery in South Australian concrete and aggregates volumes continued in the second half. The outlook for demand in South Australia appears favourable given major infrastructure projects. Sales volumes were also strong in New South Wales, Victoria and Queensland.

Sydney aggregates markets continue to be supported by the depletion of traditional reserves and increasing reliance on product from further afield. The New South Wales quarry operations are competitively positioned to supply demand growth in Sydney.

Operations – production efficiencies remain a focus

Improved volumes and cost control measures resulted in flat or reduced unit production costs. Margins were enhanced by cost control, logistical improvements and increased pricing.

Concrete Products

Sales – markets stable

After a solid first half, sales declined slightly in the second half so that full year revenue increased 0.9% to $149.2 million. Volumes were affected in South Australia and Victoria by weather. There were also delays in supply to several projects and competitive pressures in some markets. Adelaide Brighton has taken a proactive stance to increase returns in the business through cost reductions and price increases. This approach has meant in some cases losing unprofitable business but has contributed to a significant improvement in earnings.

Operations – margin improvement

Operational improvement initiatives have introduced flexibility into the Concrete Products operations, contributing to a significant increase to gross margins compared to 2015 despite a small reduction in volumes.

Adelaide Brighton has lifted efficiency in the masonry business through plant rationalisation, tolling arrangements, a range of operational improvements and transport efficiencies. Equipment upgrades continued during the year, with components of two manufacturing plants replaced as part of ongoing operational improvement initiatives.

In addition, the business has made a significant investment in product innovation to lift the presence of masonry within the building products industry, which offers exciting revenue opportunities for the business in the medium term.

The concrete products business is also an important and growing customer for the cement, aggregates and sand business, which offers vertical integration benefits for the Company.

Excluding property profits ($0 million 2016, pre-tax $1.9 million 2015), EBIT improved 20% compared to 2015, reflecting a significant lift in EBIT margins in the second half.

Joint arrangements and associates

Independent Cement and Lime Pty Ltd (ICL) (50%)

ICL is a specialist supplier of cementitious products throughout Victoria and New South Wales.

ICL's sales volumes increased reflecting continued strength in construction activity across the New South Wales and Victoria markets. Higher selling prices, strong demand and an easing of input cost pressures supported an increased contribution from $7.9 million to $10.5 million profit after tax, a 33% increase.

Sunstate Cement Limited (Sunstate) (50%)

Sunstate is a joint venture between Adelaide Brighton (50%) and Boral Limited (50%) with a cement milling, storage and distribution facility at Fisherman Islands, Port Brisbane.

Sunstate's contribution to Group earnings increased by 33% from $8.3 million to $11.0 million, helped by residential demand across south east Queensland and projects, particularly in the Gold Coast and Sunshine Coast regions. Volumes, prices and margins were all higher than the prior corresponding period.

Mawson Group (Mawsons) (50%)

Mawsons is the largest premixed concrete and quarry operator in northern regional Victoria, and also operates in southern New South Wales. Mawsons is a significant aggregate producer in the region, generally holding the number one or number two position in the markets it serves.

Earnings improved by 45% on 2015 driven largely by strong demand for higher margin quarry products to major projects. Most of this demand occurred in the second half of the year. This was moderated by competitive pressure impacting premixed concrete margins.

Aalborg Portland Malaysia Sdn. Bhd. (APM) (30%)

APM manufactures and sells white cement and clinker for the domestic Malaysian market and exports to Australia and markets throughout south east Asia.

APM contribution to Group earnings improved by more than 200%. An improvement in production output following the full commissioning of the kiln upgrade led to higher sales volumes and better operating cost performance compared to 2015.

Strategic Developments

Adelaide Brighton continues its successful long term strategy to grow shareholder returns through investment in three key areas:

1. Cost reduction and operational improvement across the Company;
2. Growth of the lime business to supply the resources sector in WA, SA and NT; and
3. Focused and relevant vertical integration into downstream aggregates, concrete, logistics and masonry.

Growing shareholder value

In implementing its growth 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 – licence to operate on behalf of shareholders and stakeholders

1 Cost reduction and continuous improvement

Consistent focus on operational improvement initiatives

Adelaide Brighton has focussed on improving the operational performance of its business, taking a long term view of customer and market trends to match operational capacity and resilience along with efficiency and cost performance.

