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16 April 2018

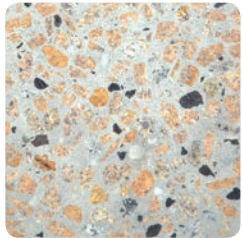
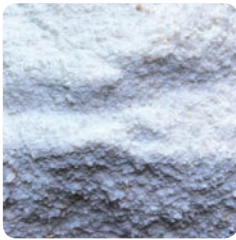
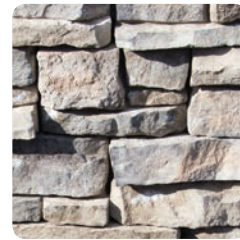
The Manager  
ASX Market Announcements  
Australian Securities Exchange Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

We attach the 2017 Adelaide Brighton Ltd Annual Report which will be dispatched to shareholders today.

Yours faithfully

**Marcus Clayton**  
Company Secretary





## PERFORMANCE SUMMARY



### Revenue

\$1,560m

11.7% ▲

### NPAT

attributable to members

\$182.0m

2.3% ▼

### Underlying NPAT

ex-property

attributable to members

\$189.3m

5.3% ▲

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#### Adelaide Brighton Ltd

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### Basic EPS

28.0c

2.4% ▼

### Final ordinary dividend

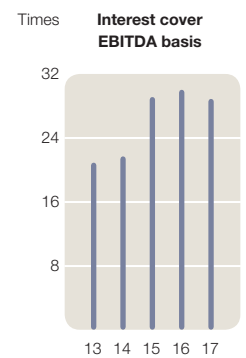
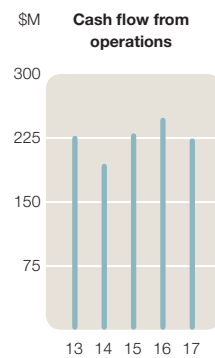
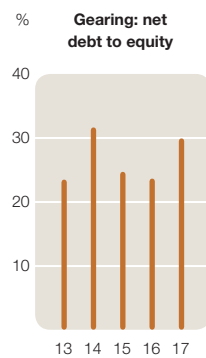
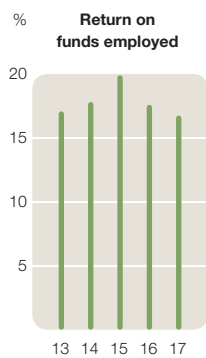
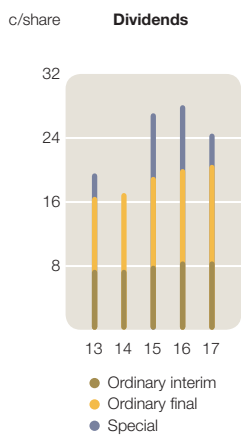
12.0c

4.3% ▲

### Special dividend

4.0c

Unchanged





# COMPANY PROFILE AND MAP OF OPERATIONS

Adelaide Brighton is a leading integrated construction materials and lime producer which supplies a range of products into building, construction, infrastructure and mineral processing markets throughout Australia.

Adelaide Brighton origins go back to 1882 and today it is an S&P/ASX100 company with 1,500 employees and operations in all Australian states and territories.

The Company's principal activities include the production, importation, distribution and marketing of clinker, cement, industrial lime, premixed concrete, construction aggregates and concrete products.

## Cement

Adelaide Brighton is the second largest supplier of cement and clinker products in Australia with major production facilities and market leading positions in the resource rich states of South Australia and Western Australia. It is also market leader in the Northern Territory.

In addition to domestic production, the Company is the largest importer of cement, clinker and slag into Australia with an unmatched supply network that enables efficient access to every mainland capital city market. This network includes significant distribution joint ventures in Victoria, New South Wales and Queensland.

## Lime

Adelaide Brighton is the largest producer of lime in Australia, with production assets in Western Australia, South Australia and the Northern Territory. Lime is an important product for the mineral processing industry in resource rich markets, particularly for the production of alumina and gold, of which Australia is a leading producer.

## Concrete and Aggregates

Adelaide Brighton has a growing presence in the premixed concrete and aggregates industry in South Australia, Victoria, New South Wales, south east and northern Queensland and the Northern Territory. It has strategic aggregate reserves west of Sydney, mid northern coast of New South Wales, south east Queensland, South Australia, Victoria and the Northern Territory through its wholly owned and joint venture operations.

## Concrete Products

Adelaide Brighton holds the leading position in the Australian concrete products market, with operations in Queensland, New South Wales, Victoria, Tasmania and South Australia.

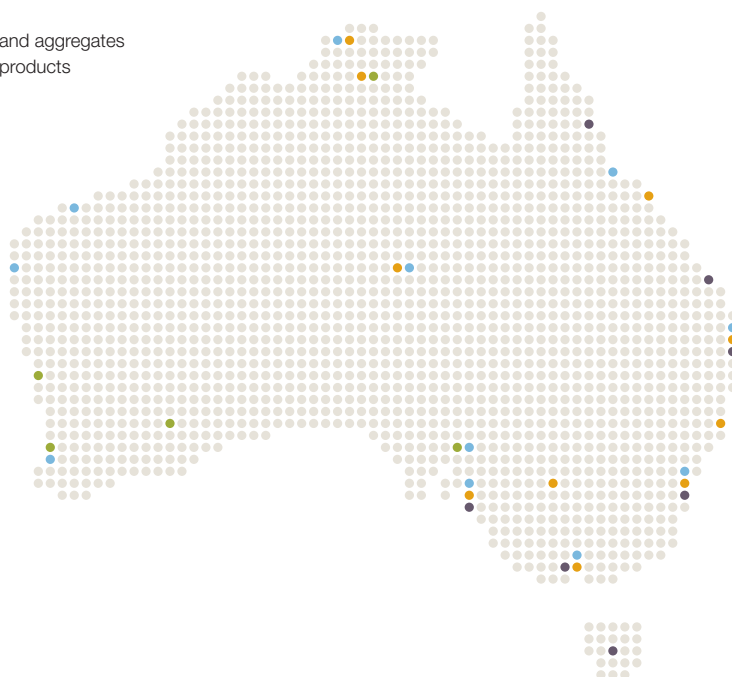
## Joint ventures and associates

Adelaide Brighton has a number of significant investments in joint ventures and associates in construction materials production and distribution. These include major cement distribution joint ventures in Queensland (Sunstate Cement), Victoria and New South Wales (Independent Cement and Lime); regional concrete and aggregates positions in Victoria and New South Wales (Mawsons); and a 30% investment in a Malaysian white cement and clinker producer (Aalborg Portland Malaysia), which supplies to the south east Asian market in addition to Australia.

## Sustainability

Adelaide Brighton's commitment to sustainable development is demonstrated through a range of actions implemented across a balanced program of initiatives. Adelaide Brighton believes that setting and achieving sustainability objectives throughout the organisation assists long term competitive business performance.

- Cement
- Lime
- Concrete and aggregates
- Concrete products



## CHAIRMAN'S REPORT

Adelaide Brighton reported record sales in 2017 of \$1,560 million but due to a number of one-offs, net profit after tax (NPAT) declined 2.3% to \$182.0 million. This represented basic earnings per share of 28.0 cents. Excluding the one-offs, NPAT increased 5.4% and earnings before interest and tax (EBIT) increased 7.8%, reflecting a positive underlying earnings performance.

In 2017 we progressed our strategy of growing our concrete and aggregates business through three attractive concrete and aggregates acquisitions in Victoria, South Australia and the Northern Territory. Adelaide Brighton also continued to invest in organic growth initiatives and worked hard on operational improvement, both important aspects of our long term strategy.

I am pleased to report to shareholders the Board declared and paid an increased final ordinary dividend of 12.0 cents per share and a final special dividend of 4.0 cents per share. Dividend payments for the 2017 financial year totaled 24.5 cents per share.

Adelaide Brighton maintains a strong balance sheet with the flexibility to fund acquisitions or other growth initiatives that add value for shareholders. Should the Board determine the Company has surplus capital we will, as a matter of policy, return it to shareholders.

We have strong employment and safety practices and we work with local communities, government and regulatory bodies to earn our social license to operate and ensure the business and its returns are sustainable.

Adelaide Brighton is committed to maintaining a safe, productive and healthy work environment. In 2017 our safety performance was impacted by the recognition of injuries within the acquisitions we made in the year. We have now introduced our safety training and systems to these business to bring them in line with the Group.

### Board

The Board recognises the importance of maintaining an appropriate mix of skills and experience that align with our corporate strategy. As part of our ongoing renewal program the Board appointed Vanessa Guthrie as an independent non-executive director in 2018. Geoff Tarrant, nominated by our major shareholder Barro Properties Pty Ltd, was also appointed as a non-executive director.

The majority of the Board remains independent, which is consistent with the Principles and Recommendations of the ASX Corporate Governance Council.

This is my final report as Chairman of Adelaide Brighton following the announcement in February 2018 that I will retire as Chairman at the conclusion of the Annual General Meeting, but will remain a Director. The Board has named Zlatko Todorovski as Chairman Elect to take over from me. Zlatko was appointed an independent non-executive director in March 2017. He has more than 30 years of finance, strategy and planning experience in the oil and gas, logistics and manufacturing sectors and had made a strong contribution to the Board in his time at Adelaide Brighton.

I joined the Company as a Director in 2003 and was appointed Chairman in 2012. During almost six years as Chairman, Adelaide Brighton has delivered exceptional returns to shareholders while at the same time entering new markets and diversifying vertically.

It has been my privilege to serve as Adelaide Brighton's Chairman and I pass this honor to my successor, Zlatko Todorovski, with confidence.

### In conclusion

On behalf of your Directors, I acknowledge the hard work and commitment of the executive management team led by Martin Brydon and of all employees over the last year. I also thank our customers, shareholders and joint venture partners for their continuing loyalty and support.



Leslie Hosking  
Chairman

A handwritten signature in black ink that reads "Leslie Hosking". The signature is written in a cursive, flowing style.





**#1 LIME PRODUCER** IN MINERALS PROCESSING INDUSTRY IN AUSTRALIA  
**#1 CONCRETE PRODUCTS PRODUCER** IN AUSTRALIA  
**#1 CEMENT AND CLINKER IMPORTER** WITH UNMATCHED MARKET CHANNELS  
**#2 CEMENT AND CLINKER SUPPLIER** IN AUSTRALIAN CONSTRUCTION INDUSTRY  
**#4 CONCRETE AND AGGREGATES PRODUCER** IN AUSTRALIA





# CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR REVIEW

Adelaide Brighton's strategy of operating a geographically diverse, vertically integrated construction materials company has positioned the company to benefit from the strong demand within the industry.

The business continued to perform well in 2017, with full year revenue growing 11.7% to \$1,560.0 million, a record for Adelaide Brighton and a full 10% above the previous record in 2015.

Revenue was driven by strong east coast demand and the contribution of the concrete and aggregates acquisitions completed in 2017 in Victoria, South Australia and the Northern Territory, which will add further to revenue in the current year. Excluding the newly acquired businesses, 2017 revenue increased 5.9%, representing encouraging growth.

Net profit after tax (NPAT) declined 2.3% to \$182.0 million and earnings before interest and tax (EBIT) increased 0.2% from the prior year to \$266.5 million. NPAT and EBIT were impacted by an unexpected \$17.7 million increase in doubtful debts provisions and costs associated with underpayment for products supplied by Adelaide Brighton.

The underpayments were detected by our compliance and risk management systems and processes. We have taken steps to further strengthen these systems and processes. While the financial impact of these underpayments has been quantified, investigations are ongoing, and Adelaide Brighton will continue its efforts to recover amounts due.

Excluding these provisions and other significant items, underlying EBIT increased 7.8% in 2017 to \$288.8 million, while underlying NPAT increased 5.4% to \$197.7 million, reflecting the benefits of strong revenue growth.

East coast construction materials markets were supported by robust residential activity in Victoria, New South Wales and Queensland, and increased non-residential building and infrastructure activity. The South Australian market was also lifted by infrastructure demand.

## Financial summary

\$ Million	2017	2016
<b>Revenue</b>	1,560.0	1,396.2
Depreciation, amortisation and impairments	(82.5)	(78.1)
<b>Earnings before interest and tax ("EBIT")</b>	266.5	266.1
Net finance cost <sup>1</sup>	(12.1)	(11.5)
<b>Profit before tax</b>	254.4	254.6
Tax expense	(72.3)	(68.4)
<b>Net profit after tax</b>	182.1	186.2
Non-controlling interests	0.1	0.1
<b>Net profit attributable to members ("NPAT")</b>	182.0	186.3
Basic earnings per share ("EPS") (cents)	28.0	28.7
Dividends per share - fully franked (cents) <sup>2</sup>	24.5	28.0
Net debt <sup>3</sup> (\$ million)	371.6	288.5
Gearing <sup>4</sup> (%)	29.8%	23.6%
Return on funds employed <sup>5</sup> - reported	16.7%	17.5%

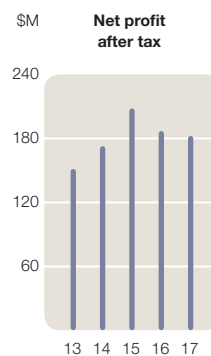
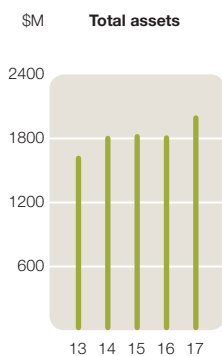
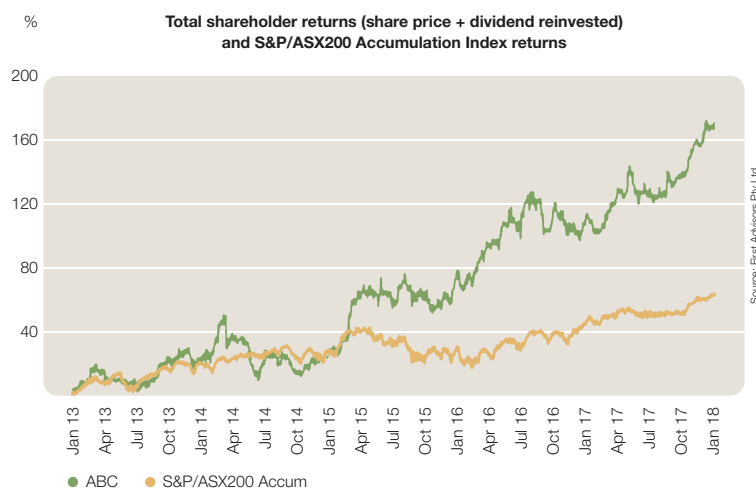
<sup>1</sup> Net finance cost is the net of finance costs shown gross in the Income Statement with interest income included in revenue.

<sup>2</sup> Includes special dividends of 4.0 cents per share for FY 2017 and 8.0 cents per share for FY 2016.

<sup>3</sup> Net debt is calculated as total borrowings less cash and cash equivalents.

<sup>4</sup> Net debt/equity.

<sup>5</sup> Return on funds employed = EBIT/average monthly funds employed.





South east Queensland markets continue to improve, particularly the Gold Coast and Sunshine Coast regions.

Western Australia demand stabilised in the second half while demand declined further across the Northern Territory, although regional infrastructure projects provided some offset.

Cement and clinker sales volume increased a healthy 9% compared to 2016, assisted by a particularly strong second half. Strong volume growth continued in 2017 in Queensland, Victoria and New South Wales.

While cement selling prices increased ahead of inflation across almost all markets, weighted average cement prices were stable due to geographic mix changes, with revenue lifted by higher volumes. Cement margins declined due to higher energy costs, a cement quality issue in the first half and unplanned costs associated with the Company's limestone carrying vessel in the second half.

Overall demand for lime moderated slightly in both Western Australian and the Northern Territory.

Sales volumes for concrete increased by more than one-third in 2017 because of strong demand in the eastern states, strengthening infrastructure demand in South Australia and the contribution of acquisitions.

Aggregates volumes also were strong in 2017 due to acquisitions and supported by a recovery in South Australian infrastructure demand.

Sydney aggregates returns continue to be supported by the increasing reliance on product from new operations further from the market.

Adelaide Brighton's New South Wales quarry operations are well positioned to meet this demand and benefit from strengthening prices driven by the higher transport costs faced by many suppliers.

Concrete and Aggregate revenue, EBIT and EBIT margins all improved significantly in FY2017 as a result of higher volumes, stronger prices and control of costs.

Lower sales volumes and resulting lower production efficiency in Concrete Products led to a revenue decline of 1.1% to \$147.6 million, with EBIT of \$10.2 million down from \$11.4 million in 2016. Sales and earnings recovered in the second half helping offset weakness in the multi-residential sector and in the first half wet weather delayed projects.

Our joint venture and associative operations (including joint operations) also benefited from strong demand on the east coast with improvements in volumes, prices and margins driving a 22.3% increase in joint venture profits in 2017.

### Strategy

Adelaide Brighton continues to execute against its long-term growth strategy by investing in:

- > Cost reduction and operational improvement across the Company;
- > Growth of the lime business to supply the resources sector in Western Australia, South Australia and the Northern Territory; and
- > Focused and relevant vertical integration into aggregates, concrete, logistics and masonry businesses.

This strategy has successfully delivered growth in shareholder returns. We have invested more than \$240 million in the last five years on acquisitions. Each have met returns targets, diversified earnings and provided integration benefits.

We are also investing in organic growth projects which deliver attractive shareholder returns with low risk. In 2017 we invested a further \$29 million in organic projects, giving a total investment over the past 5 years of over \$91 million.

### Cost reduction and continuous improvement

We realised \$23 million in cost reductions in 2017 from our operational improvement program, which included the rationalisation of speciality cement production at the Angaston plant in South Australia, and lower material costs.

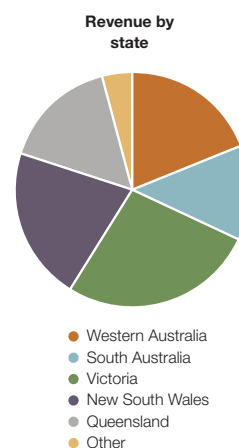
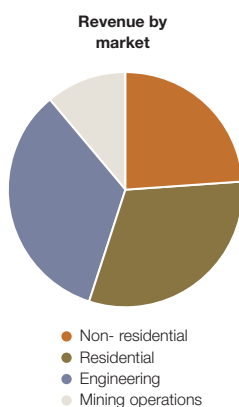
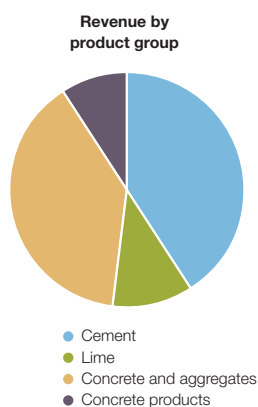
Important progress was made in managing energy costs in 2017, with new agreements for the supply of gas and electricity to our South Australian operations giving certainty of energy supply at competitive prices.

### Growth of the lime business

Adelaide Brighton's Western Australian lime business is underpinned by low cost, long term raw material reserves secured by State Agreement and statutory approvals. At our Munster plant near Perth we produce lime for the globally competitive Australian mineral processing industry. This is one of the largest and lowest cost lime operations in the world with capacity of 1.25 million tonnes per annum, which is currently about 80% utilised.

Costs and efficiency remain a key focus in the lime business, with costs stabilising in 2017 after a significant reduction in energy costs in 2016.

This business benefits from a unique cost position, proximity to major customers, long term environmental approvals and strong customer relationships.



It is well placed to remain the leading lime supplier to the Australian resources sector, manage emerging competitors in the import market and has capacity to support further significant growth in the industry over the medium to long term.

### **Vertical integration**

Vertical integration has been an important driver of growth in the last five years. It has improved geographic and industry diversification and supported the full utilisation of existing Adelaide Brighton assets.

Three acquisitions were completed in 2017 on attractive financial metrics:

- > Central Pre-Mix Concrete and Quarry, 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;
- > Davalan Concrete, an independent concrete operator in the greater Adelaide market; and
- > The concrete and aggregate assets of Holcim Northern Territory, consisting of four concrete plants, two operating quarries and access to further potential quarry sites via mining leases.

These transactions added value to the concrete and aggregates businesses by providing access to strategically located high quality assets, entry to the Melbourne aggregates market and an increase in the scale of Adelaide Brighton's existing concrete and aggregates business. They are performing to expectations.

### **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 total \$97 million. This includes transactions in 2017 that realised \$13.9 million in cash proceeds and \$8.4 million NPAT.

Estimated proceeds from the sale of properties in the next 10 years could realise in excess of \$100 million with an expected EBIT margin on these sales of circa 85% and an effective tax rate of approximately 20%.

### **Outlook**

In 2018, Adelaide Brighton expects strong demand for construction materials, improved pricing and further efficiency improvements. Sales volumes of cement and clinker are anticipated to be higher, with stable demand in Western Australia and the Northern Territory and improving demand in South Australia and the east coast.

The improving demand profile is expected to lift sales volumes of premixed concrete and aggregates, supported by further sales growth from the 2017 acquisitions.

Lime sales volumes are expected to be slightly lower in the non-alumina sector, although prices are anticipated to improve under contractual arrangements.

Our joint venture operations in Australia are anticipated to continue to benefit from stronger demand and higher prices on the east coast.

Our costs are expected to improve with further savings from the Angaston plant cement rationalisation and rolling operational improvement program.

Import costs are likely to be \$3 million higher in 2018, with increased materials costs offset by favourable foreign currency outcomes, and energy costs are expected to rise \$6 million in 2018.

Estimated proceeds from the sale of land in the next 10 years could realise in excess of \$100 million, however due to project timing, no significant land sales are expected until 2019.

Adelaide Brighton aims to optimise shareholder returns by maintaining an efficient balance sheet, while retaining the flexibility to fund long term growth opportunities. Prudent capital management will remain an important part of this approach.

### **Our people**

Finally, I would like to thank all our employees for their hard work and dedication in 2017. Together we continue to deliver strong returns to shareholders and a sustainable future for Adelaide Brighton.



Martin Brydon  
Chief Executive Officer  
and Managing Director

A handwritten signature in black ink, appearing to read 'M. Brydon', written in a cursive style.



# FINANCE REPORT

In 2017 Adelaide Brighton delivered record revenue of \$1,560.0 million up 11.7% on the previous year. Underlying net profit after tax (NPAT) was up 5.4% to \$197.7 million. Underlying earnings before interest and tax (EBIT) increased 7.8% to \$288.8 million.

## Sales and profits

Record revenues of \$1,560.0 million were driven by acquisitions and improved demand for construction materials, notably in the eastern states and from infrastructure projects in South Australia. When the acquisitions completed in 2017 are excluded, revenues were up a strong 5.9%.

Adelaide Brighton reported NPAT was down 2.3% to \$182.0 million, impacted by a number of one-off items, which included a doubtful debt provision and associated costs of \$17.7 million. The Company has now completed its analysis of the debt and is actively seeking to recover the underpayments.

