



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

**2016 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 2016.

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

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 2016 is set out below:

Statutory Results	Consolidated	
	2016 \$ million	2015 \$ million
Revenue	1,396.2	1,413.1
Depreciation, amortisation and impairments	(78.1)	(77.8)
Earnings before interest and tax ("EBIT")	266.1	298.6
Net finance cost	(11.5)	(13.0)
Profit before tax	254.6	285.6
Income tax expense	(68.4)	(77.8)
Net profit after tax	186.2	207.8
Attributable to:		
Members of Adelaide Brighton Ltd ("NPAT")	186.3	207.9
Non-controlling interests	(0.1)	(0.1)
Basic earnings per share (cents)	28.7	32.0
Ordinary dividend per share (cents)	20.0	19.0
Special dividend per share (cents)	8.0	8.0
Franking (%)	100%	100%
Net debt (\$ million)	288.5	297.2
Net debt/equity (%)	23.6%	24.6%

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 previous corresponding period.

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.

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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 \$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.

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 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

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 price 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.

(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.

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(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

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.

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

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.

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

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.

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 (nil 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'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'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.

Mawsons 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.

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Aalborg Portland Malaysia Sdn. Bhd. 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 Group;
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 specialty 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.

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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. Adelaide Brighton completed the acquisition effective 1 March 2017 and 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.

Operational results

Cash flow

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.

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.

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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.

Balance sheet

Net assets increased \$12.8 million to \$1,220.1 million as a result of the \$186.2 million net profit after tax for the year less the payment of dividends of \$178.5 million.

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.

Strong cash flows reduced net debt by \$8.7 million to \$288.5 million. Net debt to equity gearing of 23.6% 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 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.

The 71.8% decrease in other income to \$14.5 million was driven by pre-tax property profits in 2016 of \$8.4 million, a decline of \$36.6 million from 2015 property profits of \$45.0 million.

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%.

The movement in the value of the Australian Dollar against the Malaysian Ringgit during the year resulted in a \$0.9 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.

An unrealised gain of \$1.3 million on the fair value of cash flow hedges used by Adelaide Brighton as part of its foreign currency risk management approach was recognised in other comprehensive income (2015: \$1.3 million loss). The unrealised gain is the result of a decline in the value of the Australian Dollar against the United States Dollar at year end compared to the rates at the time the hedge contracts were entered into.

An actuarial gain of \$1.7 million (2015: \$4.5 million) related to the defined benefit superannuation plan was recognised through other comprehensive income. The 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.

Dividends paid or declared by the Company

During the 2016 financial year, the following dividends were paid:

- A final dividend in respect of the year ended 31 December 2015 of 15.0 cents per share (fully franked) was paid on 12 April 2016. This dividend totalled \$97,332,862; and
- An interim dividend in respect of the year ended 31 December 2016 of 12.0 cents per share (fully franked) was paid on 12 October 2016. This dividend totalled \$81,206,796.

Since the end of the financial year the Directors have approved the payment of a final dividend of 15.5 cents per share (fully franked), comprising an ordinary dividend of 11.5 cents per share and a special dividend of 4 cents per share. The final dividend is to be paid on 12 April 2017.

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.

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Events subsequent to the end of the financial year

Subsequent to reporting date, Adelaide Brighton had agreed to acquire the Central Pre-Mix Concrete (Central) 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.

Adelaide Brighton completed the acquisition effective 1 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 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

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.

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.

In 2015, the New South Wales Environment Protection Authority ("NSW EPA") investigated Hurd Haulage Pty Ltd's ("Hurd Haulage") disposal of concrete wash-out. That investigation was concluded and resulted in Hurd Haulage and the NSW EPA entering into an Enforceable Undertaking on 2 December 2016. The Enforceable Undertaking requires Hurd Haulage to implement agreed environmental measures such as developing a training module and updating its written compliance systems regarding waste disposal requirements under the Protection of the Environment Operations Act 1997 (NSW). Hurd Haulage was also required to provide \$72,000 funding to two local LandCare groups for environmental works and pay the NSW EPA's legal and investigation costs in the amount of \$16,250.

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On 6 January 2016, Hurd Haulage provided the NSW EPA with a report about exceedance (57mg/L reported compared with 30mg/L permitted) of the Total Suspended Solids limit from discharges made from the Grants Head Quarry on 24 December 2015 and 4 January 2016. In April 2016, the NSW EPA issued a “show cause” letter to Hurd, inviting it to provide written submissions and Hurd provided these. After taking into account the various matters put by Hurd Haulage, on 6 September 2016, the NSW EPA issued an official caution with no penalty or other sanction.

In 2015, the NSW EPA also investigated Morgan Cement International Pty Ltd (“MCI”) concerning the unexpected overflow of ground granulated blast furnace slag from a storage silo at MCI’s premises at Port Kembla, New South Wales, on Saturday 14 March 2015. MCI cooperated with the NSW EPA’s investigation which concluded in March 2016. The NSW EPA determined to commence prosecution proceedings in the Land and Environment Court of New South Wales regarding the incident. It alleged that MCI committed an offence against section 64(1) of the Protection of the Environment Operations Act 1997 (NSW) in that MCI breached a condition of its environment protection licence by failing to maintain a certain item of plant in a proper and efficient condition. MCI pleaded guilty to the alleged offence at the earliest opportunity and the sentencing hearing was held on 31 October 2016. On 2 November 2016, the Court delivered judgment convicting MCI of the offence as charged, fining MCI \$50,250 and ordering MCI to pay the NSW EPA’s agreed legal and investigation costs of \$55,492.50. MCI was also ordered to publish a notice regarding its conviction in specified newspapers and an industry publication. This was MCI’s first conviction for an environmental offence. MCI has since complied with the Court’s orders and implemented equipment and system upgrades at the premises to minimise the risk of a similar incident in the future.

The South Australian Environment Protection Authority (“EPA SA”) investigated Adelaide Brighton Cement Ltd (ABCL) in relation to an emission from the ship loading boom at ABCL’s Birkenhead plant in South Australia in March 2016. ABCL cooperated with the EPA SA’s investigation, and no further action has been undertaken by the EPA in relation to the incident to date.

Director profiles

The following information is current as at the date of this report.

Director	Experience	Special responsibilities
Les Hosking Age 72	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 November 2014) and Chairman, Carbon Market Institute Limited (appointed October 2010 and retired November 2014). Adjunct Professor, The University of Sydney, John Grill Centre for Project Leadership (appointed May 2016).	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 55	Non-executive Director since August 2008. Over 26 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 68	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 September 2012 and retired August 2014).	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
Ken Scott-Mackenzie BE(Mining), Dip Law Age 66	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, Macmahon Holdings Limited (appointed Chairman in November 2009 and a Director in May 2009 and retired March 2014.	Chairman, Safety, Health and Environment Committee Member, Nomination, Remuneration and Governance Committee Member, Independent Directors' Committee
Arlene Tansey FAICD, MBA, JD, BBA Age 59	Independent non-executive Director since April 2011. Extensive experience as a senior executive in business and the financial services industry gained in Australia and the United States with a background in investment banking and securities law. Director, Primary Health Care Limited (appointed August 2012), Aristocrat Leisure Limited (appointed July 2016), Lend Lease Real Estate Investments Limited (appointed October 2010), Hunter Phillip Japan Limited (appointed March 2013), External Member of Infrastructure New South Wales (appointed June 2014) and Serco Asia Pacific Advisory Board. Member of Board of Advice, The University of Sydney Business School (appointed May 2016). Former Chairman of Future Fibre Technologies Limited (appointed March 2015 and resigned in October 2016) and Urbanise.com Limited (appointed June 2014 and resigned in October 2016). Former Director, Lend Lease Funds Management Limited (appointed October 2010 and ceased January 2015), Urbanise.com (Mena) Pty Ltd (appointed June 2015 and resigned in October 2016), Mystrata Holdings Pty Ltd (appointed June 2015 and ceased in October 2016), Mystrata Pty Ltd (appointed June 2015 and ceased in October 2016) and Australian Research Alliance for Children and Youth Limited (appointed September 2013 and ceased October 2015).	Chairman, Nomination, Remuneration and Governance Committee Member, Audit, Risk and Compliance Committee Member, Independent Directors' Committee
Martin Brydon MBA, FAICD, FAIM, Dip Elect Eng, Dip Elron Eng Age 61	Managing Director since November 2015. More than 30 years experience in the construction materials industry with training in electrical and electronic engineering. Experience in manufacturing and general management, marketing, strategy and business development in various roles within the Adelaide Brighton group of companies. Appointed Chief Executive Officer of Adelaide Brighton Limited in May 2014.	Member, Independent Directors' Committee

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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		Safety, Health & Environment Committee	
	A	H	A	H	A	H	A	H	A	H
LV Hosking	11	11	4	4	4	4	0	0	-	-
R Barro	11	11	-	-	-	-	-	-	2	2
GF Pettigrew	11	11	4	4	4	4	0	0	2	2
KB Scott-Mackenzie	9	11	-	-	4	4	0	0	2	2
AM Tansey	11	11	4	4	4	4	0	0	-	-
M Brydon ⁽¹⁾	11	11	-	-	-	-	0	0	-	-

A Number of meetings attended.

H Number of meetings held during period of office.

⁽¹⁾ Mr Brydon was appointed as a member of the Independent Directors' Committee from 23 February 2016.

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	227,579,355
G F Pettigrew	7,739
K B Scott-Mackenzie	5,000
A M Tansey	10,000
M Brydon	39,296

Full details of the interests in share capital of Directors of the Company are set out in the Remuneration Report on pages 13 to 37 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 13 to 37 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.

Adelaide Brighton Limited and its controlled entities

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 2016 under such indemnities.

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

During the year the Company paid the premiums in respect of Directors' and Officers' Liability Insurance to cover the Directors and Secretaries of the Company and its subsidiaries, and the General Managers of each of the divisions of the Group, for the period 1 May 2016 to 30 April 2017. 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 27 to the Financial Statements on page 79 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 27, 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 89.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191 relating to the "rounding off" of amounts in the Directors' report. In accordance with that instrument, amounts in the financial report and Directors' report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

Adelaide Brighton Limited and its controlled entities

Shares under option

Unissued ordinary shares under option relate to Awards associated with the Company's Executive Performance Share Plan. Outstanding Awards at the date of this report are as follows:

Date Awards granted	Expiry date	Number of Awards
1 January 2013	30 September 2017	745,955
1 January 2014	30 September 2018	676,219
1 January 2015	30 September 2019	795,761
1 January 2016	30 September 2020	701,889
		<hr/> 2,919,824

The exercise price for these Awards is nil. Further details of Awards are set out in Note 26 and the Remuneration Report.

Registered office

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

Corporate governance statement

The corporate governance statement is available on the Adelaide Brighton Limited website and may be accessed via the following URL:

<http://adbri.com.au/ourresponsibilities#governance-exp>

Signed in accordance with a resolution of the Directors



M Brydon
Director

Dated 17 March 2017

Adelaide Brighton Limited and its controlled entities

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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 the Adelaide Brighton 2016 Remuneration Report.

Our remuneration framework incorporates robust performance measures linked to our strategic plans and which provide remuneration outcomes that reflect our business performance over the annual cycle and the longer term. The remuneration policies of Adelaide Brighton continue to focus on attracting and retaining the best talent to deliver our strategic objectives and align executive rewards with the creation and delivery of shareholder value.

2016 performance

Adelaide Brighton's long term strategy of product and geographic diversification has repositioned the Company to benefit from the strong infrastructure and residential market on the east coast of Australia. This strategy includes vertical integration into premixed concrete and concrete products, the development of a meaningful quarry business and a focus on ongoing operational improvement.

This repositioning has sustained the Company to be resilient to the cyclical nature of construction markets and in 2016 the Group grew net profit after tax (excluding property) by 3.1%. This was despite a decline in sales volume of 20% in the key Northern Territory and Western Australian markets and electricity market disruptions which impacted profit before tax by \$9 million.

We continue to generate strong cash flows allowing us to invest in a number of growth projects, pay increased dividends while retaining a strong balance sheet with gearing near the bottom of the Board's target range.

We were pleased to reward shareholders by paying fully franked ordinary dividends for the 2016 year of 20 cents per share and special dividends of 8.0 cents per share, bring total dividends for 2016 to 28.0 cents fully franked.

Overall our long term strategy of diversification has continued to support continued improvement in returns despite some difficult markets.

2016 Remuneration Initiatives

During the year we conducted a remuneration benchmarking review of the annual fixed remuneration for the CEO and Managing Director and Key Management Personnel. This review took into account comparison of the role to market benchmarks and market trends in relation to fixed remuneration and the competency and capability of the individual in relation to the requirements of the role. The comparator group for the benchmark review was the ASX51-150. Adelaide Brighton, at a market capitalisation of approximately \$3.5bn, sits at the 65th percentile of the ASX51-150 by market capitalisation. Following from this positioning within the ASX51-150, the focus for Adelaide Brighton should be on remuneration levels that sit between the median and the 75th percentile of the comparator group. The CEO and Managing Director total remuneration sits at the 65th percentile, with the average total remuneration of other key management personnel sitting below the median.

As discussed above, fixed remuneration levels remain modest relative to peers of a similar market capitalisation. Executive salary increases were between 5 to 7 percent from 1 January 2016 and the increases recognised a number of the executives were relatively new their roles.

Non-executive Director base and Committee fees were increased by approximately 4% for the 2016 financial year to ensure the fees paid to non-executive Directors remain competitive with fees paid by comparable companies.

Short Term Incentive

Adelaide Brighton delivered a strong financial performance in 2016 despite difficult market conditions. Net profit after tax (the measure used for assessment of short term incentive outcomes), excluding property transactions, was up 3.1% compared to the prior year.