Cost initiatives delivered incremental benefits of $16 million on a pre-tax basis compared to 2015. These initiatives related to:

- Energy

  Incremental cost savings of $9 million were delivered during the year primarily driven by an $8 million reduction in natural gas costs in the WA lime business. Electricity load management, and the ramp-up in usage of alternative fuels at the Birkenhead operations as a substitute for natural gas, also delivered benefits.

- Operational rationalisation

  Headcount reductions resulted in savings of $1 million in 2016. The full benefit from this rationalisation will be realised in 2017 with an additional $1 million of incremental savings.

- Other

  Benefits of $6 million were achieved through a range of other initiatives, including improved efficiency in transport and usage of alternative materials.

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 per annum, across multiple import facilities located in key markets across Australia.

This industry leading position enhances 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. It enables Adelaide Brighton's domestic production assets to operate at full utilisation, which underpins its competitive position and shareholder returns.

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.

The benefits of this strategy have been evident in the Western Australian cement business. While demand has turned down, the business has greater operational flexibility and now operates at lower cost than before the rationalisation. As a result, it is very well positioned to benefit from any recovery in demand.

Investment in operational improvement

Further savings are anticipated in 2017 from the rationalisation of specialty cement production at the Angaston (South Australia) facility.

The rationalisation of speciality cement production from the Angaston facility, leveraging the extensive importation network of the Group, will result in annualised EBIT savings of approximately $3 million. Earnings will be adversely impacted in 2017 by one-off charges associated with this initiative of $2.9 million before tax.

Land sales program

Adelaide Brighton has been actively engaged in selling and preparing for sale properties released by the rationalisation and improvement program. In many cases this includes re-zoning to realise greater value over time.

Since the beginning of 2013, cash proceeds from the property program have been $85 million. This includes transactions in 2016 that realised $20.6 million in cash proceeds and $7.9 million NPAT.

Estimated proceeds from the sale of properties in the next 10 years could realise in excess of $120 million in proceeds with an expected EBIT margin on these sales of circa 85% and an effective tax rate of approximately 20%.

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.

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 energy in Western Australia, operating margins improved significantly in 2016.

Lime sales volume has recently improved due to a recovery in the non-alumina sector, which represents about 30% of Western Australia's lime demand. This sector achieves higher selling prices, but remains the most exposed to ongoing import competition. There has been increased demand in particular from gold projects but there has also been improvement in the broader resources sector.

The Western Australian alumina sector remains among the lowest cost globally, underpinning its long term growth. There are currently a number of production expansions slated for the alumina producers, that once fully operational have the potential to add 15% to lime demand in Western Australia in the medium to longer term. The timing of these proposed expansions remains dependent on the dynamics of the alumina sector, but an increase in alumina fundamentals appears to be underway.

3 Downstream integration

Further downstream acquisitions

Adelaide Brighton continues to pursue its strategy of acquiring quality concrete and aggregate businesses that enhance its long term competitive position and shareholder value. Over the last decade it has built a concrete and aggregates business of scale that offers strong regional positions and strategic aggregates reserves that underpin returns to shareholders.

The business is complementary to the cement and lime operations and provides attractive diversification benefits as well as the ability to capture a greater share of the construction materials production and distribution value chain.

Continuing this strategy, Adelaide Brighton has agreed to acquire the Central Pre-Mix Concrete and Quarry business (Central), an integrated concrete and aggregate operation with five concrete plants and a hard rock aggregate quarry serving the metropolitan Melbourne market, the largest premixed concrete market in Australia.

The purchase price of approximately $61 million, including transaction costs, represents 7.0 times 2016 calendar year EBITDA. Completion is expected in early March 2017 and the acquisition is expected to be earnings accretive (excluding transaction costs) in 2017.

It is expected that 2017 EBITDA for the acquired business will increase on 2016. After funding and transaction costs the purchase will be earnings neutral in 2017. Transaction costs of circa $3 million (mainly stamp duty) will be expensed in 2017.

Central will provide access to strategically located and high quality assets, entry to the Melbourne aggregates market and an increase in the scale of Adelaide Brighton’s concrete and quarry business in Melbourne. The acquired business also offers operating synergies with the existing Melbourne operations and the prospect of further bolt on investments to enhance the overall regional position.

The pre-mixed concrete and aggregates acquisitions in 2014 and 2015 in South Australia and Queensland are exceeding earnings expectations with a positive outlook. In line with its integration strategy, Adelaide Brighton anticipates completing in March 2017 on a $61 million acquisition in the Melbourne concrete and aggregates market.

Financial Review

Cash flow – cash generation improves

Operating cash flow increased by $18.5 million to $248.4 million in 2016. The increase was attributable to stronger cash conversion of revenues and dividends from joint ventures, partially offset by increased tax payments.