Earnings before interest and tax (EBIT) increased 0.2% from the prior year to \$266.5 million on an EBIT margin of 17.1%. Underlying EBIT grew 7.8% to \$288.8 million, reflecting the strong growth in sales.

Underlying EBIT was supported by: higher construction materials volumes and pricing; operational improvements and lower import costs; and acquisitions completed during the year.

This was partially offset by a cement quality issue in South Australia; additional remediation related to the closure of our North Melbourne concrete plant; unplanned costs associated with the Company's limestone carrying vessel; and higher energy costs.

Property profits of \$8.4 million after tax increased slightly on the \$7.9 million achieved in 2016. Excluding property profits underlying EBIT growth was 7.0% in 2017 to \$277.7 million.

Joint arrangements and associate (including joint operations) earnings increased from \$30.9 million in 2016 to \$37.8 million in 2017 reflecting improved demand and higher construction materials prices on the east coast of Australia.

Net finance costs increased from \$11.5 million to \$12.1 million in 2017 as a result of a slight increase in borrowing margins and higher average net debt.

Tax expense of \$72.3 million representing a \$3.9 million increase over 2016 and an effective tax rate of 28.4% compared to 26.9% in 2016. The increased effective tax rate in 2017 is due recognition of capital losses in the prior year and the true-up of prior year tax return.

## EBIT margins

Underlying EBIT margin declined from 19.1% to 18.5% in 2017 impacted by higher energy costs, a cement quality issue at the Birkenhead plant early in the year and higher site remediation costs associated with the closure of our North Melbourne concrete plant.

Higher energy costs put pressure on cement margins, which were also affected by a number of one offs and lower volumes in the Western Australia and the Northern Territory markets. Our cement business receives a lower price on the east coast where growth is currently strongest, but some of this comes back to us through the equity accounted earnings of our joint ventures.

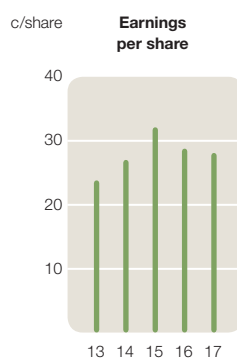
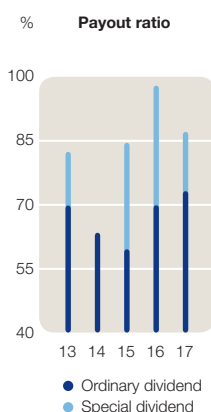
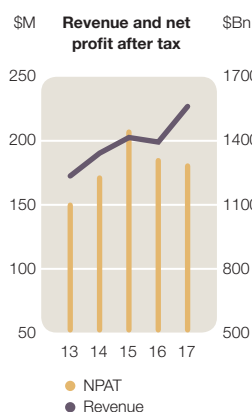
Concrete and Aggregates revenue, EBIT and EBIT margins all improved significantly in FY2017 despite the \$3.3 million in rehabilitation costs at North Melbourne site in the first half. This improvement reflects price and volume growth in all states and a solid performance on costs. The 2017 acquisitions have contributed in line with expectations.

Our import margins have also increased due to savings in shipping, currency and procurement.

In our lime business margins are down slightly but remain healthy. We have long term contracts in place with major customers and a strong competitive position as the primary supplier to the Western Australian and Northern Territory mineral processing sector.

Concrete Products margins have been pressured by reduced sales to commercial projects but the business is performing well.

Net profit from our joint venture operations increased by 22.3% driven by volume increases and price rises, with the ICL joint venture performing strongly across volumes, prices and costs control.



Our operational improvement program continued with the rationalisation of laboratory facilities and specialty cement production at the Angaston facility resulting in annualised EBIT savings of approximately \$3.8 million, of which approximately \$2.8 million was achieved in 2017. Adelaide Brighton also signed new agreements for the supply of gas and electricity in South Australia to give certainty of supply at competitive prices.

Adelaide Brighton incurred an additional \$17.1 million provision for doubtful debts plus \$0.6 million costs in 2017 relating to transactions identified for which Adelaide Brighton was underpaid.

The Company has completed its analysis of these transactions, with the help of forensic accountants KPMG. While the financial impact of the discrepancies has been quantified, investigations are continuing.

The issues around underpayments were identified under Adelaide Brighton's existing compliance and risk management systems and processes. The Company has taken steps to further strengthen these and is continuing its efforts to recover amounts owed.

### **Shareholder returns**

A final ordinary dividend of 12.0 cents per share (fully franked) and a final special dividend of 4.0 cents per share (fully franked) have been declared.

Total dividends declared with respect to the 2017 financial year are 24.5 cents per share, fully franked, compared to 28.0 cents per share (fully franked) with respect to 2016. The Dividend Reinvestment Plan remains suspended given the Company's strong cash flows and low gearing.

While underlying EBIT margins declined slightly in 2017, underlying EBIT return on funds employed increased from 17.6% to 18.1% in 2017, reflecting strong returns on capital employed. This rate of return remains significantly ahead of the Company's cost of capital.

Adelaide Brighton has achieved a Total Shareholder Return over the last five years of 166% and has outperformed the ASX200 Accumulation Index. This is due to a sustained year on year improvement in share price and increased dividends.

TSR over the last 12 months was 24.6%, again reflecting an improved share price, increased ordinary dividends and the payment of special dividends and an improvement in the underlying performance of the business.

### **Cash flow and debt**

Operating cash flow decreased 9.7% from the prior year to \$224.2 million, due to lower cash conversion of revenues and increased tax payments partially offset by an increase in dividends from joint ventures. Nonetheless, underlying cash flow generation remains robust.

Working capital increased \$22.2 million as a result of acquisitions and the timing of receipts from customers and import shipments at year end.

Capital expenditure of \$169.3 million was \$82.8 million higher than the prior year, largely due to \$80.2 million in acquisitions. Stay in business capital expenditure of \$60.1 million represents 73% of depreciation and amortisation. In addition, the Company invested \$29.0 million on organic growth projects in 2017.

Cash proceeds from the sale of assets of \$17.7 million includes \$13.9 million from the disposal of land, bringing sales in the last five years to \$97 million. The estimate of the sales value of the remaining property pipeline over the next decade exceeds \$100 million. Net debt increased \$83.1 million, with net debt to equity gearing increasing to 29.8% from 23.6% over the year as a result of acquisitions. However, due to healthy cash flow gearing declined from 34.3% at 30 June 2017 and remains at the lower end of the target range of 25% to 45%.

Dividends paid to shareholders decreased 13% to \$156.0 million due to lower special dividend payments in 2017. The 4.0 cents per share special dividend declared with respect to the 2017 financial year reflects Adelaide Brighton's strong cash flows, current capex plans and low balance sheet gearing compared to the target range.

The special dividend is consistent with Adelaide Brighton's strategy to distribute surplus capital to shareholders while maintaining an efficient and resilient capital structure with the flexibility to investment for long term growth.



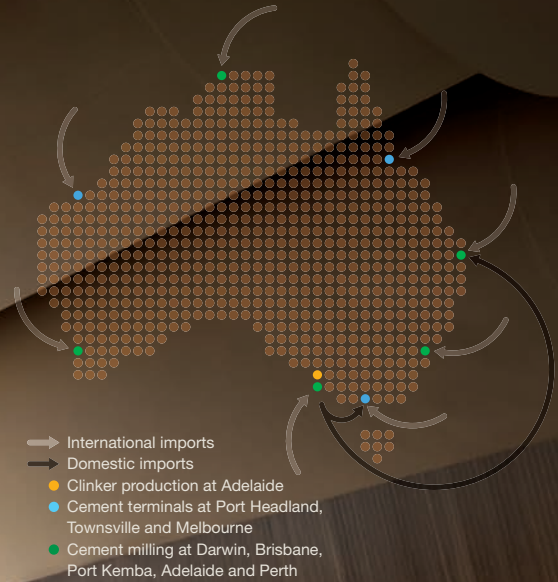
Michael Kelly  
Chief Financial Officer

## CEMENT AND LIME



### Cement production, import and distribution

Adelaide Brighton imports 2.4Mt pa cementitious materials and sells more than 4.0Mt pa of cementitious materials



EAST COAST MARKETS REMAINED **STRONG** IN 2017 SUPPORTED BY **ROBUST** RESIDENTIAL ACTIVITY IN VICTORIA, NEW SOUTH WALES AND QUEENSLAND, AND **INCREASED** NON-RESIDENTIAL BUILDING AND INFRASTRUCTURE ACTIVITY. THE SOUTH AUSTRALIAN MARKET WAS ALSO **LIFTED** BY INFRASTRUCTURE DEMAND. WESTERN AUSTRALIA CEMENT DEMAND STABILISED IN THE SECOND HALF.





Northern Territory demand declined further although regional infrastructure projects provided some offset. Overall demand for lime moderated slightly.

### Cement and clinker

Cement and clinker sales volume increased 9% compared to 2016, assisted by a particularly robust second half. Strong volume growth continued in 2017 in Queensland, Victoria and New South Wales.

Volume in Western Australia and Northern Territory declined in the first half but stabilised in the second half to be modestly lower for the year. Cement sales in South Australia improved, supported by the ramp up of major infrastructure projects in the second half.

While cement selling prices increased ahead of inflation across most markets, weighted average cement prices were stable due to geographic mix changes.

Overall cement margins declined due to higher energy costs, a cement quality issue in the first half and costs associated with the Company's limestone carrying vessel, although higher volumes lifted revenue.

We continued to drive operational efficiencies in cement and lime in 2017, including \$2.8 million from the rationalisation of Angaston oil well cement and laboratory facilities. We expect further savings of \$1 million from these projects in 2018.

### Energy

Higher energy costs in 2017 were partly mitigated through our energy management strategies, such as the use of alternative fuels, alternative cementitious products, demand management and securing competitive long term supply contracts.

During 2017 Adelaide Brighton strengthened its energy supply portfolio with new gas and electricity supply contracts. The supply agreements allow Adelaide Brighton to continue its focus on energy efficient and sustainable operations in South Australia through a portfolio approach to energy supply and procurement benefits; consumption management and operational efficiency.

The new supply agreements provide our South Australian operations continued certainty of energy supply at competitive prices and underpin our leading position in this important market.

In addition to energy supply agreements, the rationalisation of oil well cement production at Angaston in South Australia improved the energy efficiency of the South Australian cement operations in 2017.

Alternative fuels have been a key focus for reducing reliance on traditional energy sources and lowering costs over the last decade.

### Imports

Adelaide Brighton is Australia's largest importer of cement clinker and other cementitious materials with our imports increasing to approximately 2.4 million tonnes in 2017. Our flexible import infrastructure network gives us significant capacity at competitive cost to meet further demand growth with existing assets.

Import profitability improved by \$12 million before tax compared to 2016 due to reduced shipping and material procurements costs and the higher Australian dollar.

### Lime

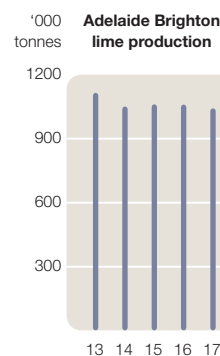
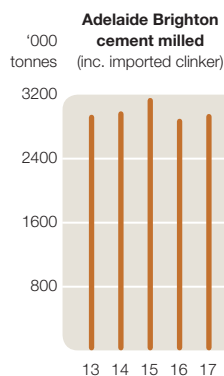
Lime sales volumes in 2017 were slightly down on 2016 due to reduced sales to the non-alumina sector due to competition from importers.

Lime margins were slightly lower in 2017 due to lower average prices and marginally higher operating costs which followed cost improvements in the prior year.

Adelaide Brighton's unique and highly cost competitive operations place it in a strong position to supply the Western Australian lime market in the long term.



Brad Lemmon  
Executive General Manager  
Cement and Lime

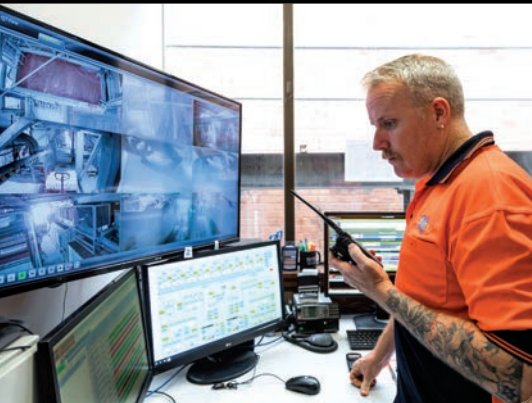




## CONCRETE AND AGGREGATES



SALES VOLUMES FOR CONCRETE **INCREASED** IN 2017 DUE TO ROBUST **DEMAND** IN THE EASTERN STATES AND ACQUISITIONS. EXCLUDING ACQUISITIONS, CONCRETE VOLUME INCREASED **STRONGLY** SUPPORTED BY BUOYANT DEMAND IN VICTORIA, NEW SOUTH WALES AND QUEENSLAND, AND **STRENGTHENING** INFRASTRUCTURE DEMAND IN SOUTH AUSTRALIA. LIKE FOR LIKE CONCRETE PRICES INCREASED BY 3%.





Aggregates volumes also were higher in 2017 due to acquisitions. A recovery in South Australian infrastructure demand offset reduced project volumes in other markets. Aggregates prices increased by more than 5% reflecting price increases, stronger demand for high quality product and a reduction in sales of lower value products.

Sydney aggregates prices continue to be supported by the increasing reliance by the market on product from operations further from the market, which incur higher transport costs to market. Adelaide Brighton's New South Wales quarry operations are competitively positioned to supply demand growth in Sydney and benefit from strengthening prices.

Concrete and Aggregates revenue, earnings and margins all improved in 2017 as a result of higher volumes and prices and control of costs. Revenue and earnings were also positively impacted by the three acquisitions completed in 2017: Central Pre-Mix Concrete and Quarry - an integrated concrete and aggregate operation in Melbourne; Davalan Concrete - an Adelaide based concrete business; and the concrete and aggregates assets of Holcim in the Northern Territory.

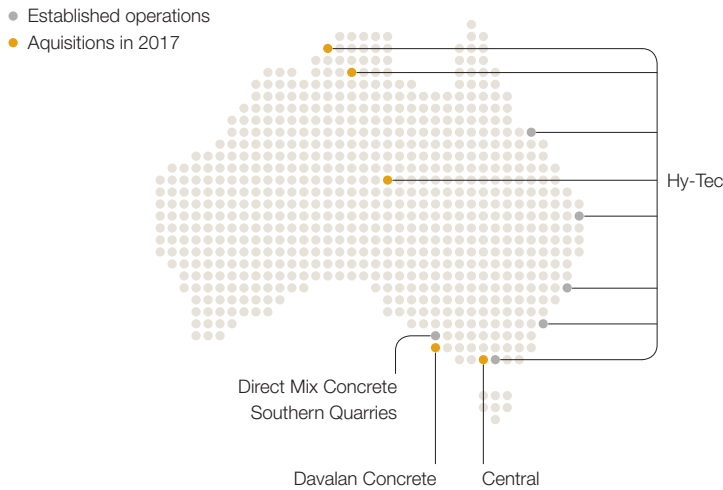
These three acquisitions are consistent with Adelaide Brighton's long term vertical integration strategy and are performing in line with expectations.

Over the last decade Adelaide Brighton 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 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.

Over the last five years the Concrete and Aggregates Division has more than doubled in size and it now accounts for almost 40% of Group revenue and a significant and growing share of profit.



**Concrete and aggregates footprint**



George Agriogiannis  
Executive General Manager  
Concrete and Aggregates



## CONCRETE PRODUCTS



REVENUE DECREASED marginally in 2017 as the business was affected by wet weather and delayed products in the first half but **RECOVERED** most of this in the second half. While retail sales remained **POSITIVE** there was a weakness in the multi-residential sector resulting in overall lower sales volumes, reduced production efficiency and decline in earnings.





During 2017 Adelaide Brighton made a \$3 million investment in an automated sleeper walling plant at our Stapylton site in Queensland. This establishes Adbri Masonry as a leading automated sleeper wall manufacturer in Australia and improves our capability of concrete sleeper retaining walls to complement the existing segmental retaining wall products.

Adbri Masonry is Australia's largest manufacturer of concrete masonry products, servicing the eastern seaboard and South Australia residential and commercial markets.

Concrete Products is an important and growing customer for the cement, aggregates and sand business, which offers vertical integration benefits to Adelaide Brighton.

We remain optimistic about the outlook for Concrete Products given the new sleeper walling plant offers significant operating efficiencies and sales growth potential in new market segments and there are opportunities for reductions in transport costs and efficiencies from toll manufacturing arrangements in the medium term.



Andrew Dell  
Executive General Manager  
Concrete Products



## JOINT VENTURES



THE **POSITIVE** TRENDS IN JOINT VENTURES CONTINUED IN 2017. THESE BUSINESSES OFFER VERTICAL INTEGRATION WITH OUR FULLY OWNED OPERATIONS AND PROVIDE US WITH ACCESS TO IMPORTANT MARKETS AND PRODUCTS. THE OUTLOOK FOR THE AUSTRALIAN JOINT VENTURE OPERATIONS IS POSITIVE GIVEN STRONG **DEMAND** ON THE EAST COAST.





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

ICL, a joint venture between Adelaide Brighton and Barro Group Pty Ltd, is a specialist supplier of cement and cement blended products throughout Victoria and New South Wales and is the exclusive distributor of cement for Adelaide Brighton and any related body corporate in these states.

Continued strength in construction activity across the New South Wales and Victoria markets led to higher volumes, higher selling prices and increasing demand supported a 40% increase in profit contribution. ICL benefited late in the second half of 2017 from a price rise to recoup higher input costs.

## **Burrell Mining Services (50%)**

Burrell Mining Services is an unincorporated joint venture between Adelaide Brighton and Burrell Mining Products. With operations in New South Wales and Queensland, Burrell Mining Services manufactures a range of concrete products exclusively for the coal mining industry.

An improvement in the outlook for coal mines during the year combined with expansion of the product range led to an improvement in sales revenue and contribution to Group earnings.

## **Mawson Group (Mawsons) (50%)**

Mawsons is a joint venture between Adelaide Brighton and BA Mawson Pty Ltd. Mawsons is the largest premixed concrete and quarry operator in northern regional Victoria, and also operates in southern New South Wales. Mawsons is a significant aggregates producer in the region, generally holding the number one or number two position in the markets it serves.

Earnings improved significantly as strong demand to major projects lifted volumes and margins with improved pricing for high value aggregate products.

## **Sunstate Cement Limited (Sunstate) (50%)**

Sunstate is a joint venture between Adelaide Brighton and Boral Limited. A leading supplier to Queensland's construction industry, Sunstate has a cement milling, storage and distribution facility at Fisherman Islands, Port of Brisbane. Clinker is supplied to Sunstate via seaborne shipments from the Adelaide Brighton Angaston plant and imports from Asia.

Sunstate's contribution to Group earnings increased as demand across south east Queensland remained healthy with residential demand improving in the Gold Coast and Sunshine Coast regions. Volumes, prices and margins were all higher than the prior corresponding period.

## **Batesford Quarry**

Batesford Quarry is an unincorporated joint venture between Adelaide Brighton, E&P Partners and Geelong Lime Pty Ltd. Batesford Quarry, situated at Fyansford Quarry near Geelong in Victoria, undertakes quarrying and manufacturing, marketing and distribution of limestone and quarry products.

Agricultural lime volumes are again strong, supported by demand from other sectors. Cost control maintained margins, leading to an improved contribution to Group earnings.

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

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

Earnings from APM declined as result of higher costs from energy.



Independent Cement and Lime Pty. Ltd.



Michael Miller  
Executive General Manager  
Marketing and  
International Trade



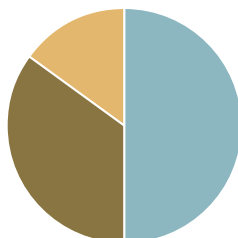
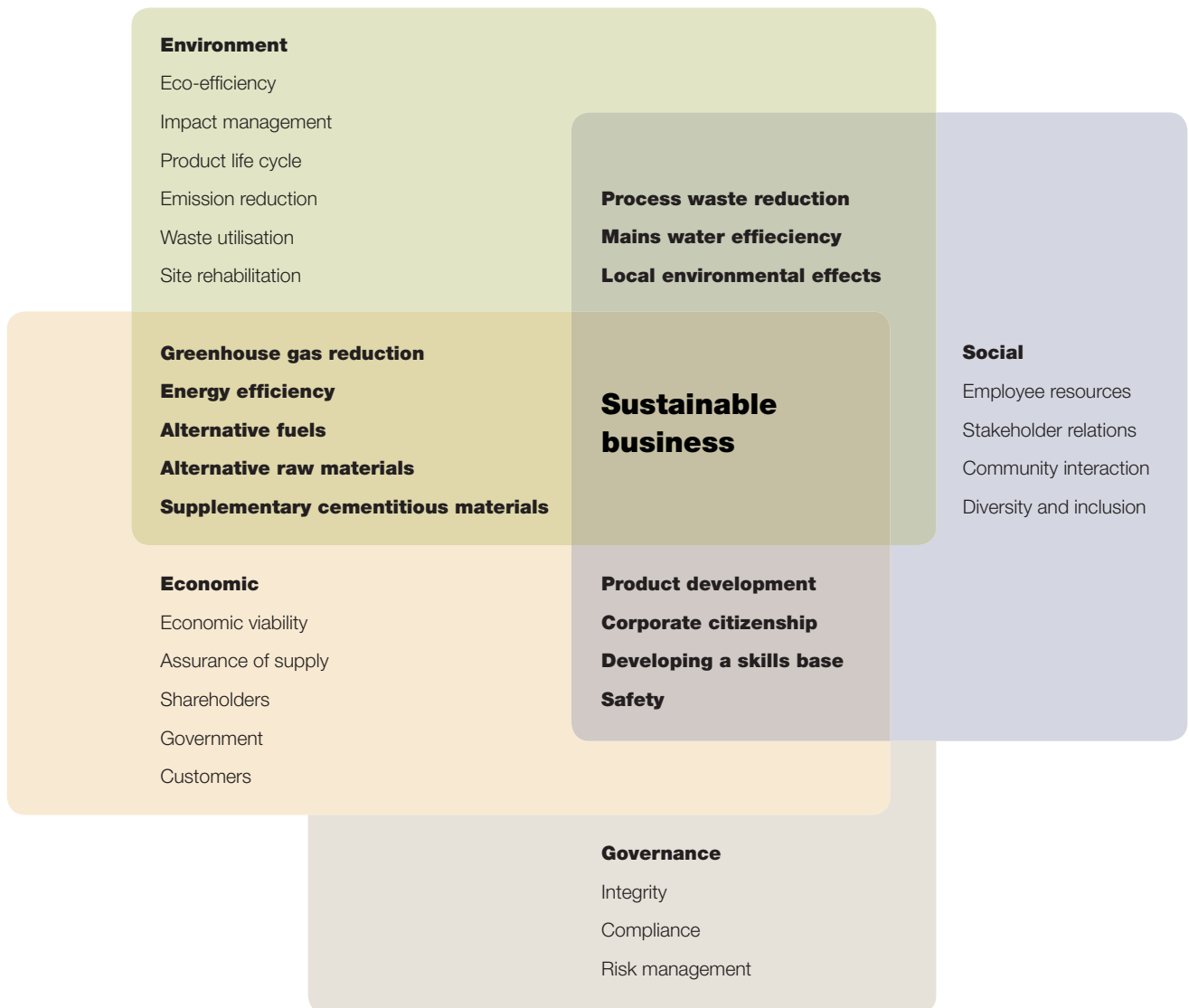


THIS SUSTAINABILITY REPORT SHOULD BE READ IN CONJUNCTION WITH OTHER SECTIONS OF THIS REPORT AND ITS FINANCIAL STATEMENTS. THE DIRECTORS' REPORT, CORPORATE GOVERNANCE OVERVIEW AND REPORTS ON REMUNERATION, PEOPLE AND DIVERSITY AND HEALTH AND SAFETY ALL CONTAIN INFORMATION RELEVANT TO THE SUSTAINABILITY PERFORMANCE OF THE GROUP.