Short term incentive outcomes for executives were lower than in the prior year reflecting the Board's discretion to exclude property transactions from NPAT. Excluding property, NPAT was 99.1% of target.

The Board set relevant and challenging non-financial targets for the individual KMP in 2016. 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 48.9% to 68.9% of their potential maximum, recognising the strong management performance during the year, which delivered an increase in NPAT (excluding property) despite a significant

Adelaide Brighton Limited and its controlled entities

downturn in the Company's key markets of Western Australia and the Northern Territory, and difficulties in the South Australian energy market.

2016 saw the introduction of a short term deferred element into our annual short term incentive program. For 2016 year, 25% of the short term incentive will be deferred, increasing to 50% from 2017. The short term incentive deferral 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.

Long Term Incentive

Tranche 2 of the 2012 long term incentive grant was tested. This vested at 100%, having exceeded the 75th percentile against the relative total shareholder return (TSR) performance condition and having achieved 100% vesting against the compound annual growth in earnings per share (EPS) target based on EPS growth of 10.1% over the performance period. These LTI outcomes are consistent with delivery of long term value to shareholders with the Company achieving a TSR of 92.3% over the measurement period.

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.

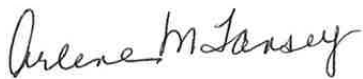
Taking into consideration the Board skills matrix and matching those skills to our strategic plans, the Board has considered new Director appointments and expects to announce a new appointment to the Board in the near future.

Conclusion

These remuneration outcomes reflect the level of performance achieved against our applicable targets during 2016.

We have prepared the 2016 Remuneration Report in line with our objective of transparency in explaining our remuneration framework and practices and the link between Company and individual performance and incentive remuneration outcomes.

We continue to seek feedback on our Remuneration Report and continually look at ways to improve and include this feedback into our remuneration practices and this report. We look forward to welcoming you to the 2017 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 2016. 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.

During the year, Brad Lemmon, former Regional Executive General Manager, Cement and Lime (WA/NT) was appointed Executive General Manager, Cement and Lime, and Michael Miller, former Regional Executive General Manager, Cement and Lime (SA/NSW) was appointed Executive General Manager, Marketing and International Trade. This organisational restructure resulted in a review of KMP, with the Board determining that Michael Miller, in his role as Executive General Manager, Marketing and International Trade, no longer meets the definition of KMP. Following from this, Michael Miller is disclosed as a KMP for part of the 2016 financial year only.

The KMP detailed in this Report for the 2016 financial year are:

Table 1

Name	Role
Executives	
M Brydon	CEO and Managing Director (CEO & MD)
M Kelly	Chief Financial Officer (CFO)
G Agriogiannis	Executive General Manager, Concrete and Aggregates
AL Dell	Executive General Manager, Concrete Products
BD Lemmon	Executive General Manager, Cement and Lime ⁽¹⁾
Former KMP	
MF Miller	Former Regional Executive General Manager, Cement and Lime SA/NSW ⁽²⁾
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⁾ Appointed Executive General Manager, Cement and Lime on 1 May 2016, previously Regional Executive Manager, Cement and Lime (WA/NT).

⁽²⁾ Appointed Executive General Manager, Marketing and International Trade on 1 May 2016.

Section 1 – Executive remuneration policy and framework

1.1 Remuneration policy

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 market place in which the Group operates in order to attract, reward, motivate and retain a highly capable executive team;
- Reward individual performance, responsibility and potential
- 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, to whom and on what basis remuneration has been paid.

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

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1.2 Remuneration framework

In order to meet the aims of our remuneration policy, our executive remuneration framework consists of the following three 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 2016 and 2017 financial years, is shown below.

CEO and MD

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

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%	

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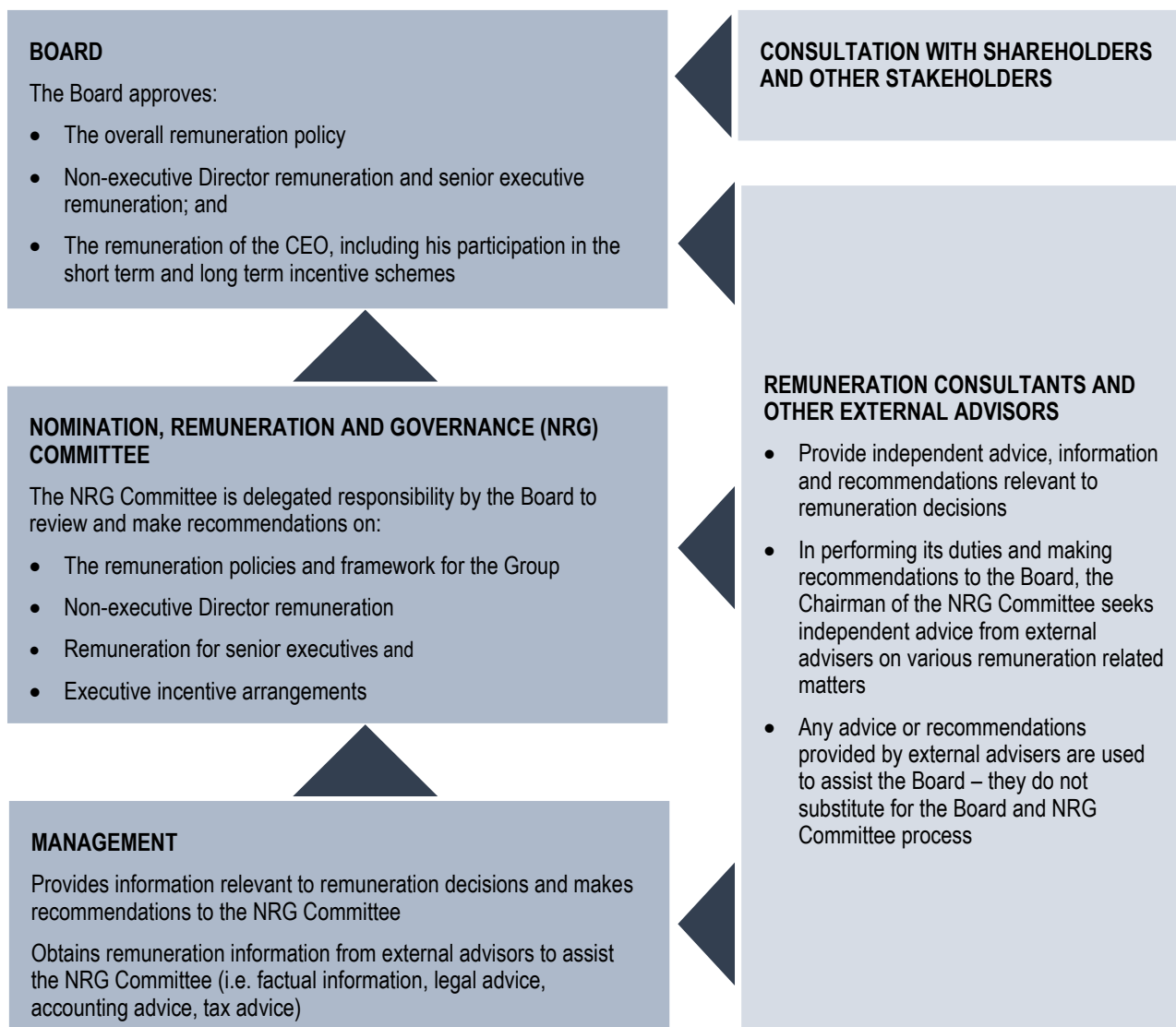
The table below provides a summary of our remuneration framework for the 2016 financial year, and illustrates the way in which each element of remuneration has been structured to support our Group business objectives and to align with the generation of shareholder wealth.

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 	N/A	<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 + Deferred rights to receive fully paid ordinary shares	Financial targets (80%) – CEO and CFO – 80% relating to Group NPAT Other Executives (Division Executive General Managers) – 60% relating to Group NPAT and 20% relating to Divisional EBIT Non-financial targets (20%) Relating to personal performance against individual objectives	Maximum: 60%-80% of FAR (100% of FAR for CEO)	<ul style="list-style-type: none"> Alignment to Group budget through NPAT and Divisional budget through Divisional EBIT performance 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 Other Executives: 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		

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1.3 Remuneration governance - responsibility for setting remuneration

Our governance framework for determining executive remuneration is outlined below:



In 2016, *3 degrees consulting* was engaged by the NRG Committee to provide assistance in relation to a review of Adelaide Brighton's remuneration arrangements for its Non-executive Directors. Remuneration recommendations from *3 degrees consulting* were provided directly to the Chairman of the NRG Committee. *3 degrees consulting's* fees that related to a remuneration recommendation were \$25,000 (exclusive of GST). *3 degrees consulting* provided other services to Adelaide Brighton including general remuneration and corporate governance advice, benchmarking and assistance with corporate disclosures including with the preparation of the remuneration report. The total amount for *3 degrees consulting's* fees for these services, which did not contain a remuneration recommendation, was \$189,325 (exclusive of GST). The Board is satisfied that all remuneration recommendations were made free from undue influence of management. In addition, *3 degrees consulting* provided a declaration to the Chair of the NRG Committee that the remuneration recommendations it made were free from undue influence.

Adelaide Brighton Limited and its controlled entities

Section 2 – Overview of Company performance

2.1 Financial performance in 2016

The Directors are pleased to present Adelaide Brighton Limited's financial performance for 2016.

- NPAT (excluding property) increased by 3.1%, despite a decline in sales volume of 20% in Western Australia and Northern Territory, and electricity market disruptions which impacted profit before tax by \$9 million.
- Revenue of \$1,396.2 million was 1.2% lower than 2015 due to reduced demand for cement from residential and resource construction projects in Western Australia and the Northern Territory which was balanced by continued strength in the residential sector and increase in infrastructure projects in the eastern states and South Australia.
- Excluding property profits, EBIT grew 1.6% on 2015 to \$257.7 million.

Adelaide Brighton's diversified business model and focus on operational improvement supported the Group's long term growth strategy despite a decline in cement volumes in the key markets of Western Australia and Northern Territory. Strategic initiatives which contributed to the Company's financial performance in 2016 included:

- Delivery of \$16 million in cost initiatives on a pre-tax basis compared to 2015 which included \$9 million in energy cost savings through the reduction in natural gas costs in the Western Australian lime business; electricity load management and increased use of alternative fuels at the Birkenhead operations as a substitute for natural gas; operational rationalisation savings of \$1 million through headcount reductions and \$6 million in benefits from a range of initiatives including improved efficiency in transport and usage of alternative materials.
- Competitive supply into key markets through the Company's import strategy. The benefits have been evident in the Western Australian cement business where the Company was able to scale back imports when market demand turned down giving the business greater operational flexibility at a lower cost structure than before the rationalisation.
- Our land sales program has delivered cash proceeds since 2013 of \$85 million. This includes transactions in 2016 that realised \$20.6 million in cash proceeds and \$7.9 million NPAT.

* The contribution from our longer term investments in aggregates is a feature of the 2016 results and reflects the realisation of our long term vertical integration strategy as a major contributor to shareholder returns.

On an excluding property basis, key profit measures for 2016 versus 2015 show an improvement of between 1.3% and 3.1% (depending on the metric), on a revenue decline of 1.2%.

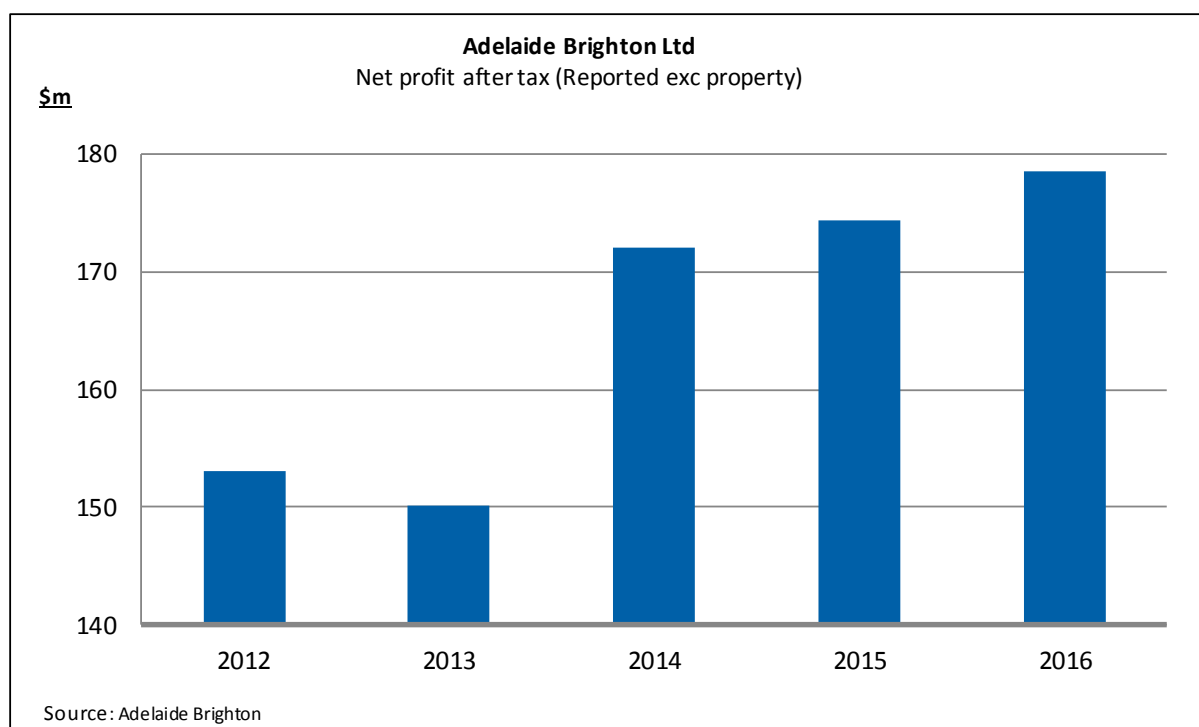
Table 2

	2016 \$m	2015 \$m	variance %	2016 \$m	2015 \$m	variance %
	Reported			Reported (excluding property)		
Revenue	1,396.2	1,413.1	(1.2)	1,396.2	1,413.1	(1.2)
EBITDA	344.2	376.4	(8.6)	335.8	331.4	1.3
EBIT	266.1	298.6	(10.9)	257.7	253.6	1.6
NPAT	186.3	207.9	(10.4)	178.4	173.0	3.1

2.2 Long term financial highlights

Adelaide Brighton has delivered 3.9% (excluding property transactions) compound annual growth in reported NPAT over the last five years. The Company's long term strategy of cost reduction and continuous improvement; growth in the lime business and vertical integration into quality aggregates, concrete, and logistics and masonry businesses has positioned the Company to be resilient to the cyclical nature of construction markets and in 2016, the Group grew net profit after tax (excluding property) by 3.1%.