Working capital increased modestly. Debtor days sales outstanding reduce versus the prior corresponding period and doubtful debt provision reduced to $1.2 million (.09% of revenue) compared to $1.8 million (0.13% of revenue) in the prior corresponding period.

Capital expenditure was $86.5 million. Stay in business capital of 49.7 million represents 64% of depreciation and amortisation. Stay in business expenditure was higher than prior corresponding period with $19.2 million spent on concrete plants in Sydney that are being relocated due to urban growth. Development capital increased $2.3 million to $36.8 million for organic projects that will improve costs and expand production capacity. Cash proceeds of $23.2 million from the sale of assets includes $20.6 million from the disposal of property.

Dividends paid to shareholders increased 28% to $178.5 million. Despite this, strong cash flow, which included property proceeds, reduced net debt by $8.7 million to $288.5 million and net debt to equity gearing fell from 24.6% to 23.6% over the year.

Freight

Freight revenue declined by $28.5 million due to a decrease in sales volumes of cement to remote resource projects. Freight and distribution costs on these sales declined by a similar amount. However, offsetting this reduction, increased deliveries of premixed concrete increased freight and distribution costs. 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.

Finance costs and tax expense

Net finance costs decreased from $13.0 million to $11.5 million in 2016 primarily as a result of the continuation of low underlying market interest rates.

Tax expense of $68.4 million decreased $9.4 million from 2015 and represents an effective tax rate of 26.9% (2015: 27.2%). The lower effective tax rate in 2016 is due to the higher contribution from equity accounted joint ventures in the Group's profit before tax and the recognition of $1.9 million of tax losses associated with property disposals. Excluding property profits or one-off impacts, the Group's ongoing tax rate is expected be in the range of 27% to 28%.

Dividends – increased ordinary dividend and special dividend declared

A final ordinary dividend of 11.5 cents per share (fully franked) and a final special dividend of 4.0 cents per share (fully franked) has been declared. The full year fully franked dividend of 28.0 cents is 3.7% higher than 2015. The ordinary dividend payout ratio is 70% and together with the special dividend, increases the full year dividend payout ratio to 98% compared to 84% in 2015.

The record date for determining eligibility to the final ordinary dividend is 28 March 2017 and the payment date is 12 April 2017.

The special dividend is consistent with Adelaide Brighton's long held strategy to distribute surplus capital to shareholders, where prudent to do so, while maintaining an efficient and resilient capital structure. The payment of the special dividend reflects Adelaide Brighton's strong cash flows, current capex plans and low balance sheet gearing compared to the target range.

Outlook

2017 is expected to see strong demand for most products particularly on the east coast, improved pricing and further efficiency improvements.

2017 sales volumes of cement and clinker is expected to be higher than 2016. It is expected that demand in Western Australia and the Northern Territory will stabilise and that demand will improve in South Australia due to major infrastructure projects. Cement and clinker demand on the east coast is expected to benefit from increasing demand from infrastructure projects.

Sales volumes of premixed concrete and aggregates are expected to increase in 2017 due to infrastructure projects on the east coast and South Australia. The Central acquisition will also add further sales.

Price increases have been announced for the first half of 2017 in cement, aggregates, concrete and concrete products. Geographic mix change is anticipated to have a more limited impact on weighted average cement prices in 2017.

A number of factors are supportive of higher prices including strengthening demand and capacity utilisation.

Concrete prices are expected to again increase by more than CPI. 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 higher in 2017. Margin increases are expected in 2017 however, the threat of small scale lime imports in Western Australia and the Northern Territory remains.

The joint venture operations in Australia are anticipated to benefit from stronger demand and higher prices on the east coast, while Aalborg should continue to see the benefit of expanded production.

Import costs are expected to be lower in 2017 due to savings in shipping, materials purchasing and favourable foreign currency outcomes.

Foreign currency exchange rates for the expected cost of cement, clinker and slag imports have been hedged through to October 2017.

Efficiency remains a key operational priority as part a rolling program of cost reduction to sustain leading margins and shareholder returns.

Proceeds from property sales could be $10 - $15 million over the next two years.

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.