At Adelaide Brighton, sustainability is about managing our business to ensure success for the long term. Our commitment to sustainability is built on a sound business strategy that supports continuous improvement in the social, environmental, and economic performance of the Company. We do this by continually analysing our activities and considering the needs of all stakeholders to identify key opportunities for improvement and sustainable development.



**Source of greenhouse gas emission in a cement plant**

- 50% of greenhouse gas emission occur as the raw meal is heated and carbon dioxide is driven off in order to form the necessary chemical conversion of limestone to calcium oxide:  $\text{CaCO}_3 \rightarrow \text{CaO} + \text{CO}_2$ . As long as cement making relies on the calcination of limestone, these emissions will be impossible to avoid.
- 35% of greenhouse gas emissions occur as a result of burning fuels (coal, gas and diesel) to create thermal energy.
- 15% is produced as a result of the indirect emissions resulting from the use of electricity. Cement grinding is the largest single electricity user in the cement plant. Raw meal grinding and moving material around the plant are other significant sources of electricity use.

Source: Cement Industry Federation

◀ Birkenhead plant, South Australia, Schroder Park wetland ■ Top: *Phyllota Humifusa* (see page 22 Sustainability Report - Concrete and Aggregates environmental innovation) ■ Shell grit, a by-product of dredging operations, is used as mulch in revegetation programs at the Munster site in Western Australia - an innovative and cost-effective way to address waste while also assisting with dust suppression. ■ Prenzlau State School participated in the revegetation program at Coominya Quarry in Queensland

The Adelaide Brighton Group includes Adelaide Brighton Limited and the entities it controls (the Group), as well as a number of joint ventures. This report excludes information about the joint ventures as their operations are not material to the Group's sustainability reporting.

While the Group's financial year ends on 31 December, most government sustainability related reporting requires information to be provided for the year to 30 June. So that statistical and graphical data provided in this Sustainability Report can be compared with other publicly available information, the information in this sustainability report relates to the year ended 30 June 2017, unless otherwise indicated.

In developing this report, the following resources have been considered:

- > The Global Reporting Initiative *G4 Sustainability Reporting Guidelines*.
- > *ESG Reporting Guide for Australian Companies* prepared by the Australian Council of Superannuation Investors and the Financial Services Council.
- > The *Cement Sustainability Initiative* of the World Business Council for Sustainable Development.
- > Relevant industry practice.
- > Energy and greenhouse gas emissions information complies with the definitions and boundaries contained in the *National Greenhouse and Energy Reporting Act*.

### Tax Transparency Report

In 2017 Adelaide Brighton advised the Australian Taxation Office that the Company would sign up to the voluntary Tax Transparency Code. This Sustainability Report includes Adelaide Brighton's initial report under this Code.

The CEO and Managing Director oversees and approves the Company's sustainability framework, the Group's key performance indicators and the scope of this report. The key performance indicators listed below have been assessed to be material to the Group's sustainability performance.

### Key performance indicator

Alternative fuels and energy consumption	Page 22
Alternative raw materials	Page 22
Carbon emissions	Page 21
Employee turnover by age group	Page 25
Employee turnover by gender	Page 25
Employee turnover by geography	Page 26
Employment by contract status	Page 27
Employment by employment status	Page 27
Employment by geography	Page 26
Energy by source	Page 22
Lost time injury frequency rate	Page 25
Mains water usage	Page 22
Participation of women in the Company	Page 31 - Diversity Report
% of employees on EBAs vs staff	Page 27
Restricted duties injury frequency rate	Page 25

*Discussion in Annual Report*

### Other reports

Coverage of organisation defined benefit plan obligations	Page 106-109 - Note 26
Direct economic value added (sales, costs, employee compensation)	Page 70 - Income Statement Page 79-80 - Note 5 and 6
Monetary value of fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Page 47 - Directors' Report Environment Performance

### Tax Transparency Report

For further information about the sustainability report email [adelaidebrighton@adbri.com.au](mailto:adelaidebrighton@adbri.com.au) or telephone 02 8248 9911.

Sustainable principles and practises, innovation and continuous improvement in environmental performance are a natural part of business at Adelaide Brighton and help to ensure the Company's long term success in a changing world. We are aware that our operations are fuelled by natural resources from the environment in which we live and we are always respectful of the local communities we operate in close proximity to.

The business adheres to strict licensing and mandatory reporting conditions but, just as importantly, continually undertakes voluntary measures to ensure the natural environment and local communities we operate within are not adversely affected by our activities.

These process emissions account for approximately half of total carbon emission, with the balance generated directly through the use of thermal fuels as well as indirectly through the use of electricity.

### Carbon emissions

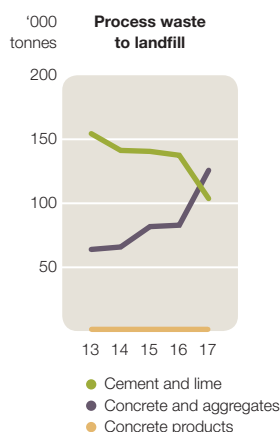
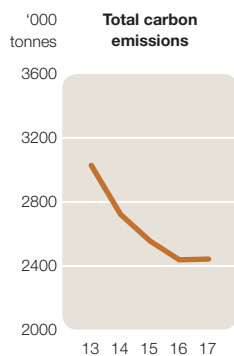
Our manufacturing process is energy intensive, requiring temperatures between 1000C and 1400C degrees for the calcination process to produce lime and cement clinker (an intermediary product in the process to manufacture cement).

Expanding the use of mineral additions (limestone and shellsand) as a cement clinker substitute is a key focus area within the business. Mineral additions reduce the volume of clinker required therefore lowering the greenhouse gas footprint without compromising product.



Over a period of seven years Adelaide Brighton has recorded reduced carbon emissions as a result of delivered projects that reduced greenhouse gases (scope 1 and 2). Following the completion of these initiatives our carbon emissions plateaued in 2017.

In addition, Adelaide Brighton will continue to support changes to the Australian Standard to allow for higher mineral addition in cement manufacture to assist in transitioning to lower emissions cement.



### Environmental improvement initiatives

Continuous improvement is embedded in the culture at Adelaide Brighton. We strive to continually improve our environmental performance through innovative processes to reduce our environmental footprint. Our Divisions identify environmental aspects impacting our sites and Environmental Improvement Plans are formalised with target outcomes and timelines. A range of initiatives were undertaken throughout the year.

### Environmental Management Standards

The Group Environmental Management Standards (EMS) Project will align the business with what has been determined as the most important requirements of the Environments Standard ISO 14001:2016. The Project, launched in 2017, is designed to achieve the following goals:

- > To enhance environmental performance.
- > Provide confidence to stakeholders that we are an environmentally responsible business.
- > Minimise the risk of environmental breaches.
- > Standardise our documentation to create a consistent approach across the Group.
- > Drive measurable continual improvement.
- > Improve Adelaide Brighton's culture of commitment to achieving environmental improvement and sustainability.

The key components of work include:

- > Integrating Environmental Standards with the Health and Safety Standards.
- > Strengthening the connectivity between the incident management procedure and the risk management procedure.
- > Initial Environmental Review (IER) - The EMS Project has implemented the IER for conducting environmental review of the aspects and impacts related to the Company's activities, products and services at operating sites. The aspects and impacts at a site can then be evaluated with the risk management process and to determine the effectiveness of our controls to manage environmental impacts.

### Cement and Lime

#### Process engineered fuel

The burning of waste derived fuel (recycled construction and demolition waste) in the clinker production process at the Birkenhead plant in South Australia displaces natural gas thereby reducing the site's greenhouse gas emissions.

Additionally the combustible waste no longer ends up in landfill, further abating greenhouse gas emissions.

Adelaide Brighton continually refines the process to increase the burning rate of the fuel and is seeking an amendment to the product specification to allow an increase in plastic content of the fuel which will increase the calorific factor of the fuel and at the same time removing additional non-recyclable plastic from landfill.

#### Utilisation of recycled waste oil

Waste oil from the commercial, mining and resources industries, once filtered and prepared to specification, is a valuable energy source - as a replacement for natural gas - in a cement and lime kiln.

The rate of utilisation of waste oil can be restricted by the availability of reliable and economic supply to quality specifications. Quality specification is important to ensure the integrity and maintenance of our equipment and limit the impact on our products.

- > Angaston plant in South Australia consistently utilised waste oil, increasing their usage in 2017 by 28% over the previous year. We are targeting a further 15% increase in the use of waste oil at the Angaston plant in 2018, dependent on availability of a reliable source of waste oil that meets our specification.
- > Dongara plant in Western Australia reintroduced the use of waste oil in their lime kiln in 2017 following access to supply from the mining and resources sector.
- > Mataranka plant in Northern Territory continues to use waste oil as a kiln fuel albeit usage was marginally down in 2017 as a result of reduced market demand for lime.

**Adelaide Brighton's target is to increase the utilisation of process engineered fuel to 30% of the Birkenhead plant's kiln fuel requirement.**

### Noise abatement improvement program

Our Birkenhead plant is located in an industrial zone but adjacent to a residential area. A focus of the Birkenhead plant's Environmental Improvement Plan has been the implementation of projects to reduce noise emission. Our objective has been to discuss and review with our Community Liaison Group our priorities for noise impact, and then take a range of actions to reduce noise. In 2017, two new silencers were installed on dust collectors.

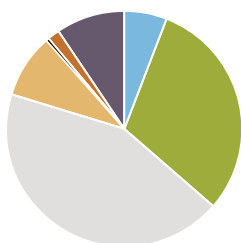
To establish a baseline of noise level and to assess the success following completion of the noise abatement projects, regular monitoring and noise mapping are undertaken in and around the plant.

### Dust mitigation measures

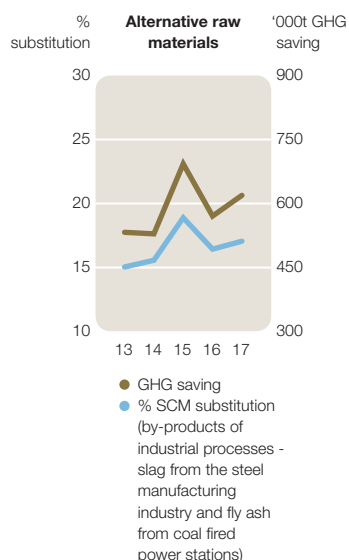
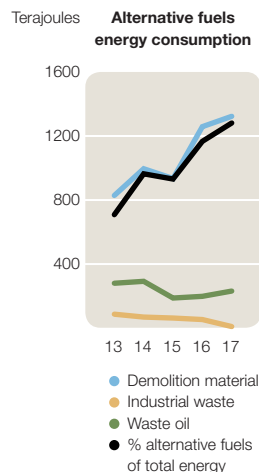
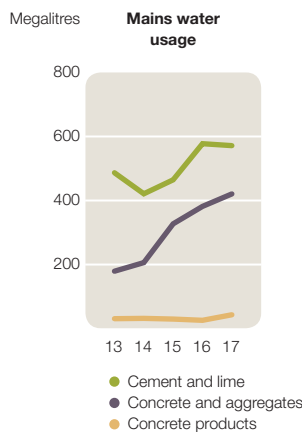
The Birkenhead manufacturing process involves the movement of materials, leading to the risk of fugitive dust emission. The following initiatives were undertaken to reduce the risk of dust emission outside of the site:

- > Bitumen sealing of all heavy traffic areas at the Birkenhead plant completed.
- > All traffic movements are now on sealed surfaces thereby reducing fugitive particulate emissions and allowing for regular road sweeping.
- > A dedicated cart used to apply dust suppressant and road sealing agents to all external raw material stockpiles and unsealed access roads whenever they are being worked on regularly and reclaimed.
- > Installation of a new fully enclosed conveyor system at the Birkenhead plant to allow all internal site clinker movement to occur without the use of trucks to reduce the risk of fugitive particulate emissions from the site.

Energy by source



- Liquid fuels
- Coal
- Natural gas
- Demolition material
- Industrial waste
- Waste oil
- Electricity



### Energy efficiency

Reduced power system losses, increased load availability using existing equipment and a reduction in carbon emissions were achieved following power factor correction implementation at the Angaston plant.

### Concrete and aggregates

#### Water efficiency

Water is a valuable resource, and essential to the production of concrete and aggregates.

To improve water efficiency, the following projects were undertaken during the year:

- > The new Hy-Tec concrete batch plant at Larapinta in Brisbane has been designed to capture all rainfall events on site and hold this water for recycling through the plant for premixed concrete production. In addition, the wedge pits around the plant allow for capture of fines generated at the site. The underground water tanks hold 266,000 litres allowing for washing down of the plant and premixed concrete production.
- > The Hy-Tec concrete batch plant at Alexandria in metropolitan Sydney is unique in that it is a purpose built concrete plant retrofitted into a fully enclosed building. All rainwater from the building roof is captured and stored in 300,000 litre capacity tanks and is used in the premixed concrete production process.

#### Environmental innovation

*Phyllota Humifusa* - a vulnerable plant under the Environmental Protection and Diversity Conservation Act 1999 and a threatened species under Section 2, The Threatened Species Conservation Act 1995, was identified with the approved extraction zone of the Hy-Tec Penrose Quarry located in the southern highlands of New South Wales.

Hy-Tec established an onsite *Phyllota Humifusa* nursery and has succeeded in transplanting the vulnerable shrub and incorporating its re-establishment in the quarry rehabilitation process.



## Concrete products

A range of improved initiatives were undertaken across the Concrete Products division.

### *Energy efficiency*

- > Replacement of mercury vapour lights across our plants in Queensland and New South Wales with energy efficient LED lighting.
- > Design of the new concrete sleeper plant at Stapylton in Queensland incorporated increased use of natural lighting in operational areas and increased air flow to facilitate ventilation of the space resulting in reduced reliance on lighting and fans.
- > Power factor correction was implemented at the Maroochydore plant resulting in reduced power system losses, increased load availability using existing equipment and a reduction in carbon emissions.

### *Dust minimisation*

An upgrade of the raw material storage area at the Campbellfield site in Victoria to incorporate a covered raw material conveyor loading location to significantly reduce the risk of raw material dust being released off site.

### *Reduction of gas use for curing*

Operational changes and modifications to concrete products plants in Maroochydore, Queensland, and Ottoway, South Australia, have led to the reduction of natural gas usage for curing of concrete products.

## Landcare and rehabilitation

### *Geelong Quarry rehabilitation*

Rehabilitation works are continuing at the Geelong Quarry to prepare the site for future usage post quarry activities. Stable slopes of significant height and length to support future urban development have been constructed. Previously a significant liability, the site is undergoing a significant transformation to prepare the area for future development, along with a lake and open public area integrating the site into the Geelong urban area.

### *Austen Quarry vegetation program*

The Austen Quarry in the Blue Mountains west of Sydney undertakes progressive rehabilitation of quarried areas focusing on vegetation native to the area. In 2017, about 2,000 native trees were planted in and around the quarry and the adjacent Cox's River area.

### *Quarry vegetation program*

#### *Queensland - school based training*

Our Calcium quarry near Townsville and Coominya quarry near Toowoomba in Queensland facilitated a program with school children from local primary schools to educate them on geology, quarry activities, environment and products which forms part of their curriculum. The children were involved in tree planting rehabilitated parts at the quarry with trees native to the area. Planting has been focussed on eucalyptus trees to provide a habitat and food for koalas.

#### *Smoking seed trials at Munster*

The Munster plant in Western Australia have trailed and successfully revegetated a significant node using smoking techniques for seed which promotes quicker germination of seedlings and produces healthier plants. Scientists have found that chemicals in smoke, rather than fire or heat, are the main catalyst in germinating hard to grow species of Australian natives. Over 1,000 seeds were treated with smoke and spread to previously mulched areas on site with positive germination results.

#### *Penrice quarry visual concealment*

The Penrice Quarry in Angaston north of Adelaide implemented a native species vegetation project to ensure the natural appearance of the quarry area is maintained through the minimisation of the visual starkness of the quarry excavation area and of quarry product stockpiles.

## Annual mandatory reporting

Adelaide Brighton continues to report under the national environmental schemes detailed below:

- > National Greenhouse Gas and Energy Reporting Scheme - providing greenhouse gas emissions, energy consumption and energy production data.
- > National Pollutant Inventory.

Adelaide Brighton also provides annual reports to the industry associations of Cement Industry Federation and National Lime Association as well as the Australian Government Australian Bureau of Statistics.

## Community

Adelaide Brighton is committed to being a socially responsible member of the communities in which we operate.

Through our community support program we aim to make a valued and sustainable contribution to the communities in which we operate by investing in primarily community based organisations and children services; supporting specialised higher education programs and environmental education through local school's participation in vegetation programs and wetland education:

- > In 2017, Adelaide Brighton partnered with the South Australian Little Athletics Association, an organisation which promotes happy, healthy communities and young people, as well as assisting families and children across the State.
- > We supported Variety the Children's Charity - benefitting sick, disabled and disadvantaged children.
- > Our Cement and Lime Division in Western Australian provided support to the Indigenous Basketball Academy.

### *Investing in education*

Our investment in education includes:

- > The South Australian Indigenous Law Student Mentoring Program. This program supports indigenous law students during study and to facilitate transition as graduates to legal practice.
- > St Peter's College / Adelaide Brighton Ltd Scholarship. An indigenous secondary school scholarship to provide tuition and boarding for an indigenous student.
- > Support for the STEM Program (Science, Technology, Engineering and Math) for Year 10 and 11 secondary school students through the University of Wollongong.
- > Women in Engineering Scholarship at the University of Wollongong which provides both a financial benefit and work placement opportunity.
- > University of Technology Sydney Women in Engineering Scholarship.
- > University of Adelaide Engineering Scholarship.
- > Participation in the Kwinana Industries Council iWomen and iScience projects and an inaugural Women in Industry Open Day in Adelaide.
- > Vacation employment program in Adelaide, Perth and Sydney.







# HEALTH AND SAFETY

Adelaide Brighton employs a diverse workforce of more than 1500 people across approximately 130 locations throughout Australia. Our commitment to health and safety is an essential and integral part of the way we do business.

Safety remains a key performance indicator at the business and Group level. In 2017 year we recorded a Lost Time Injury Frequency Rate (LTIFR) of 2.6 compared to 1.7 at December 2016.

One of the main contributing factors was the three acquisitions made in the 2017 - where the maturity level of safety processes and systems in those businesses lagged behind Adelaide Brighton. As part of our post acquisition strategy, we quickly embed our safety systems and processes into the acquired businesses.

Notwithstanding the rise in LTIFR in 2017, the continuing low level of LTIs underlines Adelaide Brighton's determination to have a safe workplace. Safety is not just about processes and procedures, it is a culture.

We recorded a Restricted Duty Injury Frequency Rate (RDIFR) of 19.0 at December 2017 compared to 12.3 the prior year.

The increase in the RDIFR is attributable to our continued strong focus on early intervention injury management. This practice ensures that even minor injuries receive medical attention as soon as is possible. While the negative outcome of this can be an increase in short duration restricted duty injuries, the positive outcomes are a reduction in injury severity and duration.

Our continued focus on contractor management and the utilisation of SitePass, the contractor management system implemented late in 2016, has provided focus in managing this area of critical risk.

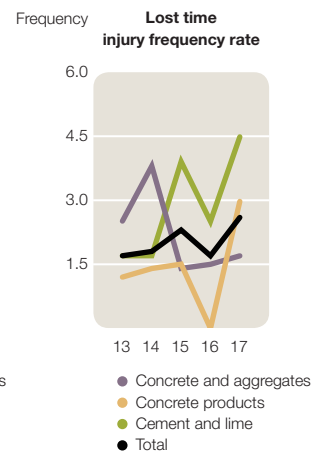
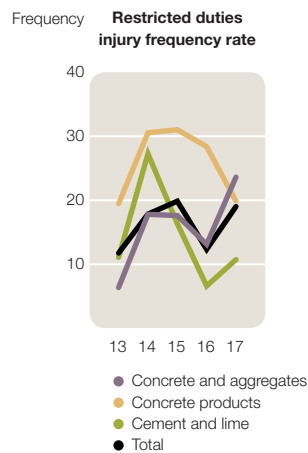
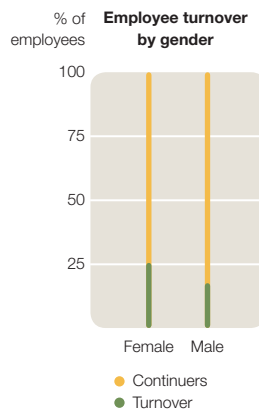
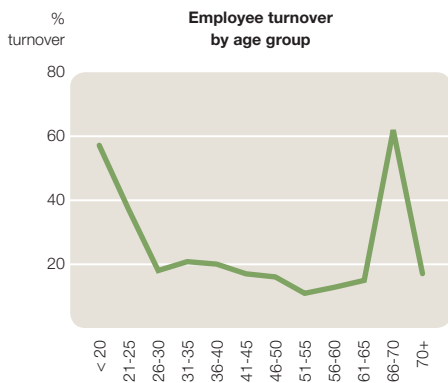
## Drug and alcohol screening

Our Group drug and alcohol screening program resulted in nearly 7,000 tests of workers across 81 sites for drugs and alcohol during 2017. Our screening program extends to contractors on site including during our major maintenance programs. Results of our testing revealed positive drug results of 0.63% compared to 3.4% of benchmark data. Alcohol screening resulted in a 0.3% positive result. These results confirm that the design of the program is acting as a deterrent to prevent workers arriving for work at our sites in an impaired state, improving the safety of all stakeholders.

## Employee well-being

Focused effort has been applied to increase the awareness and take up of the Employee Assistance Program (EAP), offered to employees and their families resulting in increased utilisation of the service. The Program is a voluntary, work based program that offers free and confidential assessments, short term counselling, referrals and follow up services to employees and their families who have personal and/or work related problems. EAP counsellors also work in a consultative role with managers and supervisors to address employee and business challenges and needs.

In addition, Adelaide Brighton supports R U OK? Day dedicated to remind our workers to ask family, friends and colleagues the question, R U OK? in a meaningful way, because connecting regularly and meaningfully is one thing everyone can do to make a difference to anyone who might be struggling.