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The TSR achieved over the last five years of 117.9% has outperformed the Comparator Group* and the S&P/ASX200 Accumulation Index. This is due to a sustained year on year improvement in share price and increased dividends.

Despite difficulties in some markets and pressure from energy costs, TSR over the last 12 months was 20.2%, again reflecting an improved share price, increased ordinary dividends and the payment of special dividends.

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 2016.

Table 3 – Financial performance and shareholders' wealth improvement from 2012 to 2016

Financial year ended 31 December		2012	2013	2014	2015	2016	CAGR ⁽¹⁾ %
Sales	\$m	1,183.1	1,228.0	1,337.8	1,413.1	1,396.2	4.2
NPAT	Including property \$m	153.0	151.1	172.7	207.9	186.3	5.0
	% change	3.1	(1.2)	14.3	20.4	(10.4)	
NPAT	Excluding property \$m	153.0	150.2	172.0	173.0	178.4	3.9
	% change	3.1	(1.8)	14.5	0.6	3.1	
Share price ⁽²⁾	\$/share	3.12	3.67	3.52	4.75	5.43	14.9
Dividends	Cents/share	16.5	19.5 ⁽³⁾	17.0	27.0 ⁽⁴⁾	28.0 ⁽⁴⁾	14.1
Franking	%	100	100	100	100	100	
Operating cash flow	\$m	186.9	227.3	194.0	229.9	248.4	
Earnings per share	Cents	24.0	23.7	26.9	32.0	28.7	
TSR – 1 year	%	13.7	23.9	0.5	42.6	20.2	
Total Shareholder Return %						117.9	

⁽¹⁾ Compound Annual Growth Rate.

⁽²⁾ At 31 December.

⁽³⁾ Includes 3.0 cents special dividend.

⁽⁴⁾ Includes 8.0 cents total special dividend.

* 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 3 – 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 2016. Strong Company performance across key indicators is reflected in the remuneration outcomes during the year.

3.1 Short Term Incentive

3.1.1 Short Term Incentive - performance measures

	PERFORMANCE MEASURES	REASON CHOSEN	PERFORMANCE ASSESSMENT	RESULT	
	Financial performance				
Financial	The "financial metrics" for the Group is NPAT and EBIT for Divisions. Actual financial metrics are compared to target. The Board has discretion to adjust NPAT for target assessment.	The Board believes the financial measure aligns the interests of Executives with shareholders, ensuring the KMP are rewarded on the Group's annual business objectives, ensuring Executives create sustainable value for shareholders. The comparison to budget allows for recognition of the cyclical nature of the industry in which the Company operates and forward looking factors that can be incorporated into a budget, while the stretch targets provide incentives beyond budget to enhance shareholder returns.	<p>Target included a financial stretch</p> <p>The 2016 target was set at 4% above 2015 actual, which was a challenging target given the outlook in the Company's major markets of Western Australia and the Northern Territory.</p> <p>NPAT of \$178.4 million, excluding property, was at 99.1% of target, and exceeded 2015 NPAT by 3.1%. The Board exercised discretion and determined that for assessment purposes, property profits will be excluded.</p>	<p>The Board's view is that the performance of the Group continues to be strong with contribution from recent concrete and aggregate acquisitions (part of the Company's vertical integration strategy) delivering profitability which offset the impact a 20% reduction in cement demand from residential and resource construction projects in Western Australia and the Northern Territory.</p>	<p>Group financial performance was 99.1% of target, resulting in 58% achievement of the group financial component.</p> <p>Concrete and Aggregates Division financial performance was greater than 110% of target, resulting in 100% achievement of the concrete and aggregates financial component.</p> <p>Cement and Lime and Concrete Products Divisions financial performance was less than 95% of target, resulting in the financial component for these Divisions not being achieved.</p>

Adelaide Brighton Limited and its controlled entities

	PERFORMANCE MEASURES	REASON CHOSEN	PERFORMANCE ASSESSMENT	RESULT	
Non-financial performance					
Strategic	<p>The strategic initiatives focus on three interdependent areas; operational excellence, market leadership and vertical integration, with key foundation drivers being growth in our core business and opportunities for transformational deals.</p>	<p>Proactively responding to market developments and implementing strategies to drive sustainable growth are critical to delivering the strategy and the creation of shareholder value.</p>	<p>Acquisitions Position the Company to take advantage of potential “bolt-on” and transformational acquisitions to ensure readiness when the opportunity becomes available.</p> <p>The CEO and Managing Director and management team progressed potential acquisition opportunities which culminated in the Central Pre-Mix concrete and quarry acquisition on 1 March 2017.</p>	<p>Organic growth Strategy and planning including acquisition of property progressed for potential greenfields expansion.</p> <p>Acquisition performance Performance from concrete and aggregates acquisitions – Direct Mix Concrete, Southern Quarries, Penrice Quarry & Mineral and ITS Sand and Gravel – exceeded expectations due to better outcomes on pricing and delivery of integration synergies.</p>	<p>60-80% achievement of Strategic non-financial objectives.</p>

Adelaide Brighton Limited and its controlled entities

	PERFORMANCE MEASURES	REASON CHOSEN	PERFORMANCE ASSESSMENT	RESULT	
	Non-financial performance (continued)				
People	<p>A range of metrics focused on safety, engagement, building capability, retaining company knowledge and diversity with specific metrics for:</p> <ul style="list-style-type: none"> • Leadership in safety • Employee engagement • Development of capability • Deepening succession pools • Increasing diversity of candidate pools 	<p>Having the right people in management and senior leadership roles is critical to our long term success. The CEO and Managing Director plays an important role in this process and he is assessed on his ability to manage talent and succession risks at senior management levels.</p>	<p>Leadership in safety The Lost Time Injury Frequency Rate (LTIFR) is 1.7 compared to 2.0 for the previous year reflecting management's focus on processes, procedures and culture.</p> <p>Safety Leadership Workshop The Group introduced Safety Leadership Workshops which lead participants in their understanding of how their actions influence our workplace safety culture, safety leaders, everyone, every day. More than 60% of employees participated in the workshops.</p> <p>The CEO and management demonstrate their visible and active leadership through active participation in site safety committee meetings throughout the Company's Australia wide operations.</p>	<p>Employee engagement Focus groups were facilitated across the Company to understand the results of the employee survey where 77% of employees stated Adelaide Brighton was a great place to work.</p> <p>Development of capability Implementation of a Group Mentoring Program to support personal and career growth opportunities for high potential employees in addition to building capability across the mentor group.</p> <p>Deepening succession pools and identification of future executive talent The CEO and management exceeded targets set in respect of succession plans for key leadership roles, including the identification of future executive talent.</p> <p>Increasing diversity Targeted sourcing strategies increased the gender diversity of candidate pools with 62% of roles advertised in 2016 attracting female applicants.</p>	50-70% achievement of People non financial objectives

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	PERFORMANCE MEASURES	REASON CHOSEN	PERFORMANCE ASSESSMENT	RESULT	
	Non-financial performance (continued)				
Operational Excellence	Specific operational targets focused on productivity gains, cost reduction, operational improvement and improved asset management towards achieving improved return on investment.	Specific measures and initiatives were identified to ensure the delivery of sustainable operations and shareholder return.	<p>Operational improvement Significant operational improvements delivery benefits of \$16 million were delivered and progressed to deliver further savings in 2017:</p> <ul style="list-style-type: none"> • Cost savings of \$9 million in energy costs, of which \$8 million benefit resulted from renegotiation of gas contracts in Western Australia. • Headcount reductions resulted in \$1 million in savings. • Benefit of \$6 million achieved through a range of initiatives, including improved efficiency in transport and usage of alternative materials. Successful commissioning of second alternative fuels storage, receipt and firing plant at the Birkenhead plant to support increased usage of alternative fuel, less reliance on gas and financial cost benefits. 	<p>Import strategy Management has undertaken a range of initiatives that will decrease import costs in 2017 including savings in shipping and materials purchasing</p> <p>Investment in operational improvement Workforce planning for consolidation of Angaston operation through the cessation of oilwell cement production. Initiatives to give benefit from 2017.</p> <p>Land sales program Preparation and negotiation of sale of land at a price that exceeded expectations during 2016, and ongoing progress on delivery of value from the long term land sales program.</p>	60-80% achievement of Operational Excellence non financial objectives.

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3.1.2 Short Term Incentive – financial outcomes

Adelaide Brighton achieved a strong financial result for 2016 delivering NPAT, excluding property transactions, that was up 3.1% compared to the previous year. This was seen as a strong result given market conditions in the Company's major markets of Western Australia and Northern Territory and continuing pressure on South Australian energy costs.

Short term incentive outcomes were lower than the previous year as a result of the Board's discretion to exclude property transactions. Overall, the achievement of the financial and non-financial targets resulted in the STI opportunity being awarded at 48.9% to 68.9% of their potential maximum.

As you can see from the table below, in 2016 EBIT and NPAT increased over the previous year on lower revenue.

Table 4

	Reported (excluding property)		
	2016 \$m	2015 \$m	variance %
Revenue	1,396.2	1,413.1	(1.2)
EBITDA	335.8	331.4	1.3
EBIT	257.7	253.6	1.6
NPAT	178.4	173.0	3.1

The short term incentive payments shown in the table below reflect the performance achieved and amounts payable to Executives for the 2016 financial year.

Table 5

For the year ended 31 Dec 2016	Maximum potential STI opportunity ⁽¹⁾	Actual STI as % of STI maximum	STI actual ⁽²⁾	Cash STI	Deferred STI (2 years)	Deferred STI (3 years)	Deferred STI (Total)	Deferred STI awarded
Executives	\$	%	\$	\$	\$	\$	\$	No. of rights
M Brydon	1,397,000	61.4	857,470	643,102	107,184	107,184	214,368	39,610
M Kelly	594,400	61.4	364,839	273,629	45,605	45,605	91,210	16,854
G Agriogiannis	424,000	68.9	292,282	219,212	36,535	36,535	73,070	13,502
AL Dell	247,200	48.9	120,966	90,725	15,121	15,121	30,241	5,588
BD Lemmon	358,111	49.5	177,440	133,080	22,180	22,180	44,360	8,197
Former KMP								
MF Miller	80,000	55.1	44,078	33,059	5,510	5,510	11,020	2,036

⁽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 2016 STI was determined in conjunction with the finalisation of 2016 results and paid in February 2017.

Adelaide Brighton Limited and its controlled entities

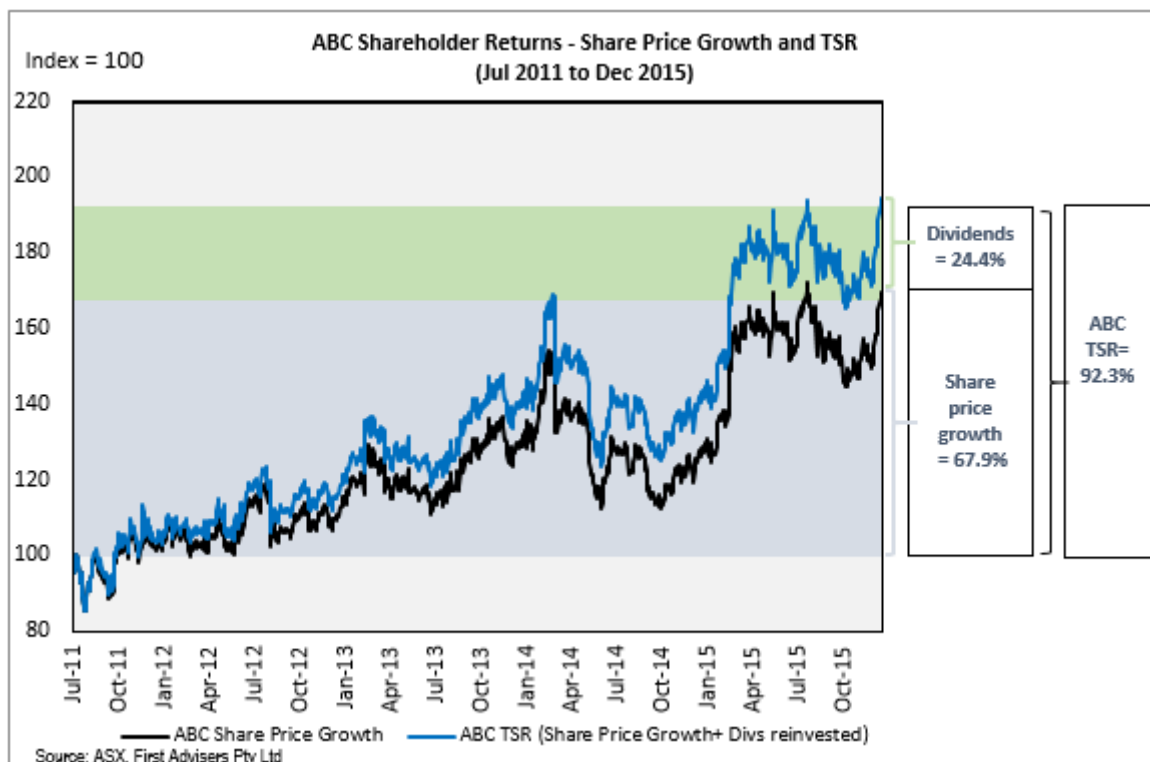
3.2 Long Term Incentive

3.2.1 Long Term Incentive – outcomes

During 2016, Tranche 2 of the 2012 Awards was tested for earliest exercise in May 2016 and vested at 100.0%:

- The Total Shareholder Return component vested at 100.0% with the Company achieving a Total Shareholder Return of 92.3% being the 77th percentile of the Comparator Group.
- The compound annual EPS growth rate over the 2013 to 2015 financial period was 10.1% with the EPS component fully vesting at 100.0%.