Martin Brydon

CEO and Managing Director

23 February 2017

For further information contact:

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Income statement

For the year ended 31 December 2016

	Notes	Consolidated 2016 $m	Consolidated 2015 $m
Revenue from continuing operations	3	**1,396.2**	1,413.1
Cost of sales		**(885.8)**	(884.1)
Freight and distribution costs		**(195.5)**	(211.2)
Gross profit		**314.9**	317.8
Other income	3	**14.5**	51.4
Marketing costs		**(21.9)**	(20.7)
Administration costs		**(68.4)**	(68.1)
Finance costs		**(13.0)**	(14.7)
Share of net profits of joint ventures and associate accounted for using the equity method	7	**28.5**	19.9
Profit before income tax		**254.6**	285.6
Income tax expense		**(68.4)**	(77.8)
Profit for the year		**186.2**	207.8
Profit attributable to:			
Owners of the Company		**186.3**	207.9
Non-controlling interests		**(0.1)**	(0.1)
		186.2	207.8
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	5	**28.7**	32.0
Diluted earnings per share	5	**28.6**	31.9

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

Statement of comprehensive income

For the year ended 31 December 2016

	Consolidated 2016 $m	2015 $m
Profit for the year	**186.2**	207.8
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(0.9)**	(1.3)
Changes in the fair value of cash flow hedges	**1.3**	(1.3)
Income tax relating to these items	**(0.4)**	0.4
Items that will not be reclassified to profit or loss		
Actuarial gain / (loss) on retirement benefit obligation	**1.7**	4.5
Income tax relating to these items	**(0.5)**	(1.4)
Other comprehensive income for the year, net of tax	**1.2**	0.9
Total comprehensive income for the year	**187.4**	208.7
Total comprehensive income for the year attributable to:		
Owners of the Company	**187.5**	208.8
Non-controlling interests	**(0.1)**	(0.1)
Total comprehensive income for the year	**187.4**	208.7

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

Balance sheet

As at 31 December 2016

	Consolidated	
	2016	2015
	$m	$m
Current assets		
Cash and cash equivalents	**21.5**	33.3
Trade and other receivables	**204.6**	208.3
Inventories	**160.2**	161.5
Assets classified as held for sale	**3.8**	-
Total current assets	**390.1**	403.1
Non-current assets		
Receivables	**34.4**	32.9
Retirement benefit asset	**2.3**	1.3
Joint arrangements and associate	**151.2**	142.2
Property, plant and equipment	**978.4**	986.1
Intangible assets	**270.3**	272.9
Total non-current assets	**1,436.6**	1,435.4
Total assets	**1,826.7**	1,838.5
Current liabilities		
Trade and other payables	**117.0**	122.9
Borrowings	**0.4**	1.0
Current tax liabilities	**15.4**	15.0
Provisions	**31.9**	33.6
Other liabilities	**3.3**	6.8
Total current liabilities	**168.0**	179.3
Non-current liabilities		
Borrowings	**309.6**	329.5
Deferred tax liabilities	**89.9**	85.4
Provisions	**39.0**	36.9
Other liabilities	**0.1**	0.1
Total non-current liabilities	**438.6**	451.9
Total liabilities	**606.6**	631.2
Net assets	**1,220.1**	1,207.3
Equity		
Contributed equity	**731.4**	729.2
Reserves	**2.9**	1.2
Retained profits	**483.3**	474.3
Capital and reserves attributable to owners of the Company	**1,217.6**	1,204.7
Non-controlling interests	**2.5**	2.6
Total equity	**1,220.1**	1,207.3

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

Statement of changes in equity

For the year ended 31 December 2016
Consolidated

	Attributable to owners of Adelaide Brighton Ltd				Non-controlling interests	Total equity
	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	$m	$m
Balance at 1 January 2016	**729.2**	**1.2**	**474.3**	**1,204.7**	**2.6**	**1,207.3**
Profit for the year	**-**	**-**	**186.3**	**186.3**	**(0.1)**	**186.2**
Other comprehensive income	**-**	**-**	**1.2**	**1.2**	**-**	**1.2**
Total comprehensive income for the year	**-**	**-**	**187.5**	**187.5**	**(0.1)**	**187.4**
Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased in the period	**-**	**0.9**	**-**	**0.9**	**-**	**0.9**
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	**-**	**-**	**(178.5)**	**(178.5)**	**-**	**(178.5)**
Executive Performance Share Plan	**2.2**	**0.8**	**-**	**3.0**	**-**	**3.0**
	2.2	**0.8**	**(178.5)**	**(175.5)**	**-**	**(175.5)**
Balance at 31 December 2016	**731.4**	**2.9**	**483.3**	**1,217.6**	**2.5**	**1,220.1**
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
Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased in the period	-	-	-	-	-	-
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	-	-	(139.5)	(139.5)	-	(139.5)
Executive Performance Share Plan	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