◀ Adelaide Brighton Cement Birkenhead public multi-purpose park ■ Concrete testing in laboratory and in field ■ Southern Quarries Sellicks Hill Quarry donated a 6 tonne marble rock to the Sellicks Community for an ANZAC Memorial. After quarrying the marble rock, Southern Quarries arranged for polishing of the rock and the plaque before presentation at the Anzac Day service ■ Adelaide Brighton Cement Birkenhead inaugural Women in Industry Open Day participants ■ Students from Prenzlau State School participating in the revegetation program at Coominya Quarry in Queensland ■ Adelaide Brighton Cement sponsors South Australian Little Athletics Association

# PEOPLE AND DIVERSITY

Adelaide Brighton is committed to being an inclusive workplace that values and promotes diversity of skills, experience and cultural background. We recognise that an inclusive culture enables us to attract and retain the best people with the appropriate skills to contribute to the continuing success of our business. The core objectives which form the foundation of our approach to diversity and on which we measure performance are:

- > Promotion of a culture of diversity and inclusion.
- > Recruitment and selection processes which seek out candidates from a diverse background and with selection decision being based on merit.
- > Development of inclusive leaders.
- > Building talent pipelines.
- > Rewarding and remunerating fairly.
- > Providing flexible work practices.
- > Understanding the diversity of our workforce.

**Adelaide Brighton's target of 30% female board representation by the end of 2018 is consistent with the aim of the 30% club for ASX200 Companies**

## Diversity and inclusion

Our goal is to establish a culture across our business where diversity is the norm and where women feel they can thrive and actually do so - and the business sees the winning results.

One of our initiatives to enable this is our Careers page on our Adelaide Brighton website to showcase "Women in Adelaide Brighton". The objective of the page is to highlight to potential candidates the opportunities that our organisation offers women. We have profiled a selection of women from across our business, including those who have demonstrated internal career progression, those who work in non-traditional roles and high potential employees.

As employees of Adelaide Brighton, we know it's the abilities of our people, applied every day that contributes to our success. Our growth provides constant opportunities for people to progress and take on challenges and responsibilities, or the satisfaction of a job well done.

We want more of our potential employees to know what it is like to work at Adelaide Brighton. To help spread this message we have added two employment videos to the Adelaide Brighton Careers page

## Training

The executive team and 50 senior leaders from within the business completed inclusion training; what can we learn from others, what needs to be different and what commitments will we make.

Inclusive leadership enables:

- > Diversity
- > Increased employee engagement
- > Greater collaboration, less silos
- > Innovation - asking questions that initiate further exploration, problem solving, value creation, adaptability
- > Increases customer engagement
- > Improvements to safety.

## Talent review - succession planning

Succession planning identifies and develops new leaders through a number of initiatives including cross Divisional development opportunities and increases the availability of experienced and capable employees.

## Leadership talent priorities

### Inclusive leadership

- > Build understanding and accountability for leaders to demonstrate inclusiveness, adapting leadership style to obtain maximum contribution from all our employees.

### Build a capability and retain company knowledge

- > Continue to monitor and invest in talent/growth plans for executive successors and future leaders.
- > Provide opportunities for mentoring, secondments and cross Division collaboration.

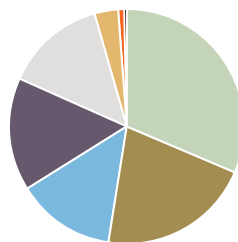
### Engagement

- > Ensure appropriate strategies and in place for Executive successors and future leaders to maximise development, engagement and retention.
- > Continue to improve employee engagement.

### Leaders who deliver safe, sustainable production

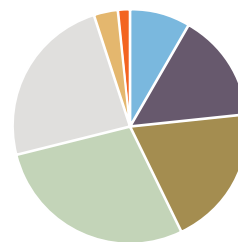
- > Ensure our leaders understand the value of safety to our business and model behaviours that communicate their understanding of safety as a value to our people.
- > Day to day communications and decisions reinforce safety is as important as production.

**Employment by geography**



- South Australia
- New South Wales
- Western Australia
- Queensland
- Victoria
- Northern Territory
- Tasmania
- ACT

**Employee turnover by geography**



- South Australia
- New South Wales
- Western Australia
- Queensland
- Victoria
- Northern Territory
- Tasmania



## Frontline management training

Our investment in frontline management builds the capability and effectiveness of our managers so they can bring out the best in our employees.

### CASE STUDY

Kerryn Girdler - Human Resources Business Partner, Concrete Products

*"The frontline management training program is aimed at potential people leaders. We have found there is huge value for experienced leaders to expand the number of tools that they use.*

*This has created an awareness that sometimes there are alternatives to the approach previously taken that will deliver an improved result."*

Thomas Garrick - participant (Promoted to Maintenance Manager Stapylton, Concrete Products)

*"I have learnt a great deal from the frontline management program. During training I realised I can be a direct person - this can be positive and negative. I communicate with quite diverse groups of people each day. I now approach them differently.*

*I was recently appointed to a Manager position. Applying what I have learnt in the frontline management training sessions has allowed me to efficiently transition out of being 'one of the boys' to being a Manager. Learning the difference between leadership vs management has highlighted strategies and techniques to being a more effective leader.*

*I have learnt a lot about myself and there are plenty of opportunities for me to work on and I now realise that my personal development will be ever evolving."*

## Adelaide Brighton's Mentoring Program

Formal mentoring programs are in place across our business with mentors and mentees participating in workshop training, webinars and individual coaching sessions.

### CASE STUDY

Mathew McEwan - Mentee - Plant Manager, Euro and Wetcast, Concrete Products

*"During the mentoring period, the role of Manager for the Euro and Wetcast plants became available at our Stapylton plant in Queensland. Having Michael as a mentor at the time and knowing I had his guidance and support gave me the confidence to apply for and ultimately take on the new and challenging position.*

*The relationship I built with Michael, the advice and insights he has shared have been enlightening and invaluable to my development and success in my new role."*

Michael Dorrrough - Mentor - National Operations Manager, Concrete Products

*"In 2017 the Concrete Products Division increased the focus on identifying, supporting and developing talent within the business to strengthen our succession planning profile.*

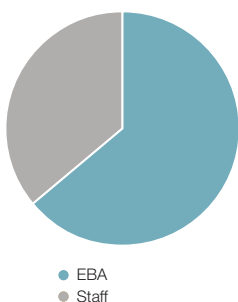
*In addition to Mathew's success, another success story came to light during the sleeper walling project at Stapylton in Queensland. An onsite mechanical fitter allocated to the project continually exhibited excellent leadership, communication and project management skills.*

*His actions highlighted his abilities, indicating an exceptional talent within the business. With our current people development programs, this is another example of how we are strengthening our frontline management capabilities and promotion potential within the organisation."*

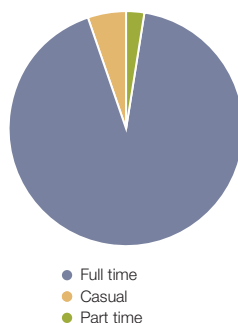


Dimity Smith  
Executive General Manager  
Human Resources and  
Health, Safety and  
Environment

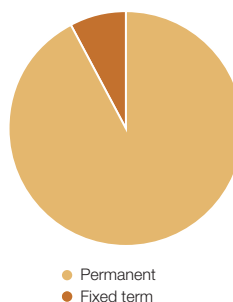
% employees on EBA vs staff



Employment by employment status



Employee by contract status



# TAX TRANSPARENCY REPORT

This Report is prepared in accordance with Adelaide Brighton's voluntary adoption of the Tax Transparency Code and provides information regarding Adelaide Brighton's tax contribution, its approach to tax strategy and governance, and its international related party dealings during the year ended 31 December 2017. Adelaide Brighton publishes this Report on a voluntary basis as part of its commitment to tax transparency.

## Effective company tax rate

The Australian company tax rate is currently 30% of taxable income. Taxable income represents gross income minus amounts that are treated as deductible or exempt under the tax law.

The Effective Tax Rate ("ETR"), being tax expense divided by profit before tax, for Adelaide Brighton's Australian operations is 27.7% for the year ended 31 December 2017.

The ETR differs to the company tax rate due to non-temporary differences, which represent amounts that are recognised as assessable or deductible for accounting purposes or tax purposes, but not both.

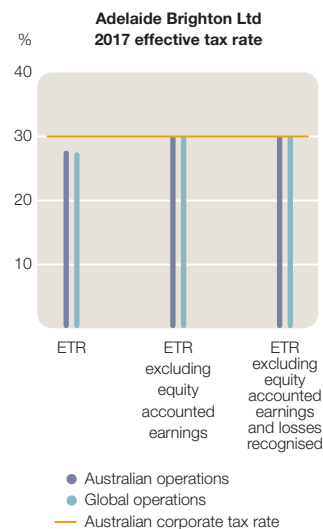
Income tax expense is an accounting concept that is different to income tax payable. Income tax expense reflects the amount of income that is assessable for tax purposes regardless of the timing of the assessability. In contrast, income tax payable reflects the amount of income that is assessable in the current year.

The ETR is presented under three scenarios below: accounting profit; accounting profit excluding equity accounted earnings; and accounting profit excluding equity accounted earnings and income tax expense excluding capital losses recognised. The reason for this is to provide maximum transparency.

In accordance with accounting standards, the share of after tax profits generated by Adelaide Brighton's joint ventures and associates is recognised by the Group in the income statement. Adelaide Brighton also maintains a balance of capital losses that may be recouped to offset capital gains incurred for tax purposes. During the year ended 31 December 2017, \$1.1 million of capital losses were recognised to offset capital gains.

The inclusion of equity accounted earnings in accounting profit, and the inclusion of capital losses recognised in income tax expense, may distort the ETR and removing these items from the ETR provides a more transparent representation.

The global ETR recognises the accounting profit attributable to Adelaide Brighton's minority interest in our Malaysian based associate. Additional information in relation to Adelaide Brighton's international related party dealings is provided later this Report.



Adjusting for equity accounted earnings and capital losses not previously recognised, Adelaide Brighton has an effective tax rate of 29.9% percent for the year ended 31 December 2017.

Effective tax rate	%
Australian operations	27.7
Australian operations - excluding equity accounted earnings	29.8
Australian operations - excluding equity accounted earnings and capital losses recognised	29.9
Global operations	27.5
Global operations - excluding equity accounted earnings	29.8
Global operations - excluding equity accounted earnings and capital losses recognised	29.9



## Reconciliation of accounting profit to income tax expense and income tax payable

The reconciliation of accounting profit to income tax expense and income tax payable contained in this Report is published in a summarised form in Note 7 in the 2017 Financial Statements.

	\$ million
<b>Accounting profit before tax</b>	<b>254.2</b>
<b>Prima facie tax payable (at 30 percent)</b>	<b>76.3</b>
Tax effect of non-temporary differences:	
Non-allowable expenses	2.6
Non-assessable income	(3.4)
Rebateable dividends	(4.6)
Other deductions	(0.7)
Previously unrecognised capital losses	(0.3)
<b>Income tax expense before prior year true up</b>	<b>69.9</b>
Tax effect of temporary differences:	
Higher accounting depreciation compared to tax depreciation	1.2
Timing of deduction for consumables	(0.7)
Timing of deduction for provisions	0.1
Recognised tax losses deductible against taxable income	(0.3)
Deduction for accruals on payment	0.6
Timing of deduction of prepayments	(2.5)
Other timing differences	3.5
<b>Income tax payable</b>	<b>71.8</b>

### Identification of material temporary and non-temporary differences

Material adjustments for non-temporary items that reduce income tax expense relate primarily to differences in the accounting and tax treatment of income derived from joint ventures and associated entities as outlined above. Non-assessable income in relation to an accounting gain on a bargain purchase was also recognised in respect of a business acquisition.

Adjustments for temporary differences relate to differences in the timing between an amount being derived/incurred for accounting purposes and the amount being assessable/deductible for tax purposes. During the year, temporary differences primarily related to differences in the timing of deductions for expenses such as depreciation, provisions, accruals, prepayments and consumables.

### Tax strategy and governance

Adelaide Brighton is committed to the highest standards of corporate governance and its approach to taxation aligns with its corporate governance strategy and Code of Conduct.

Adelaide Brighton is committed to being a responsible corporate citizen and actively seeks to contribute to the well being of shareholders, customers, the economy and the community.

Adelaide Brighton reflects these commitments in its approach to taxation with a high focus on meeting its various tax obligations. Strong internal processes and engagement of expert advisers ensures Adelaide Brighton is fully compliant with its taxation obligations. Adelaide Brighton also seeks to maintain a professional and transparent relationship with taxation authorities.

### International related party dealings

Adelaide Brighton has limited international related party dealings. The Group holds a 30% equity interest in Aalborg Portland Malaysia Sdn. Bhd. ("APM"), a manufacturer of white clinker and cement based in Ipoh, Malaysia. The majority 70% owner of APM is Aalborg Portland A/S, a Danish subsidiary of an Italian multinational cement and concrete producer, Cementir SpA. Adelaide Brighton is not related to Cementir SpA.

As Adelaide Brighton holds a minority interest in APM, it does not have effective control of APM nor is it involved in the day to day management of the company. In addition, the Shareholders' Agreement specifically requires that any related party agreements, arrangements or dealings must be on arm's length terms as if conducted by two independent parties. As a result of these measures, Adelaide Brighton's dealings with APM, which are limited to the purchase of clinker, are conducted on a commercial arm's length basis.

### Tax contribution summary

Adelaide Brighton paid/will pay in excess of \$85 million in Commonwealth, state and territory taxes in respect of the 2017 year.

### Taxes borne by Adelaide Brighton

	\$ million	
	2017	2016
Corporate income tax <sup>1</sup>	71.8	70.8
Fringe benefits tax <sup>2</sup>	1.2	1.3
Payroll tax <sup>3</sup>	8.8	8.2
Property tax	3.6	3.7
<b>Total</b>	<b>85.4</b>	<b>84.0</b>

<sup>1</sup> Corporate income tax paid is based on the year end provision and will be finalised when the income tax return for the year ended 31 December 2017 is due for lodgement in mid-2018.

<sup>2</sup> Fringe benefits tax paid in respect of the year ended 31 March 2017

<sup>3</sup> Payroll tax paid in respect of the year ended 30 June 2017

Adelaide Brighton also collected \$61.4 million in net GST after input tax credits on behalf of taxation authorities.

*In this Report references to 'Adelaide Brighton', 'the Group' and 'our' refer to Adelaide Brighton Limited and its wholly owned subsidiaries.*

*This Report has not been independently audited, however, disclosures are consistent with the audited financial statements.*

# DIVERSITY REPORT

Adelaide Brighton is committed to being an inclusive workplace that values and promotes diversity of skills, experience and cultural background. We recognise that an inclusive culture enables us to attract and retain the best people with the appropriate skills to contribute to the continuing success of our business.

In 2017, we continued to embed our performance delivery enabling our 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.

As part of the board's renewal program, following an assessment of the Board's skills matrix, in February 2018 Dr Vanessa Guthrie was appointed a non-executive Director.

The appointment of Dr Guthrie was also in line with Adelaide Brighton's goal of improving diversity across all levels of the Company.

An overview of these objectives, and our progress towards achieving these objectives during the 2017 financial year, are set out below:

<i>Objectives</i>	<i>Diversity measures to facilitate achievement of objectives</i>	<i>Progress</i>
To promote a culture of diversity and inclusion	Continue to align our business activities with our Diversity and Inclusion Policy to achieve the objectives approved by the Board and Nomination, Remuneration and Governance Committee of Adelaide Brighton.	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 an inclusive workplace culture.
	Proactively engage with industry to enhance inclusion and increase diversity.	As a member of the Cement Concrete & Aggregates Australia (CCAA) and their Diversity Working Group, have contributed to the development of inclusive strategies to attract a diverse group of people to work in heavy construction materials industry including: Revised CCAA Diversity Statement for approval of the Extractive Industries Committee and the CCAA National Council.
	Company-wide training in workplace policies (including diversity, anti-bullying and harassment, Equal Employment Opportunity).	Launch of on-line management systems provide effective platforms for employee and contractor inductions and training, complimenting face to face workshops including content on Company policies such as equal employment opportunity and anti-bullying.
To ensure that recruitment and selection processes seek out candidates from a diverse background, with selection decisions being based on merit	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 gender bias does not influence outcomes.	Recruitment training continues across the business to support and enable diverse candidate pools and to eliminate any unconscious bias that may occur. 15% of all new hires in 2017 were female with 31% of staff roles filled by female candidates.
	Promote Adelaide Brighton as a diverse employer with an inclusive culture.	Advertising templates for vacancies refreshed to ensure ads are attractive to a diverse pool of job seekers with an increased offering of on-the-job training. 66% of roles advertised in 2017 attracted female applicants.
Develop inclusive leaders who value diversity of opinions and challenge the status quo	ABL mentoring program for high potential employees facilitated across the divisions to continue to develop inclusive leadership.	Mentoring program deployed across all divisions with 28 mentors and mentees attending workshop training, webinars and 1:1 coaching sessions for a shared positive mentoring experience.  Executive and 50 senior leaders completed inclusion training; what can we learn from others, what needs to be different and what commitments will we make.
Build talent pipelines through investment in skills and capabilities	Ensure performance, development and succession management processes support the career progression of individuals regardless of factors that are not applicable to the inherent requirements for the position.	Development programs are provided for individuals as part of 'Our Business My Potential' program.  Talent and succession management process proactively challenges and promotes gender representation.  4.3% of women and 2.3% of men were promoted internally in 2017.
	Sponsor or encourage professional networking, coaching programs and cross divisional projects to give employees the opportunity to connect with other professionals.	Where identified, these programs continue to be supported across the organisation.

*(continued next page)*

*(continued next page)*



Objectives	Diversity measures to facilitate achievement of objectives	Progress
(continued)	In recognition of the low numbers of females entering into engineering and manufacturing vocations and to increase the diversity of our workforce: > implement programs designed to engage graduate engineers; > offer undergraduate scholarship opportunities and sponsor vacation work programs to engage students who are entering 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.	Continued sponsorship of the Women in Engineering program at the University of Wollongong in 2017 that provides both a financial benefit and a work placement opportunity.  Engineering scholarships in place at University of Adelaide and University of Technology Sydney.  Sponsorship of STEM Program (Science, Technology, Engineering and Math) for Year 10 and 11 high school students.  Vacation employment programs in place in Adelaide, Perth and Sydney; Participation in Kwinana Industries Council iWomen and iScience projects; and inaugural Women in Industry Open Day in Adelaide.  Sponsorship of the SA Law Society Indigenous Law Student Mentoring Program and established of a Scholarship for an indigenous high school student at St Peter's College in Adelaide.
To reward and remunerate fairly	Adelaide Brighton has a policy to provide equal pay for equal work.  As part of the annual salary review process, Adelaide Brighton undertakes a review of pay parity.  Pay parity is also considered at the time of hiring new employees, to eliminate potential gaps in pay arising from hiring decisions.	Refresher training in the remuneration framework, Mercer International Position Evaluation (IPE), was conducted and all staff positions were re-evaluated to ensure the ABL framework is appropriate.  The gender pay parity review was completed in 2017 resulting in an improvement due to the recalibration of the IPE.
To provide flexible work practices	Adelaide Brighton seeks to provide suitable working arrangements for employees returning from maternity leave.  Flexible working arrangements are available to all employees under our flexible work policy, to recognise that employees may have different domestic responsibilities throughout their career.  Adelaide Brighton offers 12 weeks' paid parental leave for the primary carer.  Formal review of all part time work arrangements to ensure roles are appropriate to maintain career development.	As per previous years, 100% of the women who commenced and finished maternity leave in 2017 have returned to work in either a full or part time capacity.  7% of the workforce have a part time or casual work arrangement.  3% of employees have taken 'Paternity Leave' in 2017.
Understand the diversity of our workforce	Measure age, gender, and cultural identity of our workforce.	Results of employee survey of cultural identify plus diversity data is collected from candidates during the recruitment process. Having identified that we have an ageing workforce, succession and workforce planning strategies have been implemented to ensure business sustainability.  As a member of (CCAA) Diversity Working Group understand diversity of workforce in our industry via the CCAA Benchmarking (Gender Survey) project.

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 [www.adbri.com.au/ourresponsibilities#reporting](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, 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 2017):

		Male	Female
Board	14% <sup>(1)</sup>	6	1
Senior executives	14%	6	1
Senior managers (direct reports to senior executives)	20%	32	8
Total workforce	12%	1,349	188

<sup>(1)</sup> Following the appointment of Dr Vanessa Guthrie and Mr Geoff Tarrant as a non-executive Directors in February 2018, the percentage of female Board members is 22%.

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

# CORPORATE GOVERNANCE OVERVIEW

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

Adelaide Brighton confirms it has followed the ASX Corporate Governance Council's Principles and Recommendation (3rd edition) during the 2017 financial year.

Adelaide Brighton's Corporate Governance Statement which provides detailed information about governance at Adelaide Brighton is available on Adelaide Brighton website at [www.adbri.com.au](http://www.adbri.com.au)

## Role of the Board

The role of the Board of Directors is to protect and optimise the performance of the Company and its subsidiaries (Group). The Board takes accountability for reviewing and approving strategic direction, establishing policy, overseeing the financial position and monitoring the business and affairs of the Group on behalf of shareholders.