The chart below illustrates Adelaide Brighton's total shareholder return over the measurement period for Tranche 2 of the 2012 Award. The Total Shareholder Return of 92.3% resulted from share price growth and payment of ordinary and special dividends totalling 77.5 cents fully franked over the period.



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Details of the movement in Awards held by Executives during the 2016 financial year are set out below.

Table 6

For the financial year ended 31 Dec 2016	Number held at 1 Jan 2016	Number granted during the year ⁽¹⁾	Number exercised / vested during the year ⁽²⁾	Number lapsed / forfeited during the year ⁽³⁾	Number held at 31 Dec 2016 ⁽⁴⁾	Value of Awards at grant date ⁽⁵⁾	Value per share at the date of exercise ⁽⁶⁾
						\$	\$
Executives							
M Brydon	1,271,514	325,482	265,896	-	1,331,100	929,251	5.42
M Kelly	652,119	121,176	189,306	-	583,989	359,287	5.48
G Agriogiannis	336,964	61,741	99,277	-	299,428	189,235	5.48
AL Dell	47,059	38,396	-	-	85,455	112,884	5.48
BD Lemmon	213,550	53,302	61,416	-	205,436	161,505	5.48
Former KMP							
MF Miller	177,859	37,278	50,578	-	164,559	110,715	5.48

⁽¹⁾ This represents the maximum number of Awards granted in 2016 that may vest to each Executive. As the Awards granted in 2016 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 2016 were in fact exercised, being Tranche 2 of the 2012 Awards. The number of Awards that vested during the period and exercisable at 31 December 2016 is NIL. The number of Awards that vested but not yet exercisable at 31 December 2016 is NIL.

⁽³⁾ No Awards lapsed or were forfeited during the year.

⁽⁴⁾ Awards subject to performance conditions which remain unvested (2013, 2014, 2015 and 2016 Awards), and which will be tested for vesting during the period 2017 to 2020.

⁽⁵⁾ Fair value of Awards granted during 2016 as at grant date.

⁽⁶⁾ 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 \$3,636,735 based on the Volume Weighted Closing Price.

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Section 4 – Executive remuneration

4.1 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. For someone who has performed successfully in their role for a number of years, FAR set between the median and 75th percentile of the comparator would be expected.

From 1 January 2016 the Board resolved to increase fixed remuneration across the executive team by 5 to 7 per cent, in line with the Company's policy of setting remuneration levels based on the size and nature of an executive's role (and impact of the role on the business) and individual performance in roles. Fixed remuneration levels continue to remain conservative relative to peer companies of a similar market capitalisation.

4.2 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 2016 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 Managing Director 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?	Yes. For STI awards for the 2016 financial year, 25% of awards will be deferred into rights to receive fully paid ordinary shares in Adelaide Brighton (issued at no cost to the executive) subject to disposal restrictions (Deferred Rights) (see below). For STI awards for the 2017 financial year onwards, 50% of STI awards will be deferred (unless otherwise determined by the Board).
Performance conditions	
When and how are the STI performance conditions set?	All performance conditions are set by the Board and agreed with the executive, in general, by the end of February in each year. 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. 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. 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.

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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>STI % for financial target</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	STI % for financial target	Below 95%	Nil	95%	50%	Between 95% and 110%	Pro rata	110% or above	100%
Financial target achieved	STI % for financial target										
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>Historically, the STI scheme used budgeted PBT as the metric for determining financial performance. The measure was changed to NPAT for the 2016 year for target setting and measuring Group financial performance for the purposes of the STI as this more closely reflects the shareholder experience. Divisional financial performance will continue to be based on EBIT performance.</p> <p>In respect of the financial targets, the Board compares the actual NPAT earned against the budgeted NPAT 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>There were no significant items during the year and reported profit equalled statutory profit. However, in assessing the 2016 STI, the Board adjusted the NPAT used for STI purposes to exclude property profits.</p> <p>The Board also considers the NRG Committee's assessment of the CEO and Managing Director's performance against the agreed non-financial targets, and that of the senior executives (based on the recommendation of the CEO and Managing Director).</p>										
When is performance against the performance conditions determined and the award made available?	<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.</p> <p>The cash award is paid following the release of the Company's full year results in February. The remainder of the award (the Deferred Rights) is made available as reasonably practical after the announcement of the Company's full year result.</p>										
What disposal restrictions apply to the Deferred Rights (and to dividends and voting rights attach?)	<p>The Deferred Rights will be divided into two equal tranches:</p> <ul style="list-style-type: none"> the Deferred Rights in Tranche 1 and the shares acquired on their exercise may not be sold or otherwise disposed of until after 31 December 2018 (2 year disposal restriction); and the Deferred Rights in Tranche 2 and the shares acquired on their exercise may not be sold or otherwise disposed of until after 31 December 2019 (3 year disposal restriction). <p>No dividends (or voting rights) are received on the Deferred Rights during the disposal restrictions.</p>										
Does the Board have an overriding discretion?	<p>The Board has absolute discretion in relation to assessing performance and determining the amount, if any, of STI awards.</p>										
Is there an ability to 'claw back' in appropriate circumstances?	<p>Yes. The STI Plan Rules provide the Board with a broad ability to claw back awards if considered appropriate.</p> <p>In addition to the STI Plan Rules, the Board also has a formal Clawback Policy which provides the Board with the ability to reduce, forfeit or require repayment of incentives which vest (or may vest) in the case of a material misstatement in Company financial results, serious misconduct by a participant or in circumstances where incentive awards or vesting is based on incorrect information not of a financial nature.</p>										
Cessation of employment or a change of control											
What happens to STI awards on cessation of employment?	<p>Generally, if an Executive resigns or is terminated for cause, all STI entitlements will be forfeited. The STI Plan Rules provide that in other circumstances, and at the discretion of the Board, award opportunities will be pro-rata reduced to reflect the proportion of the measurement period not worked. Any disposal restrictions applicable to shares acquired upon the exercise of Deferred Rights will be lifted on cessation of employment.</p>										
How would a change of control of the Group impact on STI entitlements?	<p>In the event of a takeover bid (or other transaction likely to result in a change in control of the Company), the Board has absolute discretion to take any action as provided under the STI Plan Rules.</p>										

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4.3 At-risk remuneration – Long Term Incentive

The Company makes annual grants of Awards under the Executive Performance Share Plan (Plan) to all senior executives who are eligible to participate.

A summary of the key features of the Plan as it applies to the 2016 LTI Award is as follows:

Driving performance											
Who participates and how does the Plan drive performance and align participants' interests with shareholders?	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.										
Vesting, performance conditions and reward opportunity											
What is the vesting / performance period?	The 2016 Awards will be tested and become exercisable to the extent of any vesting from 1 May 2020.										
What happens on the exercise of Awards?	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. Any unexercised 2016 Awards will expire on 30 September 2020.										
How is the TSR performance condition measured and what amount can be earned?	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 2015 to 31 December 2019. The 2016 Awards vest progressively in accordance with the following scale: <table border="1" data-bbox="438 1019 1449 1198"> <thead> <tr> <th>TSR growth relative percentile ranking</th> <th>% of Awards subject to TSR hurdle to vest</th> </tr> </thead> <tbody> <tr> <td>Below 50%</td> <td>Nil</td> </tr> <tr> <td>50%</td> <td>50%</td> </tr> <tr> <td>Between 50% and 75%</td> <td>Pro rata</td> </tr> <tr> <td>75% or above</td> <td>100%</td> </tr> </tbody> </table>	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%
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?	The EPS performance hurdle requires the compound annual growth in EPS of the Company over the relevant performance period to equal or exceed 5% per annum before any Awards will vest. Awards under the 2016 Award are to vest progressively in accordance with the following scale: <table border="1" data-bbox="438 1310 1449 1489"> <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?	Yes. The rules of the Plan have, for some time, provided the Board with a broad ability to claw back Awards if considered appropriate. In addition to the rules of the Plan, the Board also has a formal Clawback Policy which provides the Board with the ability to reduce, forfeit or require repayment of incentives which vest (or may vest) in the case of a material misstatement in Company financial results, serious misconduct by a Participant or in circumstances where incentive awards or vesting is based on incorrect information not of a financial nature.										

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What other conditions apply to the Awards (including voting rights and dividends)?	<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 2016 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.

Section 5 – 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 7

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.
BD Lemmon	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 6 – Non-executive Directors' fees

6.1 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 2016	<p>Fees for the Chairman of the Board and the Non-executive Director base fee were increased by approximately 4% for the 2016 financial year.</p> <p>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>330,000</td><td></td></tr><tr><td>Non-executive Director</td><td>110,000</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⁾	330,000		Non-executive Director	110,000		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⁾	330,000																					
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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 7 – Key Management Personnel disclosure tables

7.1 Non-executive Directors' statutory remuneration

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

Table 8

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)	2016	330,000	-	330,000	23,449
	2015	317,642	-	317,642	23,449
R D Barro	2016	110,000	14,294	124,294	10,783
	2015	105,881	14,294	120,175	10,426
G F Pettigrew	2016	110,000	53,999	163,999	14,909
	2015	105,881	53,999	159,880	14,535
K B Scott-Mackenzie	2016	110,000	39,705	149,705	12,998
	2015	105,881	39,705	145,586	12,631
A M Tansey	2016	110,000	39,705	149,705	12,998
	2015	105,881	39,705	145,586	12,631
Total non-executive Directors' remuneration	2016	770,000	147,703	917,703	75,137
	2015	741,166	147,703	888,869	73,672

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

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7.2 Executive statutory remuneration

Table 9

	Year	Short term benefits			Post employment benefit	Equity based benefits			Total	% of remuneration consisting of awards ⁽⁴⁾
		Cash salary (FAR)	Cash STI ⁽¹⁾	Other benefits	Super-annuation ⁽²⁾	Deferred STI ⁽¹⁾	Long term incentive ⁽³⁾			
Executives		\$	\$	\$	\$	\$	\$	\$	\$	%
M Brydon	2016	1,362,000	643,102	166,667 ⁽⁵⁾	35,000	214,368	403,849	2,824,986	14	
	2015	1,294,900	1,287,343	166,667 ⁽⁵⁾	35,000	-	383,498	3,167,408	12	
M Kelly	2016	713,000	273,629	-	30,000	91,210	248,090	1,355,929	18	
	2015	677,386	545,536	-	30,000	-	233,303	1,486,225	16	
G Agriogiannis	2016	510,000	219,212	-	20,000	73,070	122,531	944,813	13	
	2015	474,631	378,294	-	20,000	-	129,811	1,002,736	13	
AL Dell ⁽⁶⁾	2016	388,000	90,725	-	24,000	30,241	15,622	534,528	3	
	2015	243,173	141,361	-	16,000	-	-	400,534	-	
BD Lemmon	2016	458,333	133,080	-	30,000	44,360	134,623	800,396	17	
	2015	404,775	252,517	-	30,000	-	313,269	1,000,561	31	
Former KMP										
MF Miller ⁽⁷⁾	2016	124,533	33,059	-	8,800	11,020	111,082	288,494	39	
	2015	342,466	205,362	-	32,534	-	258,243	838,605	31	
Total executive remuneration	2016	3,555,866	1,392,807	166,667	147,800	464,269	1,035,797	6,763,206		
	2015 ⁽⁸⁾	3,631,436	2,810,413	166,667	176,034	-	1,281,856	8,160,244		

(1) STI payment includes payments relating to 2016 performance accrued but not paid as at 31 December 2016.

(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 26.

(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.

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

(7) From 30 April 2016, Mr Miller took up the position of Executive General Manager, Marketing and International Trade and ceased to be a KMP.

(8) Total KMP remuneration for 2015 includes total remuneration of \$264,175 for former KMP Mr Rogers. Refer to the 2015 Remuneration report for full details of the Remuneration.

Adelaide Brighton Limited and its controlled entities

7.3 Equity holdings of Key Management Personnel

A summary of Executives' and non-executive Directors' current shareholdings in the Company as at 31 December 2016 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 and STI Deferral (as the LTI and STI Deferral are subject to share price fluctuation).

Table 10⁽¹⁾

	Balance at beginning of year	Granted as remuneration during the year	Net movement due to other changes	Balance at end of year
Executives				
M Brydon	8,400	265,896	(235,000)	39,296
M Kelly	5,500	189,306	(189,806)	5,000
G Agriogiannis	-	99,277	(99,277)	-
AL Dell ⁽²⁾	-	-	-	-
BD Lemmon	-	61,416	(61,416)	-
Former KMP				
MF Miller	-	50,578	(50,578)	-
Non-executive Directors				
LV Hosking	4,851	-	-	4,851
RD Barro ⁽³⁾	217,869,876	-	9,709,479	227,579,355
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 10 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 2016.