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

Statement of cash flows

For the year ended 31 December 2016

	Notes	Consolidated 2016 $m	2015 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,536.1**	1,545.8
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,239.1)**	(1,272.1)
Joint venture distributions received		**18.6**	16.2
Interest received		**1.5**	1.7
Interest paid		**(12.1)**	(13.0)
Other income and receipts		**6.2**	5.6
Income taxes paid		**(67.2)**	(58.5)
Income taxes refunded		**4.4**	4.2
Net cash inflow from operating activities		**248.4**	229.9
Cash flows from investing activities			
Payments for property, plant and equipment		**(86.5)**	(74.3)
Payments for acquisition of businesses, net of cash acquired		**-**	(6.5)
Proceeds from sale of property, plant and equipment		**23.2**	50.8
Loans to joint ventures and other related parties		**(2.0)**	(0.9)
Repayment of loans from other parties		**0.6**	0.6
Net cash (outflow) from investing activities		**(64.7)**	(30.3)
Cash flows from financing activities			
Proceeds from issue of shares		**4.0**	2.8
Repayment of borrowings		**(21.0)**	(61.5)
Dividends paid to Company's shareholders	4	**(178.5)**	(139.5)
Net cash (outflow)/inflow from financing activities		**(195.5)**	(198.2)
Net increase in cash and cash equivalents		**(11.8)**	1.4
Cash and cash equivalents at the beginning of the year		**33.3**	31.8
Net impact of foreign exchange on cash and cash equivalents		**-**	0.1
Cash and cash equivalents at the end of the year		**21.5**	33.3

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

Notes to the financial statements

For the year ended 31 December 2016

1 Accounting policies

This report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. It has been prepared under the historical cost convention, except for derivative financial instruments that have been measured.

The accounting policies adopted are consistent with those of the previous financial year.

2 Segment reporting

(a) Description of segments

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

The following two reportable segments have been identified:

- 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 and is therefore 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 Adelaide Brighton's products include residential and non-residential construction, engineering construction, alumina and steel production and mining.

Notes to the financial statements

For the year ended 31 December 2016

2 Segment reporting (continued)

(b) Segment information provided to the CEO and Managing Director

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

31 December 2016	**Cement, Lime, Concrete and Aggregates $m**	**Concrete Products $m**	**Unallocated $m**	**Total $m**
Total segment operating revenue	**1,573.5**	**149.2**	**-**	**1,722.7**
Inter-segment revenue	**(74.9)**	**-**	**-**	**(74.9)**
Revenue from external customers	**1,498.6**	**149.2**	**-**	**1,647.8**
Depreciation and amortisation	**(65.1)**	**(8.4)**	**(4.6)**	**(78.1)**
EBIT	**287.8**	**11.4**	**(33.1)**	**266.1**
Share of net profits of joint venture and associate entities accounted for using the equity method	**28.5**	**-**	**-**	**28.5**
31 December 2015				
Total segment operating revenue	1,536.7	147.8	-	1,684.5
Inter-segment 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

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

The operating revenue assessed by the CEO and Managing Director includes revenue from external customers and a share of revenue from the joint ventures and associate 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	
	2016 $m	2015 $m
Total segment operating revenue	**1,722.7**	1,684.5
Inter-segment revenue elimination	**(74.9)**	(64.0)
Freight revenue	**97.3**	125.8
Other production revenue	**6.0**	-
Interest revenue	**1.5**	1.7
Royalties	**0.5**	0.4
Elimination of joint venture and associate revenue	**(356.9)**	(335.3)
Revenue from continuing operations	**1,396.2**	1,413.1

Notes to the financial statements

For the year ended 31 December 2016

2 Segment reporting (continued)

(b) Segment information provided to the Managing Director (continued)

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

	Consolidated	
	2016	2015
	$m	$m
EBIT	**266.1**	298.6
Net finance cost	**(11.5)**	(13.0)
Profit before income tax	**254.6**	285.6