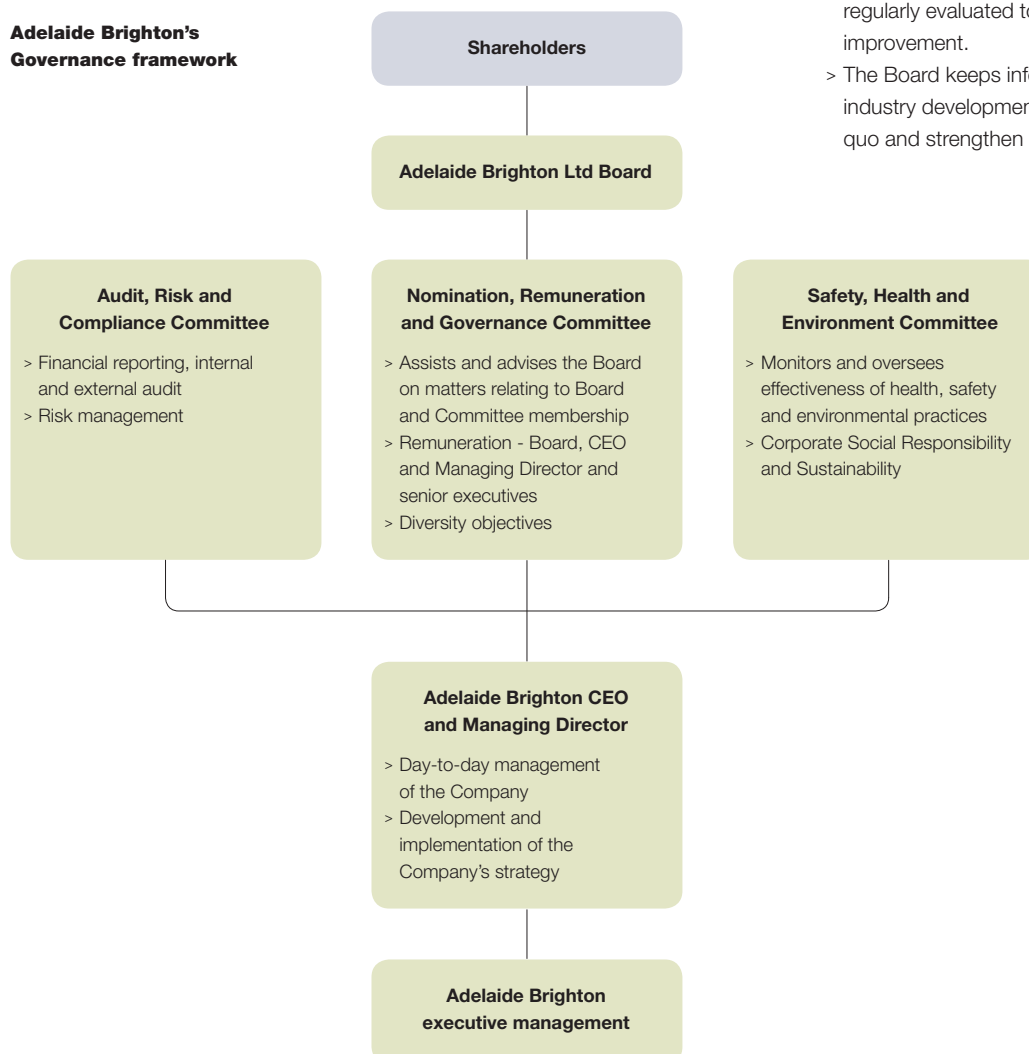
## Board Committees

To assist the Board in fulfilling its responsibilities the Board has established a number of committees with responsibility for particular areas. Each committee has a specific charter, which are each available on the governance section of the Company's website at [www.adbri.com.au](http://www.adbri.com.au).

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

- > The Board ensures that its members have the time and commitment to devote to the role.
- > The Board is committed to a majority of independent views being brought to bear in decision making.
- > Comprehensive induction processes equip Directors to perform in their role.
- > Conflicts are managed - protocols around disclosure, and procedures around management of potential conflicts have been adopted.
- > Board members have access to management and independent advice to assist in discharge of their duties.
- > Board and Director performance is regularly evaluated to facilitate continuous improvement.
- > The Board keeps informed of regulatory and industry developments to challenge status quo and strengthen knowledge base.

### Adelaide Brighton's Governance framework





## Continuous Disclosure

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

## The Board is committed to promoting ethical and responsible decision making

Adelaide Brighton's Code of Conduct requires that all Directors and employees act with the utmost integrity and honesty. It aims to further strengthen the Company's ethical climate by promoting practices that foster the Company's key values of:

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

## Shareholdings of Directors and employees

Directors and Officers may not buy or sell Adelaide Brighton shares except during specified periods (known as 'Trading Windows') provided that prior approval is obtained. Our Share Trading Policy also defines certain periods where trading is not permitted under any circumstances (known as 'Blackout Periods'). In all cases, Directors and Officers are prohibited from trading in securities when they are in possession of 'inside information'. The Share Trading Policy is available on the Company's website at [www.adbri.com.au](http://www.adbri.com.au)

## Board and CEO succession planning

The Board regularly reviews the size and composition of the Board to ensure the appropriate skills, perspective and expertise are represented. The skills matrix set out below demonstrates the skills, experience and diversity of the non-executive Directors in office as at the date of this report. The Board is satisfied that its present composition is appropriate for the circumstances of the Company.

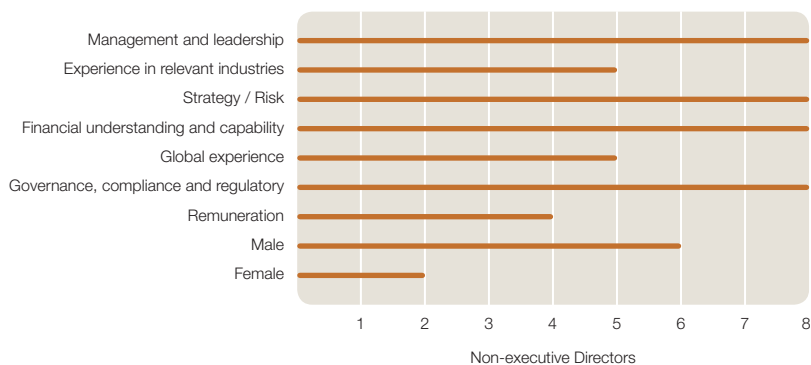
## Diversity

The Board, having adopted a Diversity and Inclusion Policy, has established measurable diversity objectives to enhance gender and other diversity across the organisation. Information about the Group's diversity objectives and progress is set out in the Diversity Report on pages 30-31 of this Annual Report.



Marcus Clayton  
General Counsel and  
Company Secretary

Skills, experience and diversity



# DIRECTORS

## Les Hosking

Age 73

### Experience

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 Axis Australia, and Managing Director of National Electricity Market Management Company (NEMMCO).



Director, AGL Energy Limited (appointed November 2008).

### Special responsibilities

Appointed Chairman 17 May 2012. Member, Nomination, Remuneration and Governance Committee (ceased 16 November 2017) Member, Audit, Risk and Compliance Committee (ceased 16 November 2017).

## Graeme Pettigrew

FIPA, FAIM, FAICD  
Age 69

### Experience

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).

### Special responsibilities

Chairman, Audit, Risk and Compliance Committee Member, Nomination, Remuneration and Governance Committee. Member, Safety, Health and Environment Committee.

## Raymond Barro

BBus, CPA, FGIA, FCIS  
Age 56

### Experience

Non-executive Director since August 2008. Over 27 years' experience in the premixed concrete and construction materials industry. Managing Director of Barro Group Pty Ltd.

### Special responsibilities

Member, Safety, Health and Environment Committee.



## Ken Scott-Mackenzie

BE(Mining), Dip Law  
Age 67

### Experience

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 Chief Executive Officer of Abigroup and then Bilfinger Berger



Australia, the holding company of Abigroup, Baulderstone and Bilfinger Berger Services.

### Special responsibilities

Chairman, Safety, Health and Environment Committee Member, Nomination, Remuneration and Governance Committee.



**Arlene Tansey**

FAICD, MBA, JD, BBA  
Age 60

*Experience*

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) and Aristocrat Leisure Limited (appointed July 2016).

**Zlatko Todorcevski**

MBA, BCom, FCPA, FGIA  
Age 49

*Experience*

Appointed Chairman Elect from 19 February 2018. Independent non-executive Director since March 2017. Experienced global executive with more than 30 years' experience in the oil and gas, logistics and manufacturing sectors gained in Australia and overseas with a background in finance, strategy and planning. Former Chief Financial Officer of

**Vanessa Guthrie**

Hon DSc, PhD, BSc (Hons)  
Age 57

*Experience*

Independent non-executive Director from February 2018. Extensive experience in the mining and resources industry. Previous CEO and Managing Director of Toro Energy Limited (ceased December 2016) and Vice President Sustainable Development at Woodside Energy. Director of Santos Limited (appointed July 2017)

**Geoff Tarrant**

BBus  
Age 49

*Experience*

Non-executive Director from February 2018. Finance executive with over 25 years' experience gained in Australia, the United Kingdom and Asia. Currently engaged in a corporate finance consultancy role with Deutsche Bank.

**Martin Brydon**

MBA, FAICD, FAIM, Dip Elect Eng,  
Dip Elron Eng  
Age 62

*Experience*

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.



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).

*Special responsibilities*

Chairman, Nomination, Remuneration and Governance Committee  
Member, Audit, Risk and Compliance Committee.

Brambles, Oil search Limited and BHP Billiton's Energy business.

Appointed a non-executive Director of The Star Entertainment Group in October 2017, subject to casino regulatory approvals being obtained.

*Special responsibilities*

Member, Nomination, Remuneration and Governance Committee (appointed 16 November 2017).  
Member, Audit, Risk and Compliance Committee (appointed 16 November 2017).

and Vimy Resources Limited (appointed October 2017).

Appointed Chief Executive Officer of Adelaide Brighton Limited in May 2014.

# INFORMATION FOR SHAREHOLDERS

## Annual general meeting

The annual general meeting of shareholders will be held at the InterContinental, North Terrace, Adelaide, South Australia on Thursday 17 May 2018 at 10.00 am.

## Securities exchange listing

Adelaide Brighton Ltd is quoted on the official list of the Australian Securities Exchange and trades under the symbol "ABC". Adelaide is Adelaide Brighton Ltd's home exchange.

## Registered office

Level 1, 157 Grenfell Street  
Adelaide SA 5000  
Telephone 08 8223 8000  
Facsimile 08 8215 0030

## Enquiries about your shareholding

Enquiries or notifications by shareholders regarding their shareholdings or dividends should be directed to Adelaide Brighton's share registry:

Computershare Investor Services Pty Limited  
Level 5, 115 Grenfell Street  
Adelaide SA 5000  
Telephone 1800 339 522  
International 613 9415 4031  
Facsimile 1300 534 987  
International 613 9473 2408

When communicating with the share registry, shareholders should quote their current address together with their Security Reference Number (SRN) or Holder Identification Number (HIN) as it appears on their Issuer Sponsored/CHES statement.

## Online services

Shareholders can access information and update information about their shareholding in Adelaide Brighton Limited via the internet by visiting Computershare Investor Services Pty Ltd website: [www.investorcentre.com](http://www.investorcentre.com)

Some of the services available online include: check current holding balances, choose your preferred annual report option, update address details, update bank details, confirm whether you have lodged your TFN, ABN or exemption, view your transaction and dividend history or download a variety of forms.

## Direct credit of dividends

Dividends can be paid directly into an Australian bank or other financial institution. Payments are electronically credited on the dividend payment day and subsequently confirmed by mailed payment advice. Application forms are available from our share registry, Computershare Investor Services Pty Ltd or visit the website at [www.computershare.com.au/easyupdate/abc](http://www.computershare.com.au/easyupdate/abc) to update your banking details.

## Dividend Reinvestment Plan (DRP)

Adelaide Brighton's DRP is currently suspended until further notice.

In future, if the DRP is reactivated, it will be notified by way of an ASX announcement.

## Change of address

Shareholders who are Issuer Sponsored should notify any change of address to the share registry, Computershare Investor Services Pty Limited, by telephone or in writing quoting your security holder reference number, previous address and new address. Broker Sponsored (CHES) holders should advise their sponsoring broker of the change.

Investor information other than that relating to a shareholding can be obtained from:

Group Corporate Affairs Adviser  
Adelaide Brighton Ltd  
Level 9 Aurora Place  
88 Phillip Street  
Sydney NSW 2000  
Telephone 02 8248 9911  
Email [adelaidebrighton@adbri.com.au](mailto:adelaidebrighton@adbri.com.au)

## Substantial shareholders

Barro Properties Pty Ltd, by a notice of change of interests of substantial shareholder dated 15 March 2018, informed the Company that it or an associate had a relevant interest in 266,521,124 ordinary shares or 41.0% of the Company's issued share capital.

Commonwealth Bank of Australia, by a notice of change of interests of substantial shareholder dated 18 July 2017, informed the Company that it or an associate had relevant interest in 39,308,939 ordinary shares or 6.05% of the Company's issued share capital.

## Communications

Our internet site [www.adbri.com.au](http://www.adbri.com.au) offers access to our ASX announcements and news releases as well as information about our operations.

## On market buy back

At 3 April 2018 there is no on-market buy back of the Company's shares being undertaken.

## Twenty largest shareholders shown in the Company's Register of Members as at 3 April 2018

Shareholder	No. of ordinary shares held	% of issued capital
Barro Properties Pty Ltd	202,096,059	31.08
HSBC Custody Nominees (Australia) Limited	62,734,726	9.65
Barro Group Pty Ltd	62,652,619	9.63
JP Morgan Nominees Australia Limited	53,682,442	8.26
Citicorp Nominees Pty Ltd	36,608,447	5.63
Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	16,291,829	2.51
National Nominees Limited	12,260,993	1.89
Argo Investments Ltd	7,681,385	1.18
HSBC Custody Nominees (Australia) Limited – A./C2	6,484,959	1.00
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	4,133,650	0.64
CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	3,873,059	0.60
BNP Paribas Nominees Pty Ltd <DRP>	3,292,997	0.51
Milton Corporation Limited	2,947,554	0.45
IOOF Investment Management Limited <IPS Super A/C>	1,759,440	0.27
Sandhurst Trustees Ltd <Harper Bernays Ltd A/C>	1,759,124	0.27
Australian Foundation Investment Company Limited	1,720,000	0.26
RBM Nominees Pty Ltd <Cash Protection A/C>	1,218,627	0.19
HSBC Custody Nominees (Australia) Limited - GSCO ECA	1,151,148	0.18
Diversified United Investment Limited	1,000,000	0.15
AMP Life Limited	972,359	0.15
<b>Total top 20 shareholders</b>	<b>484,321,417</b>	<b>74.48</b>
<b>Total remaining shareholders balance</b>	<b>165,951,078</b>	<b>25.52</b>

## Voting rights

All shares at 3 April 2018 were of one class with equal voting rights being one vote for each shareholder and, on a poll, one vote for each fully paid ordinary share.

Shares held as at 3 April 2018	Number of shareholders	% of issued capital
1 - 1,000	4,452	0.33
1,001 - 5,000	10,046	4.31
5,001 - 10,000	4,281	4.87
10,001 - 100,000	3,309	11.50
100,001 - over	141	78.99
<b>Total shareholders</b>	<b>22,229</b>	<b>100.00</b>
Less than a marketable parcel of 81 shares	698	

## Unquoted securities

2,767,452 Awards issued to the Chief Executive Office and Managing Director and other members of the senior executive team under the Adelaide Brighton Ltd Executive Performance Share Plan as part of the Company's long term incentive program. The Awards are not quoted and do not participate in the distribution of dividends and do not have voting rights. The total number of participants in the Adelaide Brighton Ltd Executive Performance Share Plan and eligible to receive the Awards is eight.



# FINANCIAL STATEMENTS



# FINANCIAL STATEMENTS CONTENTS

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## 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 2017.

### 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  
 Z Todorcevski (appointed 22 March 2017)  
 VA Guthrie (appointed 8 February 2018)  
 GR Tarrant (appointed 8 February 2018)  
 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 2017 is set out below:

	Consolidated	
	2017 \$ million	2016 \$ million
<b>Statutory results</b>		
<b>Revenue</b>	<b>1,560.0</b>	1,396.2
Depreciation, amortisation and impairments	(82.5)	(78.1)
<b>Earnings before interest and tax ("EBIT")</b>	<b>266.5</b>	266.1
Net finance cost	(12.1)	(11.5)
<b>Profit before tax</b>	<b>254.4</b>	254.6
Income tax expense	(72.3)	(68.4)
<b>Net profit after tax</b>	<b>182.1</b>	186.2
Attributable to:		
Members of Adelaide Brighton Ltd ("NPAT")	182.0	186.3
Non-controlling interests	0.1	(0.1)
Basic earnings per share (cents)	28.0	28.7
Ordinary dividend per share (cents)	20.5	20.0
Special dividend per share (cents)	4.0	8.0
Franking (%)	100	100
Net debt (\$ million)	371.6	288.5
Net debt/equity (%)	29.8	23.6

The results were impacted by a number of significant items. The table below sets out the underlying financial results for the year ended 31 December 2017 which have been adjusted for the significant items. An explanation of the significant items and reconciliation to statutory results is provided on page 44.

	Consolidated	
	2017 \$ million	2016 \$ million
<b>Underlying results</b>		
<b>Revenue</b>	<b>1,560.0</b>	1,396.2
Depreciation, amortisation and impairments	(82.5)	(78.1)
<b>Earnings before interest and tax ("EBIT")</b>	<b>288.8</b>	268.0
Net finance cost	(12.1)	(11.5)
<b>Profit before tax</b>	<b>276.7</b>	256.5
Income tax expense	(78.9)	(69.0)
<b>Net profit after tax</b>	<b>197.8</b>	187.5
Attributable to:		
Members of Adelaide Brighton Ltd ("NPAT")	197.7	187.6
Non-controlling interests	0.1	(0.1)
Basic earnings per share (cents)	30.4	28.9

*Net profit after tax*  
 Reported net profit after tax attributable to members (NPAT) for the year ended 31 December 2017 declined 2.3% to \$182.0 million due to the impact of doubtful debts, acquisition costs and restructuring expenses. Underlying NPAT of \$197.7 million was 5.4% higher than 2016. Property sales contributed \$8.4 million to NPAT, compared to \$7.9 million in 2016.

*Revenue*  
 Revenue of \$1,560.0 million was 11.7% higher than in 2016, as a result of improved demand for construction materials in South Australia and the eastern states and the contribution from acquisitions which added 5.8% to revenue.

#### *Earnings before interest and tax*

Earnings before interest and tax (EBIT) increased 0.2% from the prior year to \$266.5 million on an EBIT margin of 17.1%. On an underlying basis, EBIT grew 7.8% to \$288.8 million on an EBIT margin of 18.5%.

#### *Margins*

Underlying EBIT margins excluding property declined due to higher energy costs, the impact of quality issues at the Birkenhead site earlier in the year and higher site remediation costs. Joint arrangements and associate earnings increased from \$30.9 million in 2016 to \$37.8 million in 2017 reflecting improved demand and higher construction materials prices on the east coast of Australia.

#### *Operating cash flow and debt*

Operating cash flow decreased 9.7% from the prior year to \$224.2 million, due to higher tax payments and lower cash conversion. Property sales contributed \$13.9 million to cash flow, bringing sales in the last four years to \$97 million. The estimate of the sales value of the remaining property pipeline over the next decade exceeds \$100 million. Gearing of 29.8% at year end remains at the lower end of the target range.

#### *Earnings per share*

Earnings per share (EPS) of 28.0 cents.

#### *Dividends*

A final ordinary fully franked dividend of 12.0 cents per share and a fully franked special dividend of 4.0 cents per share were declared, bringing total dividends for FY 2017 to 24.5 cents fully franked. The record date for the final 2017 dividend is 3 April 2018 with payment on 13 April 2018.

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*

East coast markets remained strong supported by robust residential activity in Victoria, New South Wales and Queensland, and increased non-residential building and infrastructure<sup>1</sup> activity. The South Australian market was also lifted by infrastructure demand.

Activity in New South Wales and Victoria improved versus the prior year, with non-residential building and transport infrastructure projects adding to demand.

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 despite reduced demand from mining operations.

Western Australia cement demand stabilised in the second half compared to the previous corresponding period, following a significant decline over the last two years. Northern Territory demand declined further across the territory, although regional infrastructure projects provided some offset.

Overall demand for lime moderated slightly in both Western Australia and the Northern Territory.

### **Cement and clinker**

#### *Sales - Significant volume growth despite subdued WA and NT demand*

Cement and clinker sales volume increased 9% compared to 2016, assisted by a particularly strong second half. Strong volume growth continued in 2017 in Queensland, Victoria and New South Wales.

Volume in Western Australia and Northern Territory declined in the first half but stabilised in the second half to be modestly lower for the year. Cement sales in South Australia improved, supported by the ramp up of major infrastructure projects in the second half.

While cement selling prices increased ahead of CPI across almost all markets, weighted average cement prices were stable due to geographic mix changes.

#### *Operations - Operational improvement continues*

Cement margins declined due to higher energy costs, a cement quality issue in the first half and higher costs related to the Company's limestone vessel in the second half. Higher volumes on stable average prices lifted revenue.

Electricity costs in the cement and clinker operations increased by circa \$4 million compared to 2016. The overall impact of higher energy prices on Adelaide Brighton has been significantly mitigated through strategies such as alternative fuels, use of alternative cementitious products, demand management and long term contracts.

In April 2017, the Birkenhead plant experienced an issue with the quality of cement which resulted in rectification costs of \$3.6 million during the first half. The quality issue arose due to lower grade feed making its way into the cement milling process. Fixes to inventory management and quality processes were made to address the issue and production and quality returned to normal shortly after the incident.

Unplanned costs of \$3 million were incurred in the second half of 2017 associated with the Company's limestone carrying vessel the *MV Accolade II*.

Operational efficiencies in cement and lime delivered \$8 million in 2017, including \$2.8 million with the rationalisation of Angaston oil well cement and laboratory facilities. Further savings of \$1 million from these projects are expected in 2018.

Adelaide Brighton is Australia's largest importer of cement clinker and other cementitious materials supplying approximately 2.4 million tonnes of imported product in 2017. Import profitability improved by \$12 million before tax compared to 2016 due to reduced shipping and material procurement costs and the higher Australian dollar.

### **Lime**

#### *Sales - Volumes slightly lower*

Lime sales volumes were slightly down on 2016 due to reduced sales to the non-alumina sector. Imports continue to be a threat, but Adelaide Brighton's highly cost competitive operations place it in a strong position to supply the market in the long term.

<sup>1</sup> Non-residential building includes education, health, office retail, hotels and factories, while infrastructure includes roads, bridges and railways.



Average lime selling prices were lower because of the pricing mechanisms with long term alumina customers that take into account input costs savings. Intensifying competition from importers constrained prices in the non-alumina sector in 2017.

#### *Operations - Costs stable in 2017*

Lime margins declined slightly because of the lower average prices, while operating costs were marginally higher following significant improvements in the prior year.

Prices are subject to inflationary increases in 2018 under long term contract arrangements. In addition, rising energy costs, mainly coal, anticipated in 2018 will be reflected in contract price mechanisms over subsequent periods.

### **Concrete and Aggregates**

#### *Sales - Strong eastern state markets and acquisitions lift sales*

Sales volumes for concrete increased by more than one-third in 2017 because of strong demand in the eastern states and acquisitions. Excluding acquisitions, concrete volume increased strongly supported by buoyant demand in Victoria, New South Wales and Queensland and strengthening infrastructure demand in South Australia. Like for like concrete prices increased 3%.

Aggregates volumes also were strong in 2017 due to acquisitions. A recovery in South Australian infrastructure demand offset reduced project volumes in other markets. Aggregates price increased by more than 5% reflecting price increases and strengthening demand for high quality product and a reduction in sales of lower value products.

Sydney aggregate returns continue to be supported by the expiry of traditional reserves and increasing reliance on product from new operations further from the market. Adelaide Brighton's New South Wales quarry operations are competitively positioned to supply demand growth in Sydney and benefit from strengthening prices as these increase over time to reflect the higher transport costs faced by many suppliers.

#### *Operations - Acquisitions add scale to operations*

Concrete and Aggregates revenue, EBIT and EBIT margins all improved significantly in 2017 as a result of higher volumes, stronger prices and control of costs, partially offset by \$3.3 million of costs relating to a compulsory scope change in remediation related to the closure of our North Melbourne concrete plant.