⁽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 2 of 2012 Award.

⁽³⁾ The balances relating to Mr Barro include shares owned by entities over which Mr 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. For us this encompasses gender, race, ethnicity, age, physical ability, mental ability, religious beliefs, industry and life experience and thinking styles. We recognise that an inclusive culture encourages diversity of thought leading to innovation and enables us to attract and retain the best people with the appropriate skills to contribute to the continuing success of our business. In 2016 we launched the revised Diversity and Inclusion Policy which 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 2016 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"> Launch of the revised Diversity and Inclusion Policy and deployment of the plan to deliver progress towards achieving the objectives which were approved by the Board and Nomination, Remuneration and Governance Committee of Adelaide Brighton's as being relative to the industry structure in which the Company operates. 	<ul style="list-style-type: none"> In 2016, the Board and the Nomination, Remuneration and Governance Committee discussed the Company's diversity measures and reviewed progress towards achieving the objectives, to continue to develop a positive workplace culture that values diversity and inclusion.
	<ul style="list-style-type: none"> Proactively engage with our people to develop inclusion 	<ul style="list-style-type: none"> Externally facilitated focus groups were held in each Division to gain further insight into our employee value proposition - what makes Adelaide Brighton a great place to work.
	<ul style="list-style-type: none"> Company wide training in workplace policies (including Diversity and Inclusion, Bullying and Harassment, Equal Employment Opportunity). 	<ul style="list-style-type: none"> Employee and contractor inductions include information on Company policies.
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 sourcing strategies and practices deliver diverse candidate pools. Employment decisions are made without regard to factors that are not applicable to the inherent requirements of a position and unconscious bias does not influence outcomes. 	<ul style="list-style-type: none"> Recruitment training continues across the business with a view to creating diverse candidate pools and to eliminate any unconscious bias that may occur. 19% of all new hires in 2016 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"> Refreshed advertising templates and copy writing training delivered to ensure job advertisements are attractive to a diverse pool of job seekers. 62% of roles advertised in 2016 attracted female applicants.
		<ul style="list-style-type: none"> Website page dedicated to career profiles of female employees, 'Women at ABL'.
Build talent pipelines through investment in skills and capabilities	<ul style="list-style-type: none"> Executive Leadership Team sponsored mentoring program for high potential employees, to continue to develop inclusive leadership. 	<ul style="list-style-type: none"> Mentoring program launched with 28 mentors and mentees attending workshop training, webinars and 1:1 coaching sessions for a shared positive mentoring experience.
	<ul style="list-style-type: none"> Ensure performance, development and succession management processes support the career progression of individuals including the identification of future executive talent. 	<ul style="list-style-type: none"> Development programs are provided for individuals and facilitated via an online portal.

Adelaide Brighton Limited and its controlled entities

		<ul style="list-style-type: none"> • Talent and Succession Management process proactively challenges and promotes gender representation. • 17% of women and 13% of men were promoted internally in 2016.
	<ul style="list-style-type: none"> • Sponsor or encourage professional networking, coaching programs and cross divisional projects to give 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 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 and to increase the diversity of our workforce: <ul style="list-style-type: none"> – implement programs designed to engage graduate engineers; – offer undergraduate scholarship opportunities and sponsor vacation work programs to engage students who are undertaking tertiary education to consider engineering as a career option; – offer opportunities for high school students to become aware of diverse career opportunities within our industry. 	<ul style="list-style-type: none"> • Continued sponsorship of the Women in Engineering program at the University of Wollongong in 2016 that provides both a financial benefit and a work placement opportunity. • Engineering scholarships in place at University of Adelaide and University of Technology Sydney. • Participation in the STEM Program (Science, Technology, Engineering and Math) for Year10 and 11 high school students. • Vacation programs in place in Adelaide, Perth and Sydney. Participation in WA Kwinana Industries Council “iWomen project”. Sponsorship of the SA Law Society Indigenous Law Student Mentoring Program and establishment of a Scholarship for an indigenous high school student at St Peter’s College in Adelaide.
To reward and remunerate fairly and equitably	<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"> • A gender pay parity review was completed in 2016 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. 	<ul style="list-style-type: none"> • As per previous years, 100% of the women who commenced and finished maternity leave in 2016 have returned to work in either a full or part time capacity. • 3% of the workforce have a part time work arrangement.

Adelaide Brighton Limited and its controlled entities

	<ul style="list-style-type: none"> 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"> 60% of employees who returned from maternity leave are still with Adelaide Brighton three years later. 16% employees have taken 'Paternity Leave' in 2016.
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"> Results of employee survey of cultural identity plus diversity data is collected from candidates during the recruitment process.

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 manufacturing and engineering roles relevant to our business operations is limited, and this impacts our ability to increase the number of female new hires. 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 candidates and graduates and to support the 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 and inclusiveness 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 2016 and 2015 respectively). We are pleased to report that improvements have been made at the senior executive and senior manager level contributing to an overall gender improvement between 2015 and 2016.

	% Females 31 Dec 2016	% Females 31 Dec 2015
Board ⁽¹⁾	17%	17%
Senior executives ⁽²⁾	14%	0%
Senior managers ⁽³⁾	21%	17%
Total workforce	13%	12%

(1) Executive and non-executive Directors

(2) Direct reports to the CEO and Managing Director (Chief Financial Officer, General Counsel and Company Secretary and Executive General Managers)

(3) Senior managers include a variety of positions which report directly to the senior executives.

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



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

**FINANCIAL REPORT
FOR THE 12 MONTH PERIOD
1 JANUARY 2016 TO 31 DECEMBER 2016**

Adelaide Brighton Limited and its controlled entities

Income statement

For the year ended 31 December 2016

		Consolidated	
	Notes	2016 \$ million	2015 \$ million
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)
		<hr/>	<hr/>
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	4	(13.0)	(14.7)
Share of net profits of joint ventures and associate accounted for using the equity method	10(a)	28.5	19.9
		<hr/>	<hr/>
Profit before income tax		254.6	285.6
Income tax expense	5(a)	(68.4)	(77.8)
		<hr/>	<hr/>
Profit for the year		186.2	207.8
		<hr/>	<hr/>
Profit attributable to:			
Owners of the Company		186.3	207.9
Non-controlling interests		(0.1)	(0.1)
		<hr/>	<hr/>
		186.2	207.8
		<hr/>	<hr/>
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	32	28.7	32.0
Diluted earnings per share	32	28.6	31.9

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 2016

	Notes	Consolidated	
		2016 \$ million	2015 \$ million
Profit for the year		186.2	207.8
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	20(a)	(0.9)	(1.3)
Changes in the fair value of cash flow hedges	20(a)	1.3	(1.3)
Income tax relating to these items	5(c)	(0.4)	0.4
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain / (loss) on retirement benefit obligation	18(b)	1.7	4.5
Income tax relating to these items	5(c)	(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.

Adelaide Brighton Limited and its controlled entities

Balance sheet

As at 31 December 2016

		Consolidated	
	Notes	2016 \$ million	2015 \$ million
Current assets			
Cash and cash equivalents	6	21.5	33.3
Trade and other receivables	7	204.6	208.3
Inventories	8	160.2	161.5
Assets classified as held for sale	9	3.8	-
Total current assets		390.1	403.1
Non-current assets			
Receivables	7	34.4	32.9
Retirement benefit asset	18(b)	2.3	1.3
Joint arrangements and associate	10	151.2	142.2
Property, plant and equipment	11	978.4	986.1
Intangible assets	12	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	14	117.0	122.9
Borrowings	15	0.4	1.0
Current tax liabilities		15.4	15.0
Provisions	16	31.9	33.6
Other liabilities	17	3.3	6.8
Total current liabilities		168.0	179.3
Non-current liabilities			
Borrowings	15	309.6	329.5
Deferred tax liabilities	5(f)	89.9	85.4
Provisions	16	39.0	36.9
Other non-current 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			
Share capital	19	731.4	729.2
Reserves	20(a)	2.9	1.2
Retained earnings	20(b)	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.

Adelaide Brighton Limited and its controlled entities

Statement of changes in equity

For the year ended 31 December 2016

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 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 cost 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		21	-	-	(178.5)	(178.5)	-	(178.5)
Executive performance share plan		19(b)/20(a)	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
Transactions with owners in their capacity as owners:								
Dividends provided for or paid		21	-	-	(139.5)	(139.5)	-	(139.5)
Executive performance share plan		19(b)/20(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

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 2016

	Notes	Consolidated	
		2016 \$ million	2016 \$ million
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		6.2	5.6
Income taxes paid		(67.2)	(58.5)
Income taxes refunded		4.4	4.2
Net cash inflow from operating activities	31	248.4	229.9
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(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 venture entities		(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	21	(178.5)	(139.5)
Net cash outflow from financing activities		(195.5)	(198.2)
Net (decrease)/increase in cash and cash equivalents		(11.8)	1.4
Cash and cash equivalents at the beginning of the year		33.3	31.8
Effects of exchange rate changes on cash and cash equivalents		-	0.1
Cash and cash equivalents at the end of the year	6	21.5	33.3

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 2016

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 17 March 2017. 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. Unless otherwise stated 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 the Adelaide Brighton Limited group 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 2016 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. The Group performed a preliminary assessment of the impact of the new standard and based on the results do not believe that the standard will have a material impact on the financial statements. The standard is mandatory for financial years commencing on or after 1 January 2018 and Adelaide Brighton will adopt the standard at that time.

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 preliminary assessment of the impact of the standard has been undertaken by the Group. Based upon current leases, adopting the standard would result in the recognition of a right of use asset with a value of \$14.0 million and a corresponding liability at 31 December 2016, and reduce 2016 net profit after tax by \$0.7 million. The standard is mandatory for financial years commencing on or after 1 January 2019 and Adelaide Brighton will adopt the standard at that time.

(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 2016 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 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 2016

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 changes in ownership 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 or deferred in equity if the gain or loss relate to a qualifying cash flow hedge.

(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 bargain purchase.

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

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

Adelaide Brighton Limited and its controlled entities
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For the year ended 31 December 2016

1 Summary of significant accounting policies (continued)

(e) Rounding of amounts

The Company is of a kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that instrument to the nearest one hundred thousand dollars, 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 in preparing the financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. This note provides an overview of the areas that involved a higher degree of judgement or complexity and of items which are more likely to be materially adjusted due to estimates and assumptions differing to actual outcomes. The areas involving significant estimates and assumptions are listed below.

- Impairment of assets – Note 13
- Provisions for close down and restoration costs – Note 16(iv)
- Defined benefit superannuation plan – Note 18

Detailed information about each of these estimates and assumptions is included in Notes 13, 16(iv) and 18 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 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
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3 Revenue and other income (continued)

	Consolidated	
	2016	2015
	\$ million	\$ million
Revenue from continuing operations		
Sales revenue	1,394.3	1,411.0
Interest from joint ventures	0.7	0.8
Interest from other parties	0.8	0.9
Royalties	0.4	0.4
	1,396.2	1,413.1
Other income		
Net gain on disposal of property, plant and equipment	8.4	45.9
Fair value accounting gain on business acquisition	-	0.2
Rental income	2.9	3.0
Other income	3.2	2.3
	14.5	51.4
Total revenue and other income	1,410.7	1,464.5

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 \$8.4 million (2015: \$45.0 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	4.4	4.3
Plant and equipment	66.5	66.0
Mineral reserves	5.2	5.6
Total depreciation	76.1	75.9
Amortisation of intangibles	2.0	1.9
Other charges		
Employee benefits expense	156.3	150.7
Defined contribution superannuation expense	11.7	11.1
Operating lease rental charge	6.6	5.2
Impairment expense recognised on trade debtors	0.7	1.1
Provision for inventory	0.7	0.4
Finance costs		
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 loss/(gain) on forward foreign currency contracts at fair value through profit or loss	0.2	(0.2)
Total finance costs	13.6	15.2
Amount capitalised ¹	(0.6)	(0.5)
Finance costs expensed	13.0	14.7

¹ 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 2.5% p.a. (2015: 3.1% p.a.).

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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 by changes in deferred tax assets and liabilities attributable to temporary differences and to previously unrecognised tax losses. The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the end of the reporting period.