3 Operating profit

Revenue from continuing operations		
Sales revenue	**1,394.3**	1,411.0
Interest revenue	**1.5**	1.7
Royalties	**0.4**	0.4
	1,396.2	1,413.1
Other income		
Net gain related to sale of property, plant and equipment	**8.4**	45.9
Fair value accounting gain on business acquisition	**-**	0.2
Rental income	**2.9**	3.0
Miscellaneous income	**3.2**	2.3
Total other income	**14.5**	51.4
Revenue and other income	**1,410.7**	1,464.5
Finance cost		
Interest and finance charges paid/payable	**12.3**	14.5
Unwinding of the discount on restoration provisions and retirement benefit obligation	**1.1**	0.9
Fair value (gain) on forward foreign exchange contracts at fair value through profit or loss	**0.2**	(0.2)
Total finance costs	**13.6**	15.2
Interest capitalised in respect of qualifying assets	**(0.6)**	(0.5)
Finance costs expensed	**13.0**	14.7
Less interest revenue	**(1.5)**	(1.7)
Net finance cost	**11.5**	13.0

The Group has a strategy of divesting of properties that are released from operational activities as a result a rationalisation and improvement program. During the year the Group realised a net gain on sale of properties of $8.4 million (2015: $45.0 million) which is recognised in other income.

Notes to the financial statements

For the year ended 31 December 2016

4 Dividends

	The Company 2016 $m	2015 $m
Dividends provided or paid during the year		
2015 final dividend of 15 cents (2014 – 9.5 cents) per fully paid ordinary share, franked at 100% (2014 – 100%) paid on 12 April 2016	**97.3**	61.6
2016 interim dividend of 12.5 cents (2015 – 12 cents) per fully paid ordinary share, franked at 100% (2015 – 100%) paid on 12 October 2016	**81.2**	77.9
Total dividends paid in cash	**178.5**	139.5

Dividends not recognised at the end of the year

Since the end of the year the Directors have recommended the payment of a final dividend of 15.5 cents (2015 – 15 cents) per fully paid ordinary share, franked at 100% (2015 – 100%). The aggregate amount of the proposed final dividend expected to be paid on 12 April 2017, not recognised as a liability at the end of the reporting period, is	**100.7**	97.3

5 Earnings per share

	Consolidated 2016 Cents	2015 Cents
Basic earnings per share	**28.7**	32.0
Diluted earnings per share	**28.6**	31.9

	Consolidated 2016 Number	2015 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	**649,395,882**	648,680,849
Adjustments for calculation of diluted earnings per share:		
Awards	**2,919,824**	2,986,287
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**652,315,706**	651,667,136

Notes to the financial statements

For the year ended 31 December 2016

6 Contingencies

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

	Consolidated 2016 $m	2015 $m
Guarantees		
Bank guarantees	24.1	22.3

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

7 Investments in joint arrangements and associate

Investments in joint arrangements are classified into Joint Ventures, which are accounted for in the consolidated financial statements using the equity method of accounting, and Joint Operations, which are accounted for using the proportional consolidation method. Associates are accounted for using the equity method.

Name of joint arrangement / associate	Nature of relationship	Ownership interest 2016 %	2015 %
Aalborg Portland Malaysia Sdn Bhd	Associate	30	30
Batesford Quarry	Joint operation	50	50
Burrell Mining Services JV	Joint operation	50	50
EB Mawson & Sons Pty Ltd	Joint venture	50	50
Independent Cement & Lime Pty Ltd	Joint venture	50	50
Lake Boga Quarries Pty Ltd	Joint venture	50	50
Peninsula Concrete Pty Ltd	Joint venture	50	50
Sunstate Cement Ltd	Joint venture	50	50

Contribution to net profit

	Consolidated 2016 $m	2015 $m
Sunstate Cement Ltd	**11.0**	8.3
Independent Cement & Lime Pty Ltd	**10.5**	7.9
Other Joint Ventures and Associates	**7.0**	3.7
Share of profits equity accounted	**28.5**	19.9
Profit from Joint Operations	**2.4**	1.6
Total profit from joint arrangements and associates	**30.9**	21.5

Notes to the financial statements

For the year ended 31 December 2016

8 Events occurring after reporting date

Subsequent to reporting date, Adelaide Brighton has agreed to acquire the Central Pre-Mix Concrete business, an integrated concrete and aggregate operation with five concrete plants and a hard rock aggregate quarry serving the metropolitan Melbourne market.

The purchase price of approximately $61 million, including transaction costs of $3 million, represents 7.0 times 2016 calendar year earnings before interest, tax, depreciation and amortisation. The conclusion of documentation relating to the acquisition is in progress to facilitate completion that is expected in early March 2017.

Other than the purchase of Central, no matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

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

Audit statement

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

☐	The accounts have been audited.	☐	The accounts have been subject to review.
☑	The accounts are in the process of being audited or subject to review.	☐	The accounts have not yet been audited or reviewed.