Revenue and EBIT were further enhanced by the acquisition of three businesses during 2017:

- > Central Pre-Mix Concrete and Quarry, a Melbourne based integrated concrete and aggregate operation on 1 March 2017;
- > Davalan Concrete, an Adelaide based concrete business on 28 June 2017; and
- > The concrete and aggregates assets of Holcim in the Northern Territory on 28 July 2017.

These three acquisitions are consistent with Adelaide Brighton's long term vertical integration strategy and add scale to the existing concrete and aggregates operations, as well as adding synergies in overhead, logistics and raw materials. The acquired businesses are performing in line with expectations.

### **Concrete Products**

#### *Sales - Weaker multi-residential*

Revenue decreased 1.1% to \$147.6 million. Concrete Products EBIT decreased from \$11.4 million in 2016 to \$10.2 million in 2017 due to lower sales volumes and resulting lower production efficiency.

Sales and earnings are traditionally weighted to the second half, but first half EBIT was also impacted by wet weather and delayed projects which recovered in the second half helping to offset weakness in the multi-residential sector.

#### *Operations - Production efficiency*

After a long period of industry underinvestment, innovation offers efficiency benefits and exciting new revenue

opportunities, a number of which have supported sales in recent years.

Adelaide Brighton made a \$3 million investment during 2017 in an automated sleeper walling plant located in Stapylton, Queensland, which offers significant operating efficiencies and sales growth potential in new market segments.

The Concrete Products business is also a growing customer for our cement, sand and aggregates businesses and the Company remains optimistic about the outlook given the impact of the new sleeper walling plant and opportunities for business improvement in the medium term.

### **Joint arrangements and associates**

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

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

Continued strength in construction activity across the New South Wales and Victoria markets led to higher volumes. Higher selling prices, strong demand and an easing of input cost pressures supported a 40% increase in profit contribution from \$10.5 million to \$14.7 million after tax. The second half 2017 contribution was 22% higher than second half 2016. ICL benefited late in second half from a price rise to recoup higher input costs.

#### *Sunstate Cement Limited (Sunstate) (50%)*

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

Sunstate's contribution to Group earnings increased by 8.1% from \$11.0 million to \$11.9 million as demand across south east Queensland remained healthy. Volumes, prices and margins were all higher than the prior corresponding period. The second half 2017 contribution was up 10% on the prior comparative period.

#### *Mawson Group (Mawsons) (50%)*

Mawsons is the largest premixed concrete and quarry operator in northern regional Victoria, and also operates in southern New South Wales. Mawsons is an important aggregates producer in the region, generally holding the number one or number two position in the markets it serves. Earnings again improved significantly as strong demand to major projects lifted volumes and margins.

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

APM manufactures and sells white cement and clinker for the domestic Malaysian market and exports to Australia and markets throughout south east Asia. Earnings from APM declined as result of higher costs from energy, principally petcoke prices in Malaysia.

### **Strategic Developments**

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

- 1 Cost reduction and operational improvement across the Company;
- 2 Growth of the lime business to supply the resources sector in Western Australia, South Australia and the Northern Territory; and
- 3 Focused and relevant vertical integration into downstream aggregates, concrete, logistics and masonry businesses.

Cost reduction continued in 2017 with the rationalisation of speciality cement production at the Angaston, South Australia operation.

Managing energy costs across the Adelaide Brighton operations remains an important focus and a significant opportunity for shareholder value creation. Important progress was made in a number of areas in 2017 to improve energy efficiency and security.

The lime business continues to benefit from a strong focus on costs and efficiency, although after several years of significant cost improvements, costs stabilised in 2017. Competing importers remain active in major markets.

With its unique cost position, proximity to major customers, long term environmental approvals and strong customer relationships, the business is well positioned to remain the leading lime supplier to the Australian Resources sector and has the capacity to support further significant growth in the industry over the medium to long term.

Vertical integration has been part of the Group's strategy for over 10 years, driving growth, sales and earnings in the last five years and benefitting from the improvement in the construction market on the east coast. It has improved geographic and industry diversification and supported the utilisation of existing Adelaide Brighton assets. Three transactions were completed in 2017 on attractive financial metric of 6.8 times EBITDA, and are performing to expectations to deliver accretive returns in year one (excluding transaction costs).

### **1 Cost reduction and operational improvement**

#### *Energy efficiency*

Energy remains a key area of strategic focus given significant opportunity to improve the security and competitiveness of the operations coupled with security of supply. Adelaide Brighton's proactive energy strategy is designed to manage energy costs and operating risks through measures that include:

- > A portfolio approach to energy supply and procurement benefits;
- > Reduced medium term energy consumption through operational improvement, such as the cement rationalisation at Angaston in South Australia;
- > Increased use of alternative fuels to reduce reliance on traditional sources, with the aim of substituting 30% of fuel supply in South Australia in the medium term;

- > Increased use of alternative cementitious materials;
- > Short term consumption management through operational adjustments;
- > A proactive approach to cost recovery in the marketplace, supported by vertical integration, and through partnership contracts with long term customers; and
- > Hedging and other financial strategies, where it adds value for shareholders.

The Company has in recent years foreshadowed the tightening of the South Australian gas market and the prospect of increasing gas prices. The tightening of the market contrasted sharp declines in many international and some interstate gas markets, such as Western Australia.

Adelaide Brighton has sought to maintain diversity and flexibility in energy supply arrangements to take advantage of the evolving landscape and emerging opportunities to improve energy costs.

In December 2017, Adelaide Brighton further strengthened its energy supply portfolio with the signing of new gas and electricity contracts in South Australia. Adelaide Brighton has entered into an agreement with Beach Energy Limited for the supply of gas to its South Australian operations.

Adelaide Brighton has also entered into an agreement with Infigen Energy Limited for the supply of its electricity requirements to the Birkenhead and Angaston cement manufacturing plants and Klein Point Quarry on the Yorke Peninsula in South Australia.

The new agreements with Beach and Infigen provide our South Australian operations with continued certainty of energy supply at competitive prices and underpin the Company's leading position in this important market.

In addition to energy supply agreements, the rationalisation of oil well cement production at Angaston in South Australia improved the energy efficiency of the South Australian cement operations in 2017.

Alternative fuels have been a key focus for reducing reliance on traditional energy sources and lowering costs over the last decade. An expansion of alternative fuel capacity at Birkenhead is now complete and we are targeting substitution of greater than 30% of the South Australian energy requirement of 6 petajoules per annum.

In 2018, Adelaide Brighton expects energy costs in its cement and lime business to increase by \$6 million compared to 2017. In South Australia, savings are expected in electricity but higher gas costs are anticipated, while in Western Australia, coal costs are also anticipated to increase.

#### *Operational improvement program*

The rationalisation of laboratory facilities and speciality cement production at the Angaston facility, leveraging the extensive importation network of the Group, will result in annualised EBIT savings of approximately \$3.8 million, of which approximately \$2.8 million was achieved in 2017. Earnings were adversely impacted in 2017 by one-off charges associated with this initiative of \$3.3 million before tax. These one-off costs are excluded from underlying earnings measures.

#### *Competitive import infrastructure*

Rationalisation of Australian clinker production in the face of steady demand growth, has seen imported cementitious products grow to represent in excess of 30% of Australian supply. In the absence of domestic clinker production growth, due to cost advantages of large scale international manufacture, imports are expected to continue to grow in the long term.

Adelaide Brighton remains Australia's largest importer of cementitious materials (cement, clinker and blast furnace slag) utilising more than 2.4 million tonnes of imported product in 2017. This leading position enhances supply chain efficiency in procurement, transport, storage and distribution.

This allows Adelaide Brighton to deliver competitively priced product into a range of markets where demand exceeds the Company's manufacturing capacity. It further enables Company owned domestic production assets to operate at full utilisation with the import operations responding to changes in demand. This underpins the competitive position and shareholder returns.

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

Adelaide Brighton continues to invest in import infrastructure to underpin its competitive position, to grow the import business, and ensure it remains a leading supplier into key markets. As the construction industry moves to greater reliance on imported cementitious materials there may be competing investments in import infrastructure to address some of this demand growth.

Adelaide Brighton will maintain a measured approach to growing and operating its import infrastructure. Industry leading scale, efficient supply, established markets and strong customer relationships mean Adelaide Brighton is well placed to enhance its position as an importer and continue to grow long term shareholder value.

#### *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 contributed from the property program total \$97 million. This includes transactions in 2017 that realised \$13.9 million in cash proceeds and \$8.4 million NPAT.

One of these transactions, which was previously anticipated for settlement in late 2017 or early 2018, closed in late December 2017 and as a consequence no significant land transactions or profits are now expected from the program before 2019.

Estimated proceeds from the sale of properties in the next 10 years could realise in excess of \$100 million with an expected EBIT margin on these sales of circa 85% and an effective tax rate of approximately 20%.

## **2 Lime growth**

### **Continuous improvement to underpin long term returns**

Adelaide Brighton's Munster, Western Australia, lime business is underpinned by low cost mineral resources secured by a State Agreement Act and long term statutory approvals. Demand growth in lime is driven by the globally competitive Western Australian resources sector.

The Munster lime plant is a low cost operation with two lime kilns, currently at 80% operating capacity, which are among the largest globally.

The Western Australian alumina sector represents about 70% of Western Australian lime demand. The industry remains among the lowest cost alumina producers in the world, underpinning its long term growth. In the medium term, lime demand is expected to move in line with refinery capacity expansion as well as the expansion of the broader Western Australian resources sector.

In the last three years, Adelaide Brighton has made operational improvements, expanded capacity and achieved cost savings to the lime business that have further improved the competitiveness of the business and the opportunity for long term growth.

After several years of cost reductions, costs stabilised in 2017. The lime business has a continuous improvement program that examines opportunities for: further cost savings; improvements in resource and operational security; and enhancing customer relationships.

Competition continues from imported lime for use in the non-alumina resources sector. Adelaide Brighton's scale and unique cost structure underpins its position in the industry over the long term. Nonetheless, import competition has the potential to pressure sales to the non-alumina sector in the absence of significant market growth, particularly if the Australian dollar continues to strengthen.



### 3 Downstream integration

#### Further downstream acquisitions

Adelaide Brighton continues to pursue its strategy of acquiring quality concrete and aggregates businesses that enhance its long term competitive position and shareholder value.

A disciplined approach is undertaken with acquisitions, with each assessed on their merits, including fit with the existing operations of Adelaide Brighton.

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, during the year Adelaide Brighton made three acquisitions:

- > Central Pre-Mix Concrete and Quarry, an integrated concrete and aggregates operation with five concrete plants and a hard rock aggregate quarry serving the metropolitan Melbourne market, the largest premixed concrete market in Australia;
- > Davalan Concrete, an independent concrete operator in the greater Adelaide market; and
- > Holcim's Northern Territory concrete and aggregates business, consisting of four concrete plants, two operating quarries and access to further potential quarry sites via mining leases.

These three transactions completed in 2017 are in line with the Company's strategy of focused value added vertical integration in the concrete and aggregates businesses. Total acquisition costs of the three businesses of \$85.2 million, including transaction costs of \$5 million, represent a year one EBITDA multiple of 6.8.

These purchases 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.

The acquired businesses also offer operating synergies with the existing Melbourne and Adelaide operations and the prospect of further bolt on investments to enhance the overall regional position.

Overall, the performance of the businesses is in line with expectations.

#### Operational results

##### Reconciliation of underlying profit

"Underlying" measures of profit exclude significant items of revenue and expenses in order to highlight the underlying financial performance across reporting periods. Profits from the Company's long term land sales program are included in underlying profit despite the timing being difficult to predict.

The following table reconciles underlying earnings measures to statutory results.

Full year ended 31 December \$ million	2017			2016		
	Profit before tax	Income tax	Profit after tax	Profit before tax	Income tax	Profit after tax
<b>Statutory profit</b>	254.4	(72.3)	182.1	254.6	(68.4)	186.2
Rationalisation	3.3	(1.0)	2.3	-	-	-
Other restructuring	0.8	(0.3)	0.5	1.9	(0.6)	1.3
Acquisition expenses	5.0	-	5.0	-	-	-
Fair value gain	(4.5)	-	(4.5)	-	-	-
Doubtful debts	17.7	(5.3)	12.4	-	-	-
<b>Underlying profit</b>	<b>276.7</b>	<b>(78.9)</b>	<b>197.8</b>	<b>256.5</b>	<b>(69.0)</b>	<b>187.5</b>

##### Rationalisation of cement production

Cement production and laboratory facilities in South Australia were rationalised in 2017. As part of the rationalisation, employee redundancy costs of \$3.3 million were recognised (2016: \$nil).

##### Other restructuring costs

Redundancies and one-off employment costs were \$0.8 million (2016: \$1.9 million) for the period. These costs result from staff restructuring within the Group.

##### Acquisition expenses and fair value gain

Costs recognised as an expense in the Administration cost line of the Income Statement in 2017 were \$5.0 million (2016: \$nil). The costs associated with the three acquisitions completed, including stamp duty, legal and other consulting costs, fluctuate with transaction activity. These acquisitions also resulted in a fair value gain on acquisition of \$4.5 million.

##### Doubtful debts provision

The increased doubtful debts provision described on page 45 and in note 10 is not considered to be a part of normal trading and therefore excluded from underlying profit.

##### Cash flow

Operating cash flow decreased by \$24.2 million to \$224.2 million in 2017. The decrease was attributable to lower cash conversion of revenues and increased tax payments partially offset by an increase in dividends from joint ventures.

Working capital increased \$22.2 million as a result of acquisitions and the timing of receipts and import shipments at year end. Doubtful debt provision increased by \$18.3 million, including the additional provision for doubtful debts discussed on page 45 and in note 10.

Capital expenditure of \$169.3 million, including \$80.2 million on acquisitions, was \$82.8 million higher than the prior year. Stay in business capital of \$60.1 million represents 73% of depreciation and amortisation. Development capital declined \$7.8 million to \$29.0 million as organic projects started in the prior year were finalised. Cash proceeds from the sale of assets of \$17.7 million includes \$13.9 million from the disposal of land.

Dividends paid to shareholders decreased 13% to \$156.0 million due to lower special dividend payments in 2017.

Net debt increased \$83.1 million, with net debt to equity gearing increasing to 29.8% from 23.6% over the year primarily as a result of acquisitions. Gearing remains at the lower end of the target range of 25% - 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 2019	January 2021
Facility value	\$210 million	\$330 million

#### *Income statement*

Net finance costs increased from \$11.5 million to \$12.1 million in 2017 as a result of a slight increase in borrowing margins and higher average net debt.

Tax expense of \$72.3 million increased from \$68.4 million in 2016 and represents an effective tax rate of 28.4% (2016: 26.9%). The increased effective tax rate is due to the recognition of capital losses in the prior year and the true-up of the prior year tax return.

The movement in the value of the Australian Dollar against the Malaysian Ringgit during the year resulted in a \$0.4 million gain being recognised in other comprehensive income. The gain reflects movements in the Australian Dollar value of the Group's investment in Aalborg Portland Malaysia Sdn. Bhd.

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 of \$nil (2016: \$1.3 million gain). The unrealised gain or loss is the result of movement in the value of the Australian Dollar against foreign currencies, principally the United States Dollar, at year end compared to the rates at the time the hedge contracts were entered into.

An actuarial gain of \$1.9 million (2016: \$1.7 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 assumed salary growth rates over the forecast period used to calculate the defined superannuation benefit liability.

#### *Provision for doubtful debts*

In late 2017 Adelaide Brighton became aware of certain financial discrepancies which relate to transactions whereby it has been underpaid for products supplied. The Company has now completed its analysis with the assistance of forensic accountants KPMG and as a result the 2017 EBIT result includes \$17.1 million provision for the impairment of amounts due and \$0.6 million for legal, accounting and other investigation costs.

While the financial impact of the discrepancies has been quantified, investigations are continuing. Adelaide Brighton is also continuing its efforts to recover amounts due.

The matter was identified under Adelaide Brighton's existing compliance and risk management systems and processes. The Company has taken steps to strengthen these further in light of this issue.

#### **Business Risks and Mitigation**

Adelaide Brighton's risk management framework, as outlined in the Corporate Governance Statement, incorporates effective risk management into all facets of the business. Planning processes, including budgets and strategic plans, incorporate a risk management component. These are integrated into reports to the Board and respective Board Committees throughout the year. The key risks to the Adelaide Brighton Group and mitigation actions are outlined below. The risks are not set out in any particular order and do not comprise every risk we encounter in conducting our business. Rather, they are the most significant risks that we believe we should be monitoring and seeking to mitigate or otherwise manage at this point in time.

Risk	Details	Mitigation
Macro-economic conditions	Adelaide Brighton supplies product to its Australian customers from local production sites across all states and territories, supplemented by imported product. Demand and supply conditions are therefore dependent upon economic conditions.	Adelaide Brighton has diversified its business both geographically within Australia and through vertical integration. This diversity has balanced the exposure of the business to fluctuations across its customer base of construction, infrastructure and mining sectors.
Regulatory compliance	With production and distribution sites across all states and territories of Australia, Adelaide Brighton is subject to significant regulatory burden across areas such as environmental, labour, occupational health and safety, and taxation laws.  Non-compliance with regulatory requirements could lead to substantial penalties and impositions on operations.	The Group employs a range of initiatives to meet regulatory compliance including: > Employment of specialists to support operational staff in areas such as human resources, and health, safety and environment; > Regular training and competency testing of employees; > Inclusion of regulatory compliance within the internal audit scope; and > Policies and procedures designed to instil and foster a culture going beyond mere compliance.
Movement to a low carbon economy (climate change)	The recognition of the impact of greenhouse gas emissions on climate change and the potential impacts on the environment have driven a movement toward a low carbon economy. A range of actions are being undertaken by governments, the corporate sector and individuals in recognition of climate change, including imposing a price on carbon and changes in product specifications.  Production of clinker, an intermediary product in the production of cement, and lime are carbon emissions intensive. The movement to a low carbon economy could potentially increase the cost of production and reduce demand.	Adelaide Brighton's strategy of cost reduction and operational improvement includes the focus on improved efficiency in the manufacturing process for clinker and lime. The program has delivered savings over a long time period, with further improvements anticipated which will reduce the emissions intensity of production.  The Group is able to leverage its access to products from emissions efficient suppliers as a result of the Company's import strategy.  In addition, the use of alternate products with cementitious properties, such as flyash and ground granulated slag, has increased.  Adelaide Brighton is also working with partners in the development of alternate products to replace Portland cement.
Energy pricing	Production of cement and lime are energy intensive and consequently access to reliable, cost effective energy is required. Price and reliability factors into the suitability of energy sources for production.	The Group employs a portfolio approach to energy procurement, looking to diversify the sourcing risk at competitive prices. This portfolio approach has resulted in a mix of contracted arrangements for the supply of energy and spot purchases on trading markets.
Foreign currency	The Group imports a range of materials to supplement capacity of local production facilities, with approximately 2.4 million tonnes of product imported in 2017. As a result of these purchases primarily being denominated in United States Dollars and Japanese Yen, the Group is exposed to fluctuations in the strength in the Australian Dollar against these currencies.	The Group manages exposure to foreign exchange risk through a formalised hedging policy. Committed purchases that expose the Group to foreign currency risk are hedged through agreed hedging products up to a period of nine months. In addition, where practical, contractual arrangements with suppliers may also include provisions to limit the risk of foreign currency to Adelaide Brighton.
Competitive landscape	Australia, with its relatively open access to global participants, is a competitive market. Heightened competition combined with fluctuations in the macro economic environment can impact upon the performance of the Group.	Through a focus on cost control and improvement, the Group's production capabilities are efficient. These facilities are supported by a distribution network throughout Australia, ensuring that Adelaide Brighton can provide a competitive value offering to customers.
Key equipment failure	The production of cement and lime involves large scale manufacturing sites in order to obtain economies of scale. The failure of key equipment in the process can disrupt production.	The Group undertakes a risk assessment of processes to identify key equipment. Risk of equipment failure is assessed in conjunction with repair or replacement alternatives as part of business continuity planning.  Alternate strategies are employed to mitigate the risk including holding "insurance spares" of key equipment and contractual arrangements to supplement production where required.
Production quality	The Groups key products of cement, lime, concrete, aggregates and concrete products are sold in accordance with relevant quality standards. Materials used in production are natural products and therefore normal variability of the characteristics could result in fluctuations in quality of the end product.  Products that do not meet the relevant quality standard could result in end use customers being financially disadvantaged.	The Group has quality assurance processes across all products, including the monitoring of inputs into the production process and testing of final product to ensure compliance with relevant standards. The skills of internal quality personnel are continually updated and supplemented by the use of external experts where required.
Trade credit	Contractual arrangements with customers include the provision of short term trade credit for product supplied. The Group is therefore exposed to the credit risk for a portion of its sales.  Changes in macro economic conditions and customer specific issues impacting cash flows available to settle purchases factor into the level of risk associated with trade credit outstanding.	Trade credit risk is managed through assessment of individual customer credit limits in accordance with delegated authority levels approved by the Board, which is monitored along with ageing of balances outstanding.



### **Dividends paid or declared by the Company**

During the 2017 financial year, the following dividends were paid:

- > A final dividend in respect of the year ended 31 December 2016 of 15.5 cents per share (fully franked) was paid on 12 April 2017. This dividend totalled \$100,696,420; and
- > An interim dividend in respect of the year ended 31 December 2017 of 8.5 cents per share (fully franked) was paid on 5 October 2017. This dividend totalled \$55,273,195.

Since the end of the financial year the Directors have approved the payment of a final dividend of 16.0 cents per share (fully franked), comprising an ordinary dividend of 12.0 cents per share and a special dividend of 4.0 cents per share. The final dividend is to be paid on 13 April 2018.

### **State of affairs**

Other than set out in the Review of Operations, no significant changes occurred in the state of affairs of the Group during the financial year.

### **Events subsequent to the end of the financial year**

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### **Likely developments and expected results of operations**

In 2018, Adelaide Brighton expects strong demand for construction materials, particularly on the east coast and South Australia, improved pricing and further efficiency improvements.

Sales volumes of cement and clinker are anticipated to be higher in 2018. Demand is expected to be stable in Western Australia and the Northern Territory and improve in South Australia due to major infrastructure projects. Building and construction activity is also expected to lift cement and clinker demand along the east coast.

Improved demand on the east coast and South Australia is anticipated to also lift sales volumes of premixed concrete and aggregates. The 2017 acquisitions will add further sales in 2018.

Price increases have been announced for the first half of 2018 in cement, aggregates, concrete and concrete products. Strengthening demand and utilisation are supportive of higher prices.

Concrete prices are expected to increase by more than inflation, while aggregate prices are anticipated to increase significantly above inflation, particularly as the industry moves to supply from further afield.

Lime sales volumes are expected to be marginally lower in 2018 due to import competition in the non-alumina sector, although prices are anticipated to improve under contractual arrangements.

Joint venture operations in Australia are anticipated to continue to benefit from stronger demand and higher prices on the east coast.

Import costs are likely to be \$3 million higher in 2018 with increased materials costs offset by favourable foreign currency outcomes. Exchange rates for imports have been hedged to September 2018.