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
For the year ended 31 December 2016

5 Income tax (continued)

	Consolidated	
	2016	2015
	\$ million	\$ million
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	254.6	285.6
Tax at the Australian tax rate of 30% (2015: 30%)	76.4	85.7
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non allowable expenses	0.7	0.5
Non assessable income	(1.9)	(0.5)
Non assessable capital profits	-	(1.3)
Rebateable dividends	(4.0)	(3.9)
Fair value adjustment	-	(0.1)
Other deductions	(1.3)	-
Previously unrecognised capital tax losses offset against capital gains	(1.9)	(3.3)
Under provided in prior years	0.4	0.7
Aggregate income tax expense	68.4	77.8
Aggregate income tax expense comprises:		
Current taxation expense	69.9	68.1
Net deferred tax	(1.7)	10.0
Under/(Over) provided in prior year	0.2	(0.3)
	68.4	77.8
(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	(1.1)	(0.3)
Net deferred tax	(0.9)	0.3
	(2.0)	-
(c) Tax expense relating to items of other comprehensive income		
Actuarial gain on retirement benefit obligation (Note 18)	0.5	1.4
Changes in the fair value of cash flow hedges (Note 20(a))	0.4	(0.4)
	0.9	1.0
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised:		
Revenue losses	0.4	0.4
Capital losses	11.6	13.4
This benefit for tax losses will only be obtained if:		
(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;		
(ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation; and		
(iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.		
(e) Non-current deferred tax assets		
The balance comprises temporary differences attributable to:		
Share based payment reserve	1.7	1.3
Provisions	24.6	21.0
Other assets	1.7	5.8
Tax losses	0.9	-
Deferred tax assets – before offset	28.9	28.1
Offset deferred tax liability (Note 5(f))	(28.9)	(28.1)
Net deferred tax assets – after offset	-	-

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

	Consolidated	
	2016	2015
	\$ million	\$ million
(e) Non-current deferred tax assets (continued)		
Movements:		
Opening balance at 1 January – before offset	28.1	31.6
Recognised in the income statement	2.3	(2.4)
Recognised in other comprehensive income	(0.9)	(1.0)
Recognised in equity	-	(0.3)
Under/(over) provision in prior year	(0.6)	-
Acquired in business combinations	-	0.2
Closing balance at 31 December – before offset	<u>28.9</u>	<u>28.1</u>
(f) Non-current deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	101.6	95.5
Inventories	9.7	9.9
Other	7.5	8.1
Deferred tax liabilities – before offset	<u>118.8</u>	<u>113.5</u>
Offset deferred tax assets (Note 5(e))	(28.9)	(28.1)
Net deferred tax liabilities – after offset	<u>89.9</u>	<u>85.4</u>
Net deferred tax liabilities to be settled after more than 12 months	76.5	75.1
Net deferred tax liabilities to be settled within 12 months	13.4	10.3
	<u>89.9</u>	<u>85.4</u>
Movements:		
Opening balance at 1 January – before offset	113.5	106.3
Recognised in the income statement	0.6	6.1
Recognised in equity	0.4	-
Under/(over) provision in prior year	4.3	1.1
Closing balance at 31 December – before offset	<u>118.8</u>	<u>113.5</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	19.8	31.5
Term deposits	1.7	1.8
Cash and cash equivalents	<u>21.5</u>	<u>33.3</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 value of overdrafts at 31 December 2016 was \$nil (2015: \$nil).

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 22. 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.

Adelaide Brighton Limited and its controlled entities
Notes to and forming part of the consolidated financial statements
For the year ended 31 December 2016

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 22(b).

The amount of the provision is recognised in the income statement. When a trade receivable for which a loss allowance provision 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.

	Consolidated	
	2016	2015
	\$ million	\$ million
Current		
Trade receivables	167.2	168.4
Loss allowance provision	(1.2)	(1.8)
	166.0	166.6
Amounts receivable from joint ventures	28.3	29.3
Prepayments	5.1	6.2
Other receivables	5.2	6.2
Total current	204.6	208.3
Non-current		
Loans to joint ventures	32.3	30.2
Other non-current receivables	2.1	2.7
Total non-current	34.4	32.9
Movement in loss allowance provision		
Opening balance at 1 January	1.8	1.9
Amounts written off during the year	(1.5)	(0.8)
Loss allowance provision recognised during the year	0.9	0.7
Closing balance at 31 December	1.2	1.8

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 22.

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. Cost includes the reclassification from equity of any gains or losses on qualifying cashflow hedges relating to purchases of raw materials.

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.

Inventory quantities are verified through stocktakes where inventory is either counted or, in the case of bulk materials, volumetric surveys are converted to weight using density factors. Certain volumetric surveys are performed by independent surveyors utilising aerial and laser surveys.

	Consolidated 2016 \$ million	2015 \$ million
Current		
Finished goods	70.6	70.4
Raw materials and work in progress	60.1	60.2
Engineering spare parts stores	29.5	30.9
	160.2	161.5

Inventory expense

Inventories recognised as expense during the year ended 31 December 2016 and included in cost of sales amounted to \$808.3 million (2015: \$825.6 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.

Signed contracts are in existence for the sale of these assets held for sale and the assets are held at their carrying value. The timing is normal for the nature of the of the contract for sale in the Concrete Products segment.

Current

Land and buildings	1.3	-
Plant and equipment	2.5	-
	3.8	-

Adelaide Brighton Limited and its controlled entities
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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. Dividends received are recognised as a reduction in the investment in the joint venture.

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 table 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		2016	2015
	2016	2015	2016	2015	2016	2015
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Investment in joint ventures and associate	114.2	107.2	37.0	35.0	151.2	142.2
Profit from continuing operations	25.6	19.0	2.9	0.9	28.5	19.9
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	25.6	19.0	2.9	0.9	28.5	19.9

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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
		2016 %	2015 %	
Aalborg Portland Malaysia Sdn. Bhd. ⁽¹⁾	Malaysia	30	30	White clinker and cement manufacture
Batesford Quarry ⁽²⁾	Victoria	50	50	Limestone products
Burrell Mining Services JV ⁽²⁾	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 ⁽³⁾	New South Wales and Victoria	50	50	Premixed concrete and quarry products
Independent Cement and Lime Pty Ltd ⁽³⁾	New South Wales and Victoria	50	50	Cementitious product distribution
Peninsula Concrete Pty Ltd ⁽³⁾	South Australia	50	50	Premixed concrete
Sunstate Cement Ltd ⁽³⁾	Queensland	50	50	Cement milling and distribution

(1) Associate

(2) Joint operation

(3) Joint venture

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 \$30.8 million (2015: \$30.4 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 2016

\$ million	Freehold land	Buildings	Leasehold property	Plant & equipment	Mineral reserves	Asset retirement cost	In course of construction	Total
At cost	167.0	145.9	9.5	1,329.4	204.0	26.3	40.8	1,922.9
Accumulated depreciation	-	(62.1)	(3.3)	(833.6)	(38.8)	(6.7)	-	(944.5)
Net book amount	167.0	83.8	6.2	495.8	165.2	19.6	40.8	978.4
Reconciliations								
Carrying amount at 1 January 2016	155.9	84.3	6.1	497.4	170.0	21.0	51.4	986.1
Additions	21.3	0.9	0.7	41.9	0.4	0.1	21.2	86.5
Disposals	(9.2)	(0.2)	-	(5.3)	-	-	-	(14.7)
Reclassification	(1.0)	3.2	(0.1)	26.6	-	-	(31.8)	(3.1)
Depreciation/amortisation	-	(4.4)	(0.5)	(64.8)	(5.2)	(1.2)	-	(76.1)
Other	-	-	-	-	-	(0.3)	-	(0.3)
Carrying amount at 31 December 2016	167.0	83.8	6.2	495.8	165.2	19.6	40.8	978.4

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

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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	
	2016	2015
	\$ million	\$ million
Cost	1.6	2.7
Accumulated depreciation	(0.5)	(0.5)
Net book amount	<u>1.1</u>	<u>2.2</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 2016				
Cost	248.7	18.0	13.3	280.0
Accumulated amortisation	-	(8.6)	(1.1)	(9.7)
Carrying amount at 31 December 2016	<u>248.7</u>	<u>9.4</u>	<u>12.2</u>	<u>270.3</u>
Opening balance at 1 January 2016	248.7	11.2	13.0	272.9
Reclassification	-	(0.1)	(0.5)	(0.6)
Additions in current year	-	-	-	-
Amortisation charge	-	(1.7)	(0.3)	(2.0)
Closing balance at 31 December 2016	<u>248.7</u>	<u>9.4</u>	<u>12.2</u>	<u>270.3</u>

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12 Intangible assets (continued)

\$ million 31 December 2015	Consolidated			
	Goodwill	Software	Other intangibles	Total
Cost	248.7	18.1	13.9	280.7
Accumulated amortisation	-	(6.9)	(0.9)	(7.8)
Carrying amount at 31 December 2015	248.7	11.2	13.0	272.9
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	248.7	11.2	13.0	272.9

13 Impairment tests

Goodwill is not subject to amortisation and is 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.

- (a) 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	
	2016 \$ million	2015 \$ million
Cement and Lime	134.0	134.0
Concrete and Aggregates	105.9	105.9
Cement, Lime, Concrete and Aggregates segment	239.9	239.9
Concrete Products segment	8.8	8.8
	248.7	248.7

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on 2016 actual results and 2017 financial budgets approved by the Board. Projected cash flows are forecast for a period of greater than 5 years to incorporate the construction cycle into demand assumptions for modelling purposes. The growth rate does not exceed the long term average growth rate for the industry in which the CGU operates.

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

	Gross margin ¹		Growth rate ²		Discount rate ³	
	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Cement, Lime, Concrete and Aggregates	37.5	36.6	1.3	1.4	10.4	9.6
Concrete Products	24.9	24.5	1.2	2.0	10.9	10.0

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 11 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 Trade and other payables

	Consolidated	
	2016	2015
	\$ million	\$ million
Current		
Trade payables and accruals	113.3	120.7
Trade payables - joint ventures	3.7	2.2
	117.0	122.9

Information about the Group's exposure to foreign exchange risk is provided in Note 22.

15 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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15 Borrowings and lease commitments (continued)

	Consolidated	
	2016 \$ million	2015 \$ million
Current		
Finance lease	0.4	1.0
Non-current		
Bank loans – unsecured	309.3	328.8
Finance lease	0.3	0.7
	309.6	329.5

The Group complied with the terms of borrowing agreements during the year.

Details of the Group's exposure to interest rate changes is set out in Note 22. 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	0.4	1.1
Later than one year but not later than five years	0.4	0.7
Minimum lease payments	0.8	1.8
Future finance charges	(0.1)	(0.1)
Total lease liabilities	0.7	1.7

The present value of finance lease liabilities is as follows:

Within one year	0.4	1.0
Later than one year but not later than five years	0.3	0.7
Minimum lease payments	0.7	1.7

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	4.8	4.4
Later than one year but not later than five years	12.9	8.9
Later than five years	8.0	9.1
	25.7	22.4

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.

16 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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16 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 including information from tenders, 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 \$38.1 million (2015: \$37.7 million).

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16 Provisions (continued)

	Consolidated	
	2016	2015
	\$ million	\$ million
Current		
Employee benefits	25.9	28.0
Restoration provisions	5.2	4.0
Workers' compensation	0.1	0.6
Other provisions	0.7	1.0
	31.9	33.6
Non-current		
Employee benefits	6.1	3.2
Restoration provisions	32.9	33.7
	39.0	36.9

The current portion of employee benefits includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees are entitled to pro-rata payments in certain circumstances. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	Consolidated	
	2016	2015
	\$ million	\$ million
Current leave obligations expected to be settled after 12 months	3.5	3.1

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

	Workers' compensation \$ million	Restoration provisions \$ million	Other provisions \$ million
Opening balance at 1 January 2016	0.6	37.7	1.0
Additional provision recognised – charged to income statement	-	-	-
Additional provision recognised – charged to asset retirement cost	-	0.1	-
Charged to income statement – unwind of discount	-	1.1	-
Credited to income statement – reversal of amounts unused	(0.1)	(0.2)	(0.2)
Payments	(0.4)	(0.6)	(0.1)
Closing balance at 31 December 2016	0.1	38.1	0.7

17 Other liabilities

	Consolidated	
	2016	2015
	\$ million	\$ million
Current		
GST liability	3.3	6.8

18 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 18(d).

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18 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 2016, 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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18 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 2016	52.4	(53.7)	(1.3)
Current service cost	1.8	-	1.8
Interest expense/(income)	1.9	(2.0)	(0.1)
Transfers in	0.1	(0.1)	-
	3.8	(2.1)	1.7
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(1.6)	(1.6)
(Gain) from change in financial assumptions	(0.1)	-	(0.1)
Experience (gain)		-	-
	(0.1)	(1.6)	(1.7)
Contributions:			
Employers	-	(1.0)	(1.0)
Plan participants	1.0	(1.0)	-
Payments from Plan:			
Benefit payments	(5.7)	5.7	-
At 31 December 2016	51.4	(53.7)	(2.3)
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 losses	(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)

(c) Categories of plan assets

The major categories of plan assets are as follows:

	31 December 2016		31 December 2015	
	Unquoted \$ Million	in %	Unquoted \$ Million	in %
Australian equity	13.4	25%	15.0	28%
International equity	16.1	30%	16.1	30%
Fixed income	10.8	20%	10.2	19%
Property	6.4	12%	6.5	12%
Cash	3.8	7%	1.1	2%
Other	3.2	6%	4.8	9%
Total	53.7	100%	53.7	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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18 Retirement benefit obligations (continued)

(d) Actuarial assumptions and sensitivity

The significant actuarial assumptions used were as follows:

	Consolidated	
	2016	2015
	%	%
Discount rate - % p.a.	3.7	3.9
Future salary increases - % p.a. – first year	2.0	2.0
Future salary increases - % p.a. – second year	3.5	3.0
Future salary increases - % p.a. - thereafter	3.8	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 2016			
Discount rate	0.50 ppts	Decrease by 1.7%	Increase by 1.8%
Future salary increases	0.50 ppts	Increase by 1.4%	Decrease by 1.3%
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%

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

(e) Defined benefit liability and employer contributions

The Group made contributions to the Plan at rates of between 6% and 9% of member salaries. Expected contributions to the defined benefit plan for the year ending 31 December 2017 are \$0.8 million (2016: \$0.9 million).

The weighted average duration of the defined benefit obligation is 6 years (2015: 7 years).

19 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.

	Consolidated	
	2016	2015
	\$ million	\$ million
(a) Share capital		
Issued and paid up capital		
649,654,099 (2015: 648,885,747) ordinary shares, fully paid	731.4	729.2
(b) Movements in ordinary share capital		
Opening balance at 1 January	729.2	727.9
768,352 shares issued under Executive Performance Share Plan (2015: 618,080) (i)	2.2	1.3
Closing balance at 31 December	731.4	729.2

(i) Ordinary shares issued under the Adelaide Brighton Limited Executive Performance Share Plan (refer Note 26).