Further savings from the Angaston cement rationalisation and the rolling operational improvement program are expected to improve costs in 2018.

Energy costs are anticipated to increase by \$6 million in 2018, with higher gas and coal costs being partially offset by lower electricity costs. Contractual arrangements will mitigate a portion of these costs.

Estimated proceeds from the sale of land in the next 10 years could realise in excess of \$100 million but, due to project timing, no significant land sales under the program are expected until 2019.

Capital expenditure of \$100-110 million is anticipated in 2018, including \$50-60 million of stay in business capex.

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's operations are subject to various Commonwealth, State and Territory environmental regulation.

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.

During 2017, Group entities were issued with regulatory notices issued by government authorities responsible for planning and environment matters. The Group satisfactorily addressed all of these regulatory matters.

Aus-10 Rhyolite Pty Ltd (Aus-10) received three general penalty notices from the NSW Department of Planning and Environment (DPE), alleging breaches of development consent conditions at Aus-10's Tinda Creek Quarry at Mellong, NSW, setting a fine of \$15,000 for each notice. Aus-10 addressed each of the matters raised by the DPE.

In 2016, 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. The internal consideration by the EPA SA is ongoing.

## 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 <sup>(1)</sup>		Safety, Health & Environment Committee	
	A	H	A	H	A	H	A	H	A	H
LV Hosking <sup>(2)</sup>	10	10	4	4	4	4	1	1	-	-
R Barro	10	10	-	-	-	-	-	-	2	2
GF Pettigrew	10	10	4	4	4	4	1	1	2	2
KB Scott-Mackenzie	9	10	-	-	4	4	1	1	2	2
AM Tansey	10	10	4	4	4	4	1	1	-	-
Z Todorovski <sup>(3)</sup>	6 <sup>(4)</sup>	7	-	-	-	-	-	-	-	-
M Brydon	10	10	-	-	-	-	1	1	-	-

A Number of meetings attended.

H Number of meetings held during period of office.

(1) The Independent Directors' Committee is no longer a standing Committee of the Board.

(2) Mr Hosking ceased as a member of the Audit, Risk and Compliance Committee and Nomination, Remuneration and Governance Committee with effect from 16 November 2017.

(3) With effect from 16 November 2017, Mr Todorovski was appointed as a member of the Audit, Risk and Compliance Committee and as a member of the Nomination, Remuneration and Governance Committee.

(4) Due to a commitment arranged prior to his appointment, Mr Todorovski was unable to attend one Board meeting during the year.

## Directors' interests

	Ordinary shares
LV Hosking	9,851
RD Barro	246,484,345
GF Pettigrew	16,739
KB Scott-Mackenzie	5,000
AM Tansey	10,000
Z Todorovski	20,000
VA Guthrie	-
GR Tarrant	-
M Brydon	78,906

Full details of the interests in share capital of Directors of the Company are set out in the Remuneration Report on pages 50 to 69 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 50 to 69 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 30 years' experience.

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

## Indemnification and insurance of officers

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

Rule 9.1 of the constitution defines

"officers" to mean:

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

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

The Company was not liable during 2017 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 2017 to 30 April 2018. 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 31 to the Financial Statements on page 114 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 31, 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 115.

## 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.

## 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:

<i>Date Awards granted</i>	<i>Expiry date</i>	<i>Number of Awards</i>
1 January 2014	30 September 2018	676,219
1 January 2015	30 September 2019	795,761
1 January 2016	30 September 2020	701,889
1 January 2017	30 September 2021	593,583
		2,767,452

The exercise price for these Awards is nil. Further details of Awards are set out in Note 27 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 16 March 2018



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 2017 Remuneration Report.

Our remuneration framework incorporates robust performance measures linked to our strategic plans 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.

## **2017 performance**

Adelaide Brighton continues to pursue its long term growth strategy with ongoing investment in cost reduction and operational improvement; growth of the lime business to supply the Australian resources sector and vertical integration of its construction materials business.

In 2017 Adelaide Brighton delivered revenue of \$1.56 billion driven by strong east coast demand, and concrete and aggregates acquisitions in Victoria, South Australia and the Northern Territory.

Underlying profit excluding property increased 5.3% to \$189.3 million, with stronger volumes and prices, the benefits from the operational improvement programs and lower import costs partially offset by higher energy costs and a number of one-offs. Reported profit declined 2.3% to \$182.0 million, including \$17.7 million of costs related to doubtful debts.

Adelaide Brighton's long term strategy of product and geographic diversification has positioned the Company to benefit from the strong markets on the east coast of Australia. This strategy includes vertical integration into premixed concrete and concrete products and the development of an aggregates business to underpin sustainability of these operations.

Adelaide Brighton continues to generate strong cash flows allowing the Company to invest in 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 2017 year of 20.5 cents per share and special dividends of 4.0 cents per share, bring total dividends for 2017 to 24.5 cents per share fully franked.

## **Remuneration report**

Following consideration of an independent benchmark report that revealed non-executive Director fees had fallen out of line with market peers, in 2017 fees for non-executive Directors were increased to ensure fee levels remain competitive to attract and retain appropriately qualified Directors. This has been a particular focus of the Board due to its ongoing commitment to Board renewal.

Accordingly, the base fee for the Chairman of the Board and the non-executive Directors was increased by approximately 12% and 18% respectively. Fees for a Committee Chairman and Committee Member increased by approximately 18% and 5% respectively.

The Board does not expect to increase non-executive Director fees in the near future.

The 2017 remuneration increases across the Executive Key Management Personnel team were 3% to 4% percent. This is 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.

## **Short Term Incentive**

Adelaide Brighton delivered strong underlying financial performance in 2017, with underlying net profit after tax excluding property up 5.3%. However, reported net profit after tax (excluding property) declined 2.7% resulting in the Group financial measure for the 2017 STI not being met. A contributing factor to this decline in reported net profit after tax was due to the doubtful debt provision and associated costs relating to underpayment for product supplied that came to light in late 2017.

The Board determined that, for the purpose of calculating the STI, no adjustment would be made for the one-off doubtful debt costs of \$17.7 million.

Notwithstanding good performance against their non-financial targets under the STI Plan, the Board, decided to reduce the non-financial component of the STI to zero, for the CEO and Managing Director and CFO.

For all other KMP's, the overall result was short term incentives for KMP vesting in the range of 12.8% to 31.4% of their potential maximum taking into account the Board's assessment of non-financial objectives and achievement of divisional financial targets.

Finally, as foreshadowed last year, in 2017 the portion of the short term incentive award that was deferred was increased to 50% (up from 25% in 2016).

### **Long Term Incentive**

Consistent with strong Company performance over the past four years, the Board is pleased to advise that the 2013 long term incentive Award was tested during 2017 and vested at 82.9%. The relative total shareholder return (TSR) performance condition exceeded the 82nd percentile and vested at 100% and the compound annual growth in earnings per share (EPS) target achieved 65.9% vesting based on EPS growth of 6.6% over the performance period.

These LTI outcomes are consistent with delivery of long term value to shareholders with the Company achieving a TSR of 107.4% over the measurement period.

### **Board renewal**

During the year the Board continued to progress its renewal program taking into consideration the Board skills matrix and matching those skills to our strategic plans and was pleased to announce the appointment of two new Directors in February 2018.

Dr Vanessa Guthrie and Mr Geoff Tarrant were appointed non-executive Directors under the Board's renewal program. The Board also named Mr Zlatko Todorovski as Chairman Elect to succeed Mr Leslie Hosking as Chairman at the conclusion of the Company's Annual General Meeting on 17 May 2018.

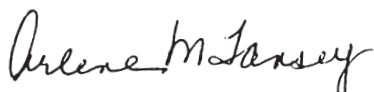
Dr Guthrie has more than 30 years' experience in the mining and resources industry and she is considered independent. Mr Tarrant is a finance executive with over 25 years' experience primarily in mergers and acquisitions and capital markets. Mr Tarrant was nominated by the Company's major shareholder, Barro Properties Pty Ltd, and is not considered independent. Consistent with the ASX Corporate Governance Council's Principles and Recommendations, a majority of the Board remains independent.

### **Conclusion**

These remuneration outcomes reflect the level of performance achieved against our applicable targets during 2017.

We have prepared the 2017 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 2018 Annual General Meeting.



Arlene Tansey

Chairman of Nomination, Remuneration and Governance Committee

# REMUNERATION REPORT CONTENTS

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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 2017. 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.

The KMP detailed in this Report for the 2017 financial year are:

**Table 1**

<i>Name</i>	<i>Role</i>
<b>Executives</b>	
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
<b>Directors</b> <sup>(2)</sup>	
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
Z Todorcevski <sup>(1)</sup>	Non-executive Director

(1) Appointed a non-executive Director on 22 March 2017.

(2) Since the end of the reporting period VA Guthrie and GR Tarrant were appointed Directors on 8 February 2018.

## **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.

## 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 is shown below.

CEO and MD				
<b>2016</b>	Fixed annual remuneration	Short term incentive		Long term incentive
	33 <sup>1</sup> / <sub>3</sub> %	25%	8 <sup>1</sup> / <sub>3</sub> %	33 <sup>1</sup> / <sub>3</sub> %
Cash 58 <sup>1</sup> / <sub>3</sub> %			Equity 41 <sup>2</sup> / <sub>3</sub> %	
<b>2017</b>	Fixed annual remuneration	Short term incentive		Long term incentive
	33 <sup>1</sup> / <sub>3</sub> %	16 <sup>2</sup> / <sub>3</sub> %	16 <sup>2</sup> / <sub>3</sub> %	33 <sup>1</sup> / <sub>3</sub> %
Cash 50%			Equity 50%	

Key management personnel				
<b>2016</b>	Fixed annual remuneration	Short term incentive		Long term incentive
	46%	24%	8%	22%
Cash 70%			Equity 30%	
<b>2017</b>	Fixed annual remuneration	Short term incentive		Long term incentive
	46%	16%	16%	22%
Cash 62%			Equity 38%	

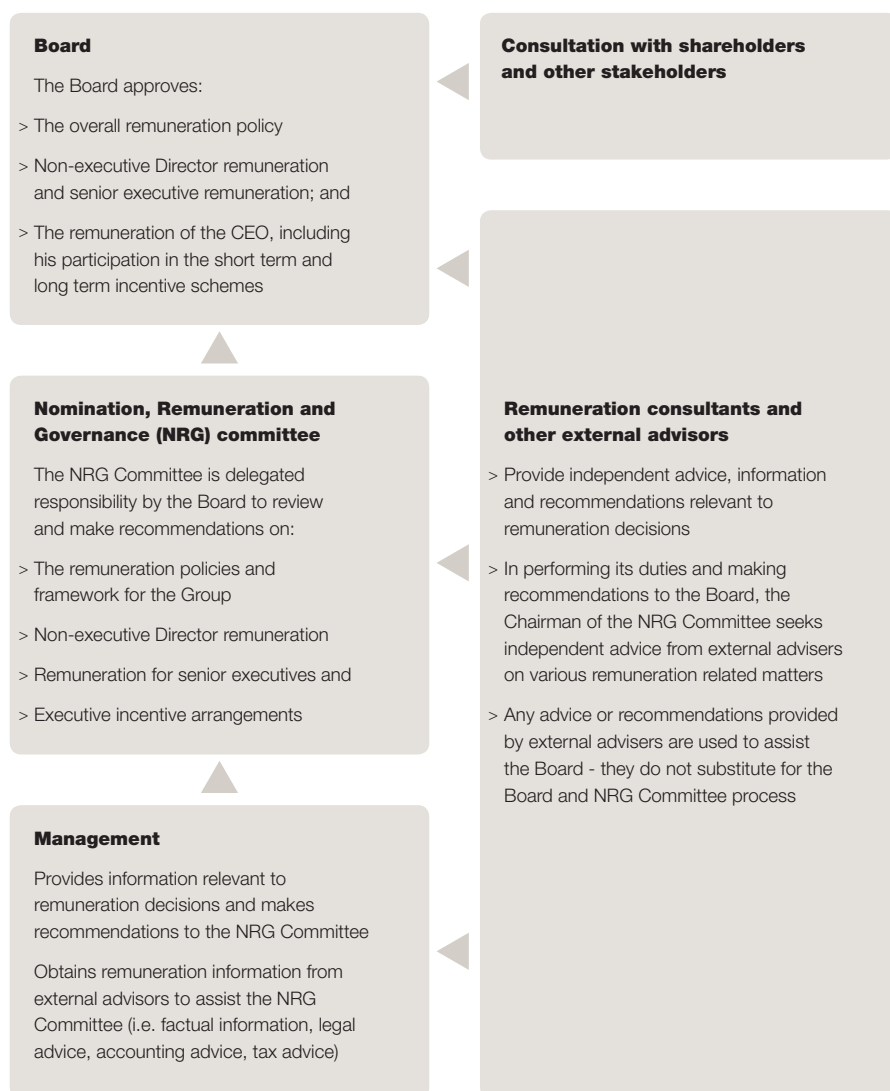
The table below provides a summary of our remuneration framework for the 2017 financial year, and illustrates the way in which each element of remuneration has been structured to support our Group business objectives and to align with the generation of shareholder wealth.

Component	Performance measure	'At risk' weight	Strategic objective/performance link
<b>Fixed Annual Remuneration (FAR)</b> Salary and other benefits (including statutory superannuation)	<b>Considerations</b> > Long term individual performance > Role, responsibility and potential > Benchmarked to competitive market rate	(NA)	> Remuneration set at competitive levels in the market to attract, retain and engage key talent > Motivate to achieve outstanding performance
+			
<b>Annual Short Term Incentive (STI)</b> Cash + Deferred rights to receive fully paid ordinary shares	<b>Financial targets (80%) - CEO and CFO - 80%</b> relating to Group NPAT <b>Other Executives - 60%</b> relating to Group NPAT and <b>20%</b> relating to Divisional EBIT <b>Non-financial targets (20%)</b> Relating to personal performance against individual objectives	<b>Maximum:</b> 60% - 80% of FAR (100% of FAR for CEO)	> 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
+			
<b>Long Term Incentive (LTI)</b> Rights to receive fully paid ordinary shares	<b>Earnings Per Share (EPS) (50%)</b> and <b>Total Shareholder Return (TSR) (50%)</b> Measured over a four year performance period	<b>Maximum:</b> <b>CEO</b> 100% of FAR <b>Other executives:</b> 40% - 70% of FAR	> 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: - 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: - 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
=			
<b>Total Remuneration</b>	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		



### 1.3 Remuneration governance - responsibility for setting remuneration

Our governance framework for determining executive remuneration is outlined below:



The NRG Committee seeks advice from external remuneration consultants on an as required basis. The NRG Committee did not obtain remuneration recommendations during 2017.

## 2 Overview of Company performance

### 2.1 Financial performance in 2017

The Directors are pleased to present Adelaide Brighton Limited's financial performance for 2017.

- > Revenue of \$1,560 million was up 11.7% reflecting strong demand across residential, non-residential and infrastructure projects in Victoria, New South Wales and Queensland, increasing infrastructure demand in South Australia, and contributions from acquisitions.
- > Underlying NPAT (excluding property) increased 5.3% to \$189.3 million due to:
  - Higher construction materials volumes and pricing;
  - Operational improvements and lower import costs; and
  - Acquisitions completed during the year.
 Partially offset by:
  - \$3.6 million associated with a cement quality issue in South Australia;
  - Additional \$3.3 million relating to a compulsory scope change in remediation related to the closure of our North Melbourne concrete plant;
  - Costs associated with the Company's limestone carrying vessel; and
  - Higher energy costs.
- > Reported NPAT declined 2.3% due to a number of significant items including a \$17.7 million doubtful debt provision and associated costs relating to underpayment for product supplied.

Adelaide Brighton's diversified business model and focus on operational improvement supported the Group's long term growth strategy. Strategic initiatives which contributed to the Company's financial performance in 2017 included:

- > Strengthening of our energy supply portfolio with a South Australian five year energy supply agreement to secure certainty of supply at competitive prices.
- > Operations efficiencies in cement and lime delivered \$8 million in 2017, including \$2.8 million with rationalisation of speciality cement production at Angaston in South Australia and centralisation of laboratory testing facilities to the Birkenhead Plant.
- > Import profitability improved by \$12 million before tax compared to 2016 due to reduced shipping and material procurement costs and the higher Australian dollar.
- > Our land sales program has delivered cash proceeds since 2013 of \$97 million. This includes transactions in 2017 that realised \$13.9 million in cash proceeds and \$8.4 million NPAT.

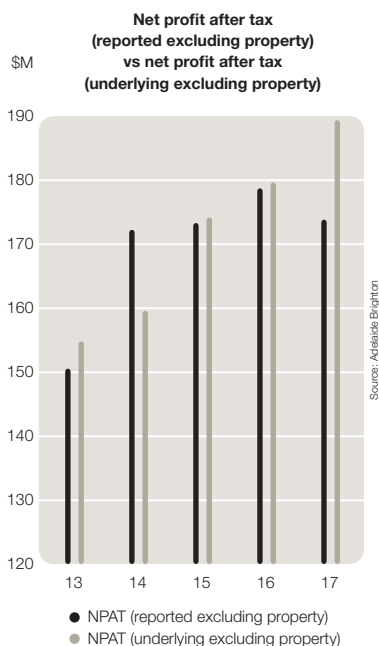
> The acquisition of three concrete and aggregates businesses in 2017 contributed 5.8% to revenue and reflects the realisation of our long term vertical integration strategy as a major contributor to shareholder returns.

On an underlying (excluding property) basis, key profit measures for 2017 versus 2016 show an improvement of between 5.3% and 7.0% (depending on the metric), on a revenue increase of 11.7% (Refer Table 2).

## 2.2 Long term financial highlights

As can be seen in the graph below the underlying NPAT (excluding property) has increased from \$154.8 million to \$189.3 million over the last five years representing compound annual growth rate (CAGR) of 5.2%.

This growth has been delivered as a result of the Company's long term strategy of cost reduction and continuous improvement; growth in the lime business and vertical integration of the construction materials business.



The TSR achieved over the last five years of 166% 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. TSR over the last 12 months was 24.6%, again reflecting an improved share price, increased ordinary dividends and the payment of special dividends and an improvement in the underlying performance of the business.

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

	2017 \$m	2016 \$m	Variance %	2017 \$m	2016 \$m	Variance %
	Reported (excluding property)			Underlying (excluding property)		
Revenue	1,560.0	1,396.2	11.7	1,560.0	1,396.2	11.7
EBITDA	337.9	335.7	0.7	360.2	337.6	6.7
EBIT	255.4	257.6	(0.9)	277.7	259.5	7.0
NPAT	173.6	178.4	(2.7)	189.3	179.7	5.3

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 2017.

Table 3 - Financial performance and shareholders' wealth improvement from 2013 to 2017

Financial year ended 31 December		2013	2014	2015	2016	2017	CAGR <sup>(1)</sup> %
Sales	\$m	1,228.0	1,337.8	1,413.1	1,396.2	1,560.0	6.2
NPAT	Excluding property \$m	150.2	172.0	173.0	178.4	173.6	3.7
	% change	(1.8)	14.5	0.6	3.1	(2.7)	
NPAT Underlying	Excluding property \$m	154.8	159.6	174.2	179.7	189.3	5.2
	% change	8.9	3.1	9.1	3.2	5.3	
Share price <sup>(2)</sup>	\$/share	3.67	3.52	4.75	5.43	6.52	15.5
Dividends	Cents/share	19.5 <sup>(3)</sup>	17.0	27.0 <sup>(4)</sup>	28.0 <sup>(4)</sup>	24.5 <sup>(5)</sup>	5.9
Franking	%	100	100	100	100	100	
Operating cash flow	\$m	227.3	194.0	229.9	248.4	224.2	
Earnings per share	Cents	23.7	26.9	32.0	28.7	28.0	
TSR - 1 year	%	23.9	0.5	42.6	20.2	24.6	
Total Shareholder Return	%					166.0	

(1) Compound Annual Growth Rate.

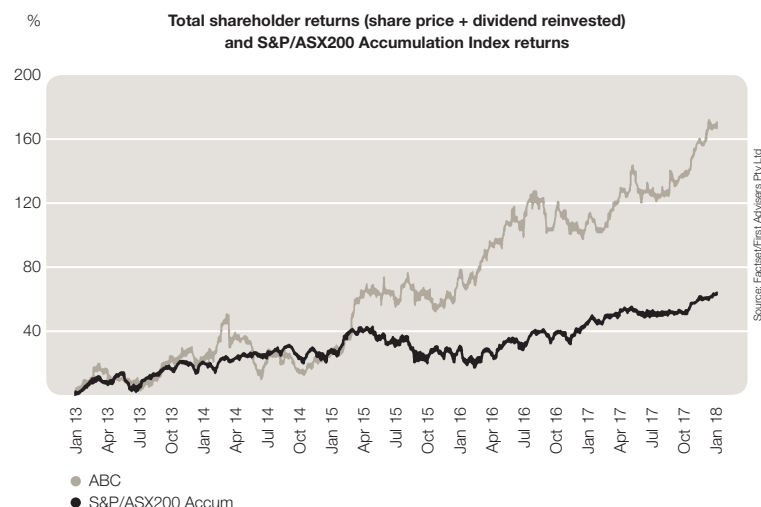
(2) At 31 December, or last trading day of the year if not 31 December.

(3) Includes 3.0 cents special dividend.

(4) Includes 8.0 cents total special dividend.

(5) Includes 4.0 cents special dividend.

As can be seen in the graph below, Adelaide Brighton's TSR growth over the last five years has significantly outperformed the S&P/ASX200 Accumulation Index.



### 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 2017. 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
Financial	<p><b>Financial performance</b></p> <p>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.</p>	<p>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>
Strategic	<p><b>Non-financial performance</b></p> <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>
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"> <li>&gt; Proactive safety behaviours</li> <li>&gt; Enhance environmental performance</li> <li>&gt; Development of capability</li> <li>&gt; Deepening succession pools</li> <li>&gt; Increasing diversity of candidate pools.</li> </ul>	<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>
Operation excellence	<p>Specific operational targets focused on productivity gains, cost reduction, operational improvement and improved asset management towards achieving improved return on investment.</p>	<p>Specific measures and initiatives were identified to ensure the delivery of sustainable operations and shareholder return.</p>



## Performance assessment

**Target included a financial stretch** The 2017 target was set at 5.8% above 2016 actual. This was a challenging target given the market conditions in Western Australia and the Northern Territory.

For KMP to achieve the maximum outcome under the Group financial performance measure, 2017 NPAT must have exceeded 2016 NPAT by 16%, highlighting the significant stretch component of the incentive.

**Strong underlying performance** The Board's view is that the underlying performance of the Group continues to be strong with contribution from recent concrete and aggregate acquisitions highlighting the benefits of the Company's vertical integration strategy.

**Acquisitions** Position the Company to take advantage of potential "bolt-on" and transformational acquisitions to ensure readiness when the opportunity becomes available. The CEO and Managing Director and management team progressed acquisition opportunities which culminated in the acquisition of Central Pre-Mix concrete and quarry, Davalan Concrete and the Holcim concrete and aggregates business in the Northern Territory.