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19 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

Under the Dividend Reinvestment Plan (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. Adelaide Brighton's target gearing ratio is 25% to 45%.

The gearing ratio at 31 December 2016 and 31 December 2015 was as follows:

	Consolidated	
	2016	2015
	\$ million	\$ million
Total borrowings	310.0	330.5
Less: cash and cash equivalents	(21.5)	(33.3)
Net debt	<u>288.5</u>	<u>297.2</u>
Total equity	1,220.1	1,207.3
Gearing ratio	<u>23.6%</u>	<u>24.6%</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 26.

20 Reserves and retained earnings

(a) Reserves

Foreign currency translation reserve	(0.7)	0.2
Share-based payment reserve	2.7	1.9
Cash flow hedge reserve	0.9	(0.9)
	<u>2.9</u>	<u>1.2</u>

Foreign currency translation reserve

Opening balance at 1 January	0.2	1.5
Currency translation differences arising during the year	(0.9)	(1.3)
Closing balance at 31 December	<u>(0.7)</u>	<u>0.2</u>

Share-based payment reserve

Opening balance at 1 January	1.9	1.8
Awards expense	1.0	1.3
Deferred tax	0.9	(0.3)
Issue of shares to employees	(1.1)	(0.9)
Closing balance at 31 December	<u>2.7</u>	<u>1.9</u>

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20 Reserves and retained earnings (continued)

(a) Reserves (continued)

	Consolidated	
	2016	2015
	\$ million	\$ million
Cash flow hedge reserve		
Opening balance at 1 January	(0.9)	-
Revaluation – gross	1.3	(1.3)
Reclassified to the carrying amount of inventory	1.3	-
Deferred tax on movement in reserve	(0.8)	0.4
Closing balance at 31 December	<u>0.9</u>	<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 26.

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	474.3	402.8
Net profit for the year	186.3	207.9
Actuarial gain / (loss) on defined benefit obligation net of tax	1.2	3.1
Dividends	(178.5)	(139.5)
Closing balance at 31 December	<u>483.3</u>	<u>474.3</u>

21 Dividends

	The Company	
	2016	2015
	\$ million	\$ million
Dividends paid during the year		
2015 final dividend of 15.0 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	<u>178.5</u>	<u>139.5</u>

Dividend not recognised at year end

Since the end of the year the Directors have recommended the payment of a final dividend of 15.5 cents (2015: 15.0 cents) per fully paid share, franked at 100% (2015: 100%). The aggregate amount of the proposed final dividend to be paid on 12 April 2017, not recognised as a liability at the end of the reporting period, is

100.7	97.3
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Franked dividend

The franked portion of the dividend proposed as at 31 December 2016 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 2017.

Adelaide Brighton Limited and its controlled entities
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21 Dividends (continued)

Franked dividend (continued)

	Consolidated	
	2016	2015
	\$ million	\$ million
Franking credits available for subsequent financial years based on a tax rate of 30% (2015: 30%)	120.8	130.3

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 \$43.2 million (2015: \$41.7 million).

22 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	2016	2015
Forward foreign exchange contracts:		
Buy foreign currency	35.4	40.9
Sell Australian dollar (cash flow hedges)	(36.7)	(40.0)
Net exposure	(1.3)	0.9

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22 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 with variable rates which 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 2016 and 2015, 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	2016		2015	
	Weighted average interest rate	Balance \$ million	Weighted average interest rate	Balance \$ million
Variable rate instruments:				
Cash at bank, on hand and at call	2.0%	21.5	2.50%	33.3
Bank facilities	2.93%	309.3	3.28%	328.8
Fixed rate instruments:				
Finance leases	5.51%	0.7	5.46%	1.7

(iv) Summarised sensitivity analysis

Foreign currency risk relating to assets and liabilities at year end 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	2016		2015	
	Impact on post-tax profit	Impact on equity	Impact on post-tax profit	Impact on equity
Interest rates – increase by 1%	(2.2)	(2.2)	(2.3)	(2.3)
Interest rates – decrease by 1%	2.2	2.2	2.3	2.3

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22 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 approvals 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. From the 1st of August 2016 the group commenced using credit insurance for selected accounts with a credit limit exceeding \$0.25 million. The maximum liability insured is capped at \$14 million.

The Group has no significant concentration of credit risk. As at 31 December 2016, 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 2016 is determined as set out below, which incorporates past experience and forward looking information, including the outlook for market demand and forward looking interest rates.

	2016			2015		
	Gross Carrying Amount	Provision	Expected loss rate	Gross Carrying Amount	Provision	Expected loss rate
	\$m	\$m	%	\$m	\$m	%
Current	112.9	0.1	0.12	118.1	0.1	0.12
More than 30 days past due	72.5	0.2	0.24	67.5	0.2	0.24
More than 60 days past due	7.9	0.2	2.35	8.4	0.2	2.38
More than 90 days past due	2.2	0.7	31.86	3.7	1.3	34.92
Total	195.5	1.2		197.7	1.8	

The gross carrying amount includes external receivables of \$167.2 million (2015: \$168.4 million) and joint venture receivables of \$28.3 million (2015: \$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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22 Financial risk management (continued)

(c) Liquidity risk (continued)

Financing arrangements

	Consolidated	
	2016	2015
	\$ 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	310.0	330.0
	310.0	330.0
Unused at balance date		
Bank overdrafts	4.0	4.0
Bank facilities	230.0	210.0
	234.0	214.0
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

Consolidated	< 6 months	6-12 months	1-2 years	> 2 years	Total
\$million					
31 December 2016					
Non-derivatives					
Trade payables	117.0	-	-	-	117.0
Bank facilities	4.2	4.3	310.1	-	318.6
Finance leases	0.4	0.3	0.3	-	1.0
Bank guarantees	24.1	-	-	-	24.1
	145.7	4.6	310.4	-	460.7
Derivatives					
Gross settled forward foreign exchange contracts (cash flow hedges):					
- (inflow)	(27.5)	(7.9)	-	-	(35.4)
- outflow	28.4	8.3	-	-	36.7
	0.9	0.4	-	-	1.3
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
Bank guarantees	22.3	-	-	-	22.3
	150.7	5.8	351.3	-	507.8
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)

Adelaide Brighton Limited and its controlled entities
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22 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 22(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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22 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	
	2016	2015
<i>Hedging instrument – forward foreign exchange contracts</i>		
Carrying amount – \$Million	1.3	(1.3)
Notional amount US Dollars – \$Million	32.7	38.3
Notional amount Yen - \$ Million	2.7	-
Maturity date	Jan – Sep 2017	Jan – Sep 2016
Hedge ratio	1:1	1:1
Change in value of outstanding hedge instruments since 1 January – \$Million	1.3	(1.3)
Change in value of hedge item used to determine hedge effectiveness – \$Million	(1.3)	1.3
Weighted average hedge rate	- US Dollars	A\$1 : US\$0.7058
	- Yen	-
	A\$1 : US\$0.7511	
	A\$1 : Yen 84.3	
<i>Hedging instrument – electricity price caps</i>		
Carrying amount – \$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

23 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 on a recurring basis. The Group held assets in relation to forward exchange contracts of \$1.3 million (2015: liabilities of \$1.3 million) at the end of the reporting period. There were no electricity price caps in place at 31 December 2016 (2015: asset of \$0.6 million). The fair values of the forward exchange contracts are measured with reference to forward interest rates and exchange rates at balance date and the present value of the estimated future cash flows (level 2).

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23 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 current trade receivables and payables are assumed to approximate their fair values due to their short term nature. For non-current receivables, the fair values are also not significantly different to their carrying amounts as a commercial rate of interest is charged to the counterparty (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).

24 Contingencies

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

	Consolidated	
	2016	2015
	\$ million	\$ million
(a) Guarantees		
Bank guarantees	24.1	22.3

(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.

25 Commitments for capital expenditure

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

Within one year	12.6	29.6
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26 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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26 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 (2015 – 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 13 to 37.

The exercise price for each Award is \$nil.

Movement in number of Awards outstanding

	Consolidated	
	2016	2015
Outstanding at beginning of the year	2,986,287	3,319,603
Granted	701,889	795,761
Forfeited	-	(510,997)
Exercised	(768,352)	(618,080)
Expired	-	-
Outstanding at the end of the year	2,919,824	2,986,287
Exercisable at the end of the year	-	-

The average value per share at the earliest exercise date during the year was \$5.08 (2015: \$4.60). 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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26 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 2016 – weighted average pricing model inputs

	2016 Awards
Share price at grant date - per share	\$5.68
Expected future dividends - per share	\$1.04
Risk-free interest rate - % p.a.	1.58
Lack of marketability discount - % p.a.	2.75
TSR condition discount	50%
Earliest exercise date	1 May 20

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

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 \$1,149,092 during the year (2015: \$1,323,686).

The weighted average remaining contractual life of Awards outstanding at the end of the period was 1.8 years (2015: 1.8 years).

27 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	
	2016	2015
	\$	\$
(a) Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial statements	748,359	777,498
(b) Non-audit services		
PricewaterhouseCoopers Australian firm		
Other assurance services	40,949	132,917

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28 Related parties

(a) Compensation of Key Management Personnel

	Consolidated	
	2016	2015
	\$ million	\$ million
Short-term employee benefits	6.6	7.5
Post employment benefits	0.1	0.2
Share-based payments	1.0	1.3
	<u>7.7</u>	<u>9.0</u>

(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 Brydon, CEO and Managing Director, and M Kelly, a senior executive of Adelaide Brighton Limited, have been Directors of Sunstate Cement Ltd during the reporting period. G Agriogiannis, a senior executive of Adelaide Brighton Limited and M Kelly are also Directors of the Mawson Group. During the year, the Group traded significantly with Independent Cement and Lime Pty Ltd, Sunstate Cement Ltd, the Mawson 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 Mawson Group and Aalborg Portland Malaysia Sdh. 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	
	2016	2015
	\$	\$
Aggregate amounts of the above transactions by subsidiaries and joint ventures with the Directors and their related parties:		
Sales to Director related parties	71,983,392	60,530,291
Purchases from Director related parties	20,818,254	20,398,478

Details of interests in controlled entities are set out in Note 29. 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.

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28 Related parties (continued)

(e) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2016	2015
	\$'000	\$'000
Sales of goods		
- Joint venture entities	242,702	223,705
Purchases of materials and goods		
- Joint venture entities	84,375	76,491
- Associate entities	8,142	11,803
Interest revenue		
- Joint venture entities	719	762
Dividend and distribution income		
- Joint venture entities	18,582	16,227
Superannuation contributions		
- Contributions to superannuation funds on behalf of employees	12,707	12,189
Loans advanced to/(from):		
- Joint venture entities	2,046	940

(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)	338	345
- Joint venture entities (trade)	28,041	28,962
Non-current receivables		
- Joint venture entities (loans)	31,917	30,212
Current payables		
- Joint venture entities (trade)	3,686	2,243

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 \$718,972 (2015: \$762,637).

Adelaide Brighton Limited and its controlled entities
Notes to and forming part of the consolidated financial statements
For the year ended 31 December 2016

29 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	
			2016 %	2015 %
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

30 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, wholly owned entities classified as a "Closed Group" are relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

Direct Mix Holdings Pty Ltd is ineligible for relief under the Class Order and is classified as a member of the "Extended Closed Group" for the purposes of the Class Order.

No changes to the Deed were made during 2016.

Set out below is a consolidated balance sheet as at 31 December 2016 of the Closed Group.

	2016 \$ million	2015 \$ million
Current assets		
Cash and cash equivalents	17.4	28.2
Trade and other receivables	203.7	207.6
Inventories	159.8	161.2
Assets classified as held for sale	3.8	-
Total current assets	384.7	397.0
Non-current assets		
Receivables	34.3	32.9
Retirement benefit asset	2.3	1.3
Joint arrangements and associate	90.3	86.5
Other financial assets	21.4	21.4
Property, plant and equipment	962.5	958.7
Intangible assets	268.2	270.7
Total non-current assets	1,379.0	1,371.5
Total assets	1,763.7	1,768.5

Adelaide Brighton Limited and its controlled entities
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For the year ended 31 December 2016

30 Deed of cross guarantee (continued)

	2016	2015
	\$ million	\$ million
Current liabilities		
Trade and other payables	140.2	130.3
Borrowings	0.1	0.7
Current tax liabilities	15.4	14.9
Provisions	31.8	33.4
Other liabilities	3.3	6.8
Total current liabilities	<u>190.8</u>	<u>186.1</u>
Non-current liabilities		
Borrowings	309.4	329.0
Deferred tax liabilities	88.9	85.0
Provisions	38.9	36.9
Other non-current liabilities	0.1	0.1
Total non-current liabilities	<u>437.3</u>	<u>451.0</u>
Total liabilities	<u>628.1</u>	<u>637.1</u>
Net assets	<u>1,135.6</u>	<u>1,131.4</u>
Equity		
Contributed equity	731.4	729.2
Reserves	2.9	1.3
Retained earnings	401.3	400.9
Total equity	<u>1,135.6</u>	<u>1,131.4</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 2016 of the Closed Group.

Profit before income tax	247.1	282.3
Income tax expense	(69.4)	(78.1)
Profit for the year	<u>177.7</u>	<u>204.2</u>
Retained earnings 1 January	400.9	333.4
Profit for the year	177.7	204.2
Other comprehensive income	1.2	2.8
Dividends paid	(178.5)	(139.5)
Retained earnings 31 December	<u>401.3</u>	<u>400.9</u>

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

	Consolidated	
	2016	2015
	\$ million	\$ million
Profit for the year	186.2	207.8
Doubtful debts	0.7	0.8
Depreciation, amortisation and impairment	78.1	77.8
Share based payments	(2.9)	(1.5)
Finance charges on remediation provision	1.1	0.9
(Gain) on sale of non-current assets	(8.4)	(45.9)
Share of profits of joint ventures, net of dividends received	(9.9)	(3.7)
Non-cash retirement benefits expense	0.2	1.0
Non-cash remediation obligation	0.8	(2.2)
Fair value accounting gain on acquisition of business	-	(0.2)
Capitalised interest	(0.6)	(0.5)
Other	0.4	(0.5)
Net cash provided by operating activities before changes in assets and liabilities	<u>245.7</u>	<u>233.8</u>

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

	Consolidated	
	2016	2015
	\$ million	\$ million
Changes in operating assets and liabilities, net of effects from purchase of business combinations:		
(Increase) in inventories	1.3	(6.6)
(Increase) / decrease in prepayments	1.1	(1.4)
(Increase) in receivables	1.9	(7.8)
Increase in trade creditors	(2.3)	0.8
(Decrease) / increase in provisions	(0.7)	(2.2)
Increase / (decrease) in taxes payable	0.4	13.6
Increase in deferred taxes payable	4.5	10.9
(Decrease) / increase in other operating assets and liabilities	(3.5)	(11.2)
Net cash inflow from operating activities	248.4	229.9

32 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	
	2016	2015
	Cents	Cents
Basic earnings per share	28.7	32.0
Diluted earnings per share	28.6	31.9

	Consolidated	
	2016	2015
	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	649,395,882	648,680,849
Adjustment 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

	Consolidated	
	2016	2015
	\$ million	\$ million
Reconciliation of earnings used in calculating earnings per share		
<i>Basic and diluted earnings per share</i>		
Profit after tax	186.2	207.8
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	186.3	207.9

Adelaide Brighton Limited and its controlled entities
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33 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 include segmental information on the basis of product groups and are used to regularly evaluate 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. The Group considered aggregation of these segments appropriate due to the similarity of the markets that the products are sold, the consistent regulatory environment for the production, handling and use of the products, distribution method and underlying demand drivers. 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 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 \$ million	Concrete Products \$ million	Unallocated \$ million	Total \$ million
Total segment operating revenue	1,573.5	149.2	-	1,722.7
Inter-Company 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-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

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

The operating revenue assessed by the CEO and Managing Director and 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	
	2016 \$ million	2015 \$ million
Total segment operating revenue	1,722.7	1,684.5
Inter-Company 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

Adelaide Brighton Limited and its controlled entities
Notes to and forming part of the consolidated financial statements
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33 Segment reporting (continued)

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

The Chief Executive Officer 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:

\$ million	2016	2015
EBIT	266.1	298.6
Net interest	(11.5)	(13.0)
Profit before income tax	254.6	285.6

(c) Other segment information

Revenues of \$215.3 million (2015: \$193.8 million) are derived from a single customer. These revenues are attributable to the Cement, Lime, Concrete and Aggregates segment.

34 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
For the year ended 31 December 2016

34 Parent entity financial information (continued)

(a) Summary financial information

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

	2016	2015
	\$ million	\$ million
Balance sheet		
Current assets	1,975.2	1,750.6
Total assets	2,372.8	2,114.6
Current liabilities	1,130.7	911.7
Total liabilities	1,475.1	1,241.9
Net assets	897.7	872.7
Shareholders' equity		
Share capital	724.3	722.1
Reserves		
Share-based payments	2.7	1.9
Retained earnings	170.7	148.7
Total shareholders' equity	897.7	872.7
Profit for the year	200.5	154.2
Total comprehensive income	200.5	154.2

(b) Guarantees entered into by the parent entity

Bank guarantees	10.3	5.9
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(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2016 or 31 December 2015 other than the bank guarantees detailed above.

35 Events occurring after the balance sheet date

Subsequent to reporting date, Adelaide Brighton had agreed to acquire the Central Pre-Mix Concrete (Central) 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.

Adelaide Brighton completed the acquisition effective 1 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 the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Adelaide Brighton Limited and its controlled entities

31 December 2016

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 42 to 87 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 2016 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 30 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 30.

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 Chief Executive Officer and Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



M Brydon
Director

Dated 17 March 2017



Auditor's Independence Declaration

As lead auditor for the audit of Adelaide Brighton Limited for the year ended 31 December 2016, 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 faint, large, light-colored signature line.

Kevin Reid
Partner
PricewaterhouseCoopers

Adelaide
17 March 2017

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Independent auditor's report

to the members of Adelaide Brighton Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Adelaide Brighton Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group's financial report comprises:

- the consolidated balance sheet as at 31 December 2016
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

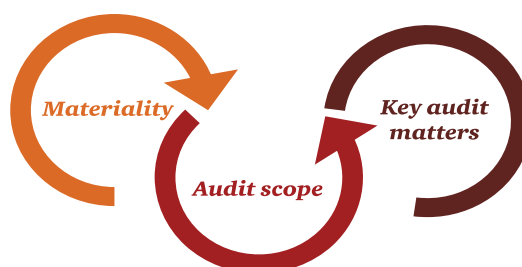
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates. As explained in the Directors' Report, the Group has four distinct product groups, being Cement, Lime, Concrete and Aggregates and Concrete Products which operate across Australia. The Group also has interests in joint arrangements and associates.



Materiality

For the purpose of our audit we utilised an overall Group materiality of \$12,700,000, representing approximately 5% of profit before tax of the Group, excluding the gain on sale of properties (property profits).

We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

We chose profit before tax as the benchmark because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark. The gain on sale of properties (property profits) was removed from materiality calculations on the basis that these transactions are distinguishable from the continuing product trading activities of the Group.

We selected 5% based on our professional judgement noting that it is within the range of commonly acceptable profit related thresholds.

Audit scope

Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving making assumptions and considering inherently uncertain future events.

We conducted an audit of the most significant components being Cement and Lime (primarily focusing on the South Australian and Western Australian businesses which comprise the bulk of these operations) and Concrete and Aggregates, which, in our view, were financially significant to the financial report.

Additionally, we performed specific risk focused audit procedures in relation to the Group's Cement and Lime components in the Northern Territory and New South Wales, and Concrete Products. The procedures varied across these operations and included procedures directed at revenue, debtors, inventory, fixed assets and journals. Audit procedures were also performed over the gain on sale of properties (property profits).

Of the Group's interest in joint arrangements and associates, Independent Cement and Lime Pty Ltd and Sunstate Cement Ltd were the largest contributors to the Group's share of net profits from joint ventures and associates. As stated in the Joint Arrangements and Associates Note 10 to the financial report, these joint ventures have a balance sheet date of 30 June. Other auditors audited the financial reports for Independent Cement and Lime Pty Ltd and Sunstate Cement Ltd for the year ended 30 June 2016. We determined the level of involvement we needed to have to be able to conclude whether sufficient appropriate audit evidence had been obtained for our opinion on the Group financial report as a whole, including reviewing the work of these other auditors. Due to the different balance dates utilised by these joint ventures, we performed audit procedures for the period 1 July 2016 to (and as at) 31 December 2016, including substantive analytical procedures over the financial results, to obtain sufficient evidence in respect of the results for the year ended and financial position as at 31 December 2016 for our opinion.

Outside the operations identified above, the Group includes components which individually and collectively do not contribute materially to the overall Group result. We have obtained an understanding of these operations and performed analytical procedures.

Key audit matters

Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:

- Recoverability of goodwill and tangible assets
- Estimation of rehabilitation provisions
- Measurement of inventory quantities

These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p><i>Recoverability of goodwill and tangible assets</i> <i>(Refer to notes 11 & 12)</i></p> <p>The financial report for the Group includes property, plant and equipment of \$978.4 million and goodwill of \$248.7 million as at 31 December 2016.</p> <p>In order to assess recoverability of these assets, the Group prepared financial models at 31 December 2016 to determine if the carrying values of goodwill and property, plant and equipment were supported by forecast future cash flows, discounted to present value (the models).</p> <p>The appropriateness of the carrying amount of the goodwill and property, plant and equipment was a key audit matter due to:</p> <ul style="list-style-type: none">• the significance of these asset balances to the financial position of the Group; and• the Group's assessment of the carrying amount involving judgements, such as budgeted cash flows, growth rates and discount rate.	<p>We evaluated the Group's cash flow forecasts and the process by which they were developed. We compared the 2017 forecast in the models to the Board approved budgets. We checked that prior year budgets have been materially consistent with actual performance to assess the Group's ability to make reliable forecasts. We found that the Group's previous forecasts had been materially accurate.</p> <p>We compared growth rate assumptions with external forecasts for the industry and found the growth rate assumptions in the models to be consistent with these.</p> <p>We performed a sensitivity analysis by recalculating the models using a range of reasonably possible alternative growth rates and discount rates assumptions. In particular, we applied the long term growth rate (or perpetual growth rate) from year 5 as opposed to year 20 (which was utilised by the Group). No impairment was identified from this analysis.</p> <p>Management engaged an expert to assist them in determining the discount rates applied in the impairment models. We assessed them as management experts, and considered the experts' method, competency and objectivity. Having done so, we were satisfied that we could rely on their work for the purpose of our audit.</p> <p>We tested the components of the discount rates by comparison to independent sources.</p>

Key audit matter**How our audit addressed the key audit matter*****Estimation of rehabilitation provisions
(Refer to note 16)***

The Group recognised rehabilitation provisions of \$38.1 million in relation to the rehabilitation of presently operating quarries and concrete plants.

The rehabilitation provisions were a key audit matter because significant judgement is involved in assessing future costs and rehabilitation requirements for the estimation of the provision.

The rehabilitation provision for sites being actively remediated is material. The provision for rehabilitation costs for these sites reflected tendered cost estimates for future stages of rehabilitation.

For other quarries not currently being actively remediated, the provision is determined through annual cost estimates. The Group estimates future costs to rehabilitate each site (nominal cost), based on rehabilitation requirements, current costs and forecast cost inflation factors, and discounts these estimates to net present value. Cost inflation and discount rates are based on published government rates.

We obtained a listing of all quarries and concrete plants with a rehabilitation provision. We assessed whether a provision was included for all sites that required rehabilitation based on our knowledge of the operations, review of new lease contract agreements, review of meeting minutes and discussions with management. We did not identify any omissions.

We focussed our attention on sites where there had been a change to the nominal cost from previous periods, or where we would have expected there to be a change to the nominal cost based on our knowledge of the business. We identified that a number of sites had a change to the nominal cost to rehabilitate, however individually and in aggregate, these changes were not material. Focusing on those with a greater size and risk, we made inquiries as to why the change had occurred and corroborated this inquiry by obtaining supporting evidence, including contracts and quotes for decommissioning and rehabilitation costs, or evidence of costs incurred for similar sites.

Our procedures were more limited where there was no change in the underlying cost to rehabilitate, given (1) the movement in the provision year on year was due to the passing of time as opposed to a change in the future cost estimate and (2) we had tested the provision on initial recognition, or since the last significant change to nominal cost. We assessed whether the provisions had been updated to reflect any new knowledge gained from rehabilitation planned in other areas or changes in rehabilitation requirements.

For sites being actively remediated, we compared the movement in the provision recognised with external quotes for the next stage of work to be performed. We found the provision estimate was consistent with the external quotes. To assess the Group's ability to estimate accurately, we also compared previous period's estimates of costs to the actual costs and found no material differences.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="264 490 798 611"><i>Measurement of inventory quantities for finished goods, raw materials and work in progress (Refer to note 8)</i></p> <p data-bbox="264 640 810 853">The Group had \$160.2 million of inventory on hand at 31 December 2016, which included finished goods, raw materials and work in progress totalling \$130.7 million. Raw materials and work in progress inventory is typically stockpiled prior to consumption or sale.</p> <p data-bbox="264 882 820 1189">The measurement of inventory quantities for these inventory types was a key audit matter as the measurement process is relatively complex for parts of the Group. The Group relies on independent surveyors to perform volumetric surveys to estimate the quantities of certain stockpiled inventory utilising aerial and laser surveys. The Group converts the survey quantities, which are reported in cubic metres, to tonnages using density factors.</p>	<p data-bbox="852 551 1417 703">We assessed the independent surveyors as management experts, and for each expert considered the surveyor’s method, competency and objectivity. We were satisfied that we could rely on their work for the purpose of our audit.</p> <p data-bbox="852 732 1452 913">We obtained and inspected the survey results for material stockpiled inventory locations. We reperformed the Group’s conversion of the quantities identified from the surveyors’ reports to tonnages using the Group’s internally assessed density factors.</p> <p data-bbox="852 943 1452 1218">We compared the density factors used to results of the Group’s internal laboratory testing that occurred during the year and (where available) to prior year density factors for the same raw material. Given the nature of the inventory, the density factors do not usually vary significantly year on year. We identified no significant changes in these factors in the current year or other factors which would require a change.</p>

Other information

The directors are responsible for the other information. The other information included in the Group's annual report for the year ended 31 December 2016 comprises the Director's Report and Diversity Report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. The other information also includes the Performance Summary, Chairman's Report, Managing Director and CEO Report, Finance Report, Map and Review of Operations, Sustainability Report, Financial History, Information for Shareholders and Corporate Governance Statement, which are expected to be made available to us after the date of this report.

Our opinion on the financial report does not cover the other information and accordingly we do and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 13 to 37 of the directors' report for the year ended 31 December 2016.

In our opinion, the remuneration report of Adelaide Brighton Limited for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

PricewaterhouseCoopers

PricewaterhouseCoopers



Kevin Reid
Partner

Adelaide
17 March 2017