**Product innovation** Commissioning of automated sleeper walling plant to deliver significant operating efficiencies, sales growth and potential new market segments.

**Organic growth** Development approvals and construction of three greenfield concrete plants in Brisbane to capitalise on growth in this region. Commissioning of an innovative indoor premixed concrete plant to service demand in the Sydney inner city area.

**Proactive safety behaviours** Proactive safety behaviours have improved evidenced by increased reporting in 2017: safety hazard reports increased by 3% and near miss reports increased by 31%. The CEO and Managing Director and management demonstrated their visible and leadership through active participation in site safety committee meetings throughout the Company's Australia wide operations.

**Enhance environmental performance** Enhance environmental performance through training and increased environmental resource capability.

**Development of capability** Embedded Mentoring Program to support personal and career growth opportunities for high potential employees in addition to building capability across the mentor group.

### Deepening succession pools and identification of future executive talent

The CEO and Managing Director and management exceeded targets set in respect of succession plans for key leadership roles, including the identification of future executive talent.

**Increased diversity** Targeted sourcing strategies increased the gender diversity of candidate pools with 66% of roles advertised in 2017 attracting female applicants.

**Operational improvement** Significant operational improvement benefits of \$11 million from rationalisation of specialty cement production at the Angaston plant, centralisation of laboratory facilities at the Birkenhead plant and energy savings.

**Import strategy** Significant savings of \$12 million from transport, shipping and materials purchasing. Conclusion of a long term cement and clinker import agreement to deliver significant savings over a 10 year period in addition to the flexibility to handle a range of supply scenarios.

**Investment in operational improvement** Achieved targeted efficiencies in relation to the cessation of oilwell production at the Angaston plant and centralisation of laboratory facilities at the Birkenhead plant.

**Land sales program** Preparation and negotiation of sale of land at a price that exceeded expectations during 2017, and ongoing progress on delivery of value from the long term land sales program.

## Result

**Group result** In its assessment of financial performance, the Board excluded property profits and other significant items (restructuring costs, transaction costs and fair value gain). However no adjustment was made for the one-off item of the doubtful debt costs of \$17.7 million.

Despite strong underlying Company performance, Group financial performance was assessed at less than 95% of target resulting in the Group financial component not being met.

**Divisional results** Concrete and Aggregates Division financial performance was greater than 100% of target, resulting in 93% achievement of the Concrete and Aggregates financial component.

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.

KMP other than the CEO and Managing Director and CFO were assessed at 50-80% achievement of Strategic non-financial objectives.

KMP other than the CEO and Managing Director and CFO were assessed at 50-70% achievement of People non-financial objectives.

KMP other than the CEO and Managing Director and CFO were assessed at 60-80% achievement of Operational Excellence non-financial objectives

### 3.1.2 Short Term Incentive - financial outcomes

Adelaide Brighton delivered a strong underlying financial performance in 2017, with underlying NPAT (excluding property) up 5.3% on the previous year.

Taking into consideration the impact of one-offs, specifically the \$17.7 million doubtful debt costs, the Board exercised discretion and did not award an STI payment to the CEO and Managing Director and CFO for the 2017 financial year.

For the other KMP's, the overall result was short term incentives for KMP vesting in the range of 12.8% to 31.4% of their potential maximum taking into account the Board's assessment of non-financial objectives and partial achievement of the financial target in one division.

The Concrete and Aggregates Division financial performance was greater than 100% of target, resulting in 93% achievement of the financial component for this Division. As financial performance was less than 95% of target, the financial component was not achieved for the Group, Cement and Lime Division and Concrete Products Division.

As you can see from the table below, in 2017 underlying (excluding property) EBIT and NPAT increased over the previous year with an increased revenue of 11.7%.

**Table 4**

	<i>Underlying (excluding property)</i>		
	<i>2017</i>	<i>2016</i>	<i>Variance</i>
	<i>\$m</i>	<i>\$m</i>	<i>%</i>
Revenue	1,560.0	1,396.2	11.7
EBITDA	360.2	337.6	6.7
EBIT	277.7	259.5	7.0
NPAT	189.3	179.7	5.3

The short term incentive payments shown in the table below reflect the performance achieved and amounts payable to Executives for the 2017 financial year.

**Table 5**

<i>For the year ended</i> <i>31 Dec 2017</i>	<i>Maximum</i> <i>potential STI</i> <i>opportunity<sup>(1)</sup></i>	<i>Actual STI</i> <i>as % of</i> <i>STI maximum</i>	<i>STI actual<sup>(2)</sup></i>	<i>Cash STI</i>	<i>Deferred STI</i> <i>(2 years)</i>	<i>Deferred STI</i> <i>(3 years)</i>	<i>Deferred STI</i> <i>(Total)</i>	<i>Deferred STI</i> <i>awarded</i>
	<i>\$</i>	<i>%</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>No. of rights</i>
Executives								
M Brydon	1,438,910	-	-	-	-	-	-	-
M Kelly	612,232	-	-	-	-	-	-	-
G Agriogiannis	436,720	31.4	137,005	68,503	34,251	34,251	68,502	10,115
AL Dell	257,088	12.8	32,907	16,454	8,227	8,226	16,453	2,430
BD Lemmon	412,000	13.2	54,384	27,192	13,596	13,596	27,192	4,015

(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 2017 STI was determined in conjunction with the finalisation of 2017 results.

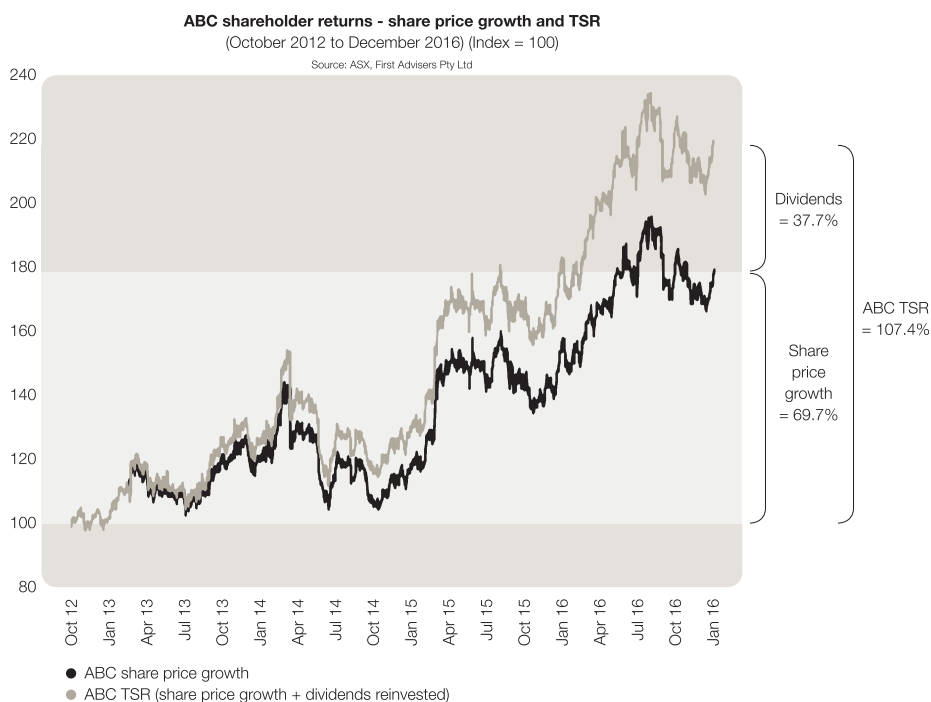
## 3.2 Long Term Incentive

### 3.2.1 Long Term Incentive - outcomes

During 2017, the 2013 Award was tested for earliest exercise in May 2017 and vested at 82.9%:

- > The Total Shareholder Return component vested at 100.0% with the Company achieving a Total Shareholder Return of 107.4% being the 82nd percentile of the Comparator Group.
- > The compound annual EPS growth rate over the 2014 to 2016 financial period was 6.6% with the EPS component partially vesting at 65.9%.

The chart below illustrates Adelaide Brighton's total shareholder return over the measurement period for the 2013 Award. The Total Shareholder Return of 107.4% resulted from share price growth and payment of ordinary and special dividends totalling 101.5 cents fully franked over the period.



Details of the movement in Awards held by Executives during the 2017 financial year are set out below.

**Table 6**

<i>For the year ended 31 Dec 2017</i>	<i>Number held at 1 Jan 2017</i>	<i>Number granted during the year<sup>(1)</sup></i>	<i>Number exercised / vested during the year<sup>(2)</sup></i>	<i>Number lapsed / forfeited during the year<sup>(3)</sup></i>	<i>Number held at 31 Dec 2017<sup>(4)</sup></i>	<i>Value of Awards at grant date <sup>(5)</sup></i>	<i>Value per share at the date of exercise<sup>(6)</sup></i>
						\$	\$
<b>Executives</b>							
M Brydon	1,331,100	273,188	215,746	44,502	1,344,040	822,296	5.76
M Kelly	583,989	101,707	153,601	31,684	500,411	306,138	5.76
G Agriogiannis	299,428	51,822	82,132	16,942	252,176	155,984	5.88
AL Dell	85,455	32,540	-	-	117,995	99,410	5.76
BD Lemmon	205,436	48,888	45,315	9,347	199,662	147,152	5.76

(1) This represents the maximum number of Awards granted in 2017 that may vest to each Executive. As the Awards granted in 2017 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 2017 were in fact exercised, being the 2013 Award. The number of Awards that vested during the period and exercisable at 31 December 2017 is NIL. The number of Awards that vested but not yet exercisable at 31 December 2017 is NIL.

(3) This includes the portion of 2013 Award that reached the end of its performance period on 31 December 2016 that did not meet the performance conditions and was forfeited.

(4) Awards subject to performance conditions which remain unvested (2014, 2015, 2016 and 2017 Awards), and which will be tested for vesting during the period 2018 to 2021.

(5) Fair value of Awards granted during 2017 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 \$3,087,312 based on the Volume Weighted Closing Price.



## 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 2017 the Board resolved to increase fixed remuneration across the executive team by 3 to 4 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 2017 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 2017 financial year onwards, 50% of STI awards will be deferred (unless otherwise determined by the Board). This is an increase from 2016 where 25% of the award was deferred.

#### 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 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.

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.

#### Reward opportunity

What level of reward can be earned under the STI?

STI outcomes of financial targets vest progressively in accordance with the following scale:

<i>Financial target achieved</i>	<i>STI % for financial target</i>
Below 95%	Nil
95%	50%
Between 95% and 110%	Pro rata
110% or above	100%

Non-financial objectives are set at a stretch level of performance.

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**Governance**

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How is performance against the performance conditions assessed?

All performance conditions under the STI are clearly defined and measurable.

NPAT is used for 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.

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.

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).

When is performance against the performance conditions determined and the award made available?

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.

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.

What disposal restrictions apply to the Deferred Rights (and to dividends and voting rights attach?)

The 2017 Deferred Rights will be divided into two equal tranches:

- > 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 2019 (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 2020 (3 year disposal restriction).

No dividends (or voting rights) are received on the Deferred Rights during the disposal restrictions.

On exercise, the Deferred Rights are converted to shares. The shares issued may not be sold or otherwise disposed of until the restriction period ends. During the restriction period shares are eligible to receive dividends and be voted.

Does the Board have an overriding discretion?

The Board has absolute discretion in relation to assessing performance and determining the amount, if any, of STI awards.

Is there an ability to 'claw back' in appropriate circumstances?

Yes. The STI Plan Rules provide the Board with a broad ability to claw back awards if considered appropriate.

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.

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**Cessation of employment or a change of control**

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What happens to STI awards on cessation of employment?

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.

How would a change of control of the Group impact on STI entitlements?

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.

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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 2017 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 2017 Awards will be tested and become exercisable to the extent of any vesting from 1 May 2021.

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 2017 Awards will expire on 30 September 2021.

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 2016 to 31 December 2020.

The 2017 Awards vest progressively in accordance with the following scale:

<i>TSR growth relative percentile ranking</i>	<i>% of Awards subject to TSR hurdle to vest</i>
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.

The Board retains overall discretion to make adjustments in favour of, or against, management to ensure that they do not enjoy a windfall gain nor suffer an unfair penalty for matters that were not in their control or reasonable foresight.

Awards under the 2017 Award are to vest progressively in accordance with the following scale:

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

Is re-testing permitted?

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



## Governance

Is there ability to 'claw back' in appropriate circumstances?	<p>Yes. The rules of the Plan have, for some time, provided the Board with a broad ability to claw back Awards if considered appropriate.</p> <p>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.</p>
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 2017 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?	<p>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.</p>

## 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 <sup>(1)</sup>
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. <sup>(2)</sup>
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.

## 6 Non-executive Directors' fees

### 6.1 Policy and approach to setting fees

#### Overview of policy

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.

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.

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.

In setting fee levels, the NRG Committee takes into account:

- > 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

Total fees, including committee fees, were set within the maximum aggregate amount of \$1,600,000 per annum approved at the 2017 Annual General Meeting.

#### Base fees for 2017

Following an independent benchmarking exercise in 2016 that revealed non-executive Director fees had fallen out of line with market peers, in 2017 fees for non-executive Directors were increased to ensure fee levels remain competitive to attract and retain appropriately qualified Directors. This has been a particular focus of the Board due to its ongoing commitment to Board renewal.

Accordingly for the 2017 financial year the base fee for the Chairman of the Board and the non-executive Directors was increased by approximately 12% and 18% respectively. Fees for a Committee Chairman and Committee Member increased by approximately 18% and 5% respectively.

The Board does not expect to increase non-executive Director fees in the near future.

Fees payable to non-executive Directors are inclusive of contributions to superannuation.

<i>Base fees (Board)</i>	\$	\$
Non-executive Chairman <sup>(1)</sup>	370,000	
Non-executive Director	130,000	
<i>Committee fees</i>	<i>Committee chair</i>	<i>Committee member</i>
Audit, Risk and Compliance Committee	30,000	15,000
Nomination, Remuneration and Governance Committee	30,000	15,000
Safety, Health and Environment Committee	30,000	15,000

(1) The Chairman of the Board receives no additional fee for Committee work.

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

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

## 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**

	Year	Fees and allowances		Total	Post-employment
		Directors' base fees (incl. superannuation)	Committee fees (incl. superannuation)		Superannuation contributions <sup>(1)</sup>
		\$	\$	\$	\$
L V Hosking	<b>2017</b>	<b>370,000</b>	-	<b>370,000</b>	<b>23,449</b>
(Chairman)	2016	330,000	-	330,000	23,449
R D Barro	<b>2017</b>	<b>130,000</b>	<b>15,000</b>	<b>145,000</b>	<b>12,580</b>
	2016	110,000	14,294	124,294	10,783
G F Pettigrew	<b>2017</b>	<b>130,000</b>	<b>60,000</b>	<b>190,000</b>	<b>17,273</b>
	2016	110,000	53,999	163,999	14,909
K B Scott-Mackenzie	<b>2017</b>	<b>130,000</b>	<b>45,000</b>	<b>175,000</b>	<b>15,183</b>
	2016	110,000	39,705	149,705	12,998
A M Tansey	<b>2017</b>	<b>130,000</b>	<b>45,000</b>	<b>175,000</b>	<b>15,183</b>
	2016	110,000	39,705	149,705	12,998
Z Todorcevski <sup>(2)</sup>	<b>2017</b>	<b>101,268</b>	<b>3,750</b>	<b>105,018</b>	<b>9,111</b>
	2016	-	-	-	-
<b>Total non-executive</b>	<b>2017</b>	<b>991,268</b>	<b>168,750</b>	<b>1,160,018</b>	<b>92,779</b>
<b>Directors' remuneration</b>	2016	770,000	147,703	917,703	75,137

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

(2) Z Todorcevski was appointed a non-executive Director on 22 March 2017. He was appointed a member of the Board's Audit, Risk and Compliance Committee and Nomination, Remuneration and Governance Committee effective 16 November 2017.



## 7.2 Executive statutory remuneration

Table 9

	Year	Short term benefits			Post employment benefit	Equity based benefits		Total	% of remuneration consisting of awards <sup>(4)</sup>
		Cash salary (FAR)	Cash STI <sup>(1)</sup>	Other benefits	Super-annuation <sup>(2)</sup>	Deferred STI <sup>(1)</sup>	Long term incentive <sup>(3)</sup>		
		\$	\$	\$	\$	\$	\$		
<b>Executives</b>									
M Brydon	<b>2017</b>	<b>1,408,910</b>	-	<b>152,941<sup>(5)</sup></b>	<b>30,000</b>	-	<b>283,725</b>	<b>1,875,576</b>	<b>15</b>
	2016	1,362,000	643,102	166,667 <sup>(5)</sup>	35,000	214,368	403,849	2,824,986	14
M Kelly	<b>2017</b>	<b>735,290</b>	-	-	<b>30,000</b>	-	<b>113,457</b>	<b>878,747</b>	<b>13</b>
	2016	713,000	273,629	-	30,000	91,210	248,090	1,355,929	18
G Agriogiannis	<b>2017</b>	<b>525,900</b>	<b>68,503</b>	-	<b>20,000</b>	<b>68,502</b>	<b>58,079</b>	<b>740,984</b>	<b>8</b>
	2016	510,000	219,212	-	20,000	73,070	122,531	944,813	13
AL Dell	<b>2017</b>	<b>404,480</b>	<b>16,454</b>	-	<b>24,000</b>	<b>16,454</b>	<b>26,024</b>	<b>487,412</b>	<b>5</b>
	2016	388,000	90,725	-	24,000	30,241	15,622	534,528	3
BD Lemmon	<b>2017</b>	<b>485,000</b>	<b>27,192</b>	-	<b>30,000</b>	<b>27,192</b>	<b>52,918</b>	<b>622,302</b>	<b>9</b>
	2016	458,333	133,080	-	30,000	44,360	134,623	800,396	17
<b>Total executive remuneration</b>	<b>2017</b>	<b>3,559,580</b>	<b>112,149</b>	<b>152,941</b>	<b>134,000</b>	<b>112,148</b>	<b>534,203</b>	<b>4,605,021</b>	
	2016 <sup>(6)</sup>	3,555,866	1,392,807	166,667	147,800	464,269	1,035,797	6,763,206	

(1) STI payment includes payments relating to 2017 performance accrued but not paid as at 31 December 2017.

(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 in Note 27.

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

(5) Living Away from Home Allowance payment made pursuant to Mr Brydon's Service Agreement to assist him in discharging his duties from the Company's Sydney office.

(6) Total executive remuneration for 2016 includes total remuneration of \$288,494 for former KMP, M Miller. Refer to the 2016 Remuneration Report for full details of the remuneration.

### 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 2017 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<sup>(1)</sup>**

	<i>Balance at beginning of year</i>	<i>Granted as remuneration during the year</i>		<i>Net movement due to other changes</i>	<i>Balance at end of year</i>
		<i>LTI</i>	<i>Deferred STI</i>		
<b>Executives</b>					
M Brydon	39,296	215,746	39,610	(215,746)	78,906
M Kelly	5,000	153,601	16,854	(158,601)	16,854
G Agriogiannis	-	82,132	13,502	(82,132)	13,502
AL Dell <sup>(2)</sup>	-	-	5,588	-	5,588
BD Lemmon	-	45,315	8,197	(45,315)	8,197
<b>Non-executive Directors</b>					
LV Hosking	4,851	-	-	5,000	9,851
RD Barro <sup>(3)</sup>	227,579,355	-	-	18,904,990	246,484,345
GF Pettigrew	7,739	-	-	9,000	16,739
KB Scott-Mackenzie	5,000	-	-	-	5,000
AM Tansey	10,000	-	-	-	10,000
Z Todorcevski <sup>(4)</sup>	20,000	-	-	-	20,000

(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 2017.

(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 2013 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.

(4) Mr Todorcevski was appointed a non-executive Director on 22 March 2017.

# INCOME STATEMENT

For the year ended 31 December 2017

(\$ million)	Notes	Consolidated	
		2017	2016
<b>Revenue from continuing operations</b>	5	<b>1,560.0</b>	1,396.2
Cost of sales		<b>(1,009.9)</b>	(885.8)
Freight and distribution costs		<b>(243.8)</b>	(195.5)
<b>Gross profit</b>		<b>306.3</b>	314.9
Other income	5	<b>19.6</b>	14.5
Marketing costs		<b>(20.7)</b>	(21.9)
Administration costs		<b>(72.3)</b>	(68.4)
Finance costs	6	<b>(13.6)</b>	(13.0)
Share of net profits of joint ventures and associate accounted for using the equity method	22(a)	<b>35.1</b>	28.5
<b>Profit before income tax</b>		<b>254.4</b>	254.6
Income tax expense	7(a)	<b>(72.3)</b>	(68.4)
<b>Profit for the year</b>		<b>182.1</b>	186.2
Profit attributable to:			
Owners of the Company		<b>182.0</b>	186.3
Non-controlling interests		<b>0.1</b>	(0.1)
		<b>182.1</b>	186.2
		<b>Cents</b>	Cents
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share	4	<b>28.0</b>	28.7
Diluted earnings per share	4	<b>27.9</b>	28.6

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2017. The above income statement should be read in conjunction with the accompany notes.



## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

(\$ million)	Notes	Consolidated	
		2017	2016
<b>Profit for the year</b>		<b>182.1</b>	186.2
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	20(a)	<b>0.4</b>	(0.9)
Changes in the fair value of cash flow hedges	20(a)	-	1.3
Income tax relating to these items	7(c)	-	(0.4)
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain on retirement benefit obligation	26(b)	<b>1.9</b>	1.7
Income tax relating to these items	7(c)	<b>(0.6)</b>	(0.5)
<b>Other comprehensive income for the year, net of tax</b>		<b>1.7</b>	1.2
<b>Total comprehensive income for the year</b>		<b>183.8</b>	187.4
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>183.7</b>	187.5
Non-controlling interests		<b>0.1</b>	(0.1)
<b>Total comprehensive income for the year</b>		<b>183.8</b>	187.4

# BALANCE SHEET

As at 31 December 2017

(\$ million)	Notes	<i>Consolidated</i>	
		<b>2017</b>	2016
<b>Current assets</b>			
Cash and cash equivalents	9(i)	<b>57.6</b>	21.5
Trade and other receivables	10	<b>241.0</b>	204.6
Inventories	11	<b>174.3</b>	160.2
Assets classified as held for sale	13	<b>1.9</b>	3.8
<b>Total current assets</b>		<b>474.8</b>	390.1
<b>Non-current assets</b>			
Receivables	10	<b>37.3</b>	34.4
Retirement benefit asset	26(b)	<b>3.5</b>	2.3
Joint arrangements and associate	22	<b>160.3</b>	151.2
Property, plant and equipment	12	<b>1,037.2</b>	978.4
Intangible assets	14	<b>299.9</b>	270.3
<b>Total non-current assets</b>		<b>1,538.2</b>	1,436.6
<b>Total assets</b>		<b>2,013.0</b>	1,826.7
<b>Current liabilities</b>			
Trade and other payables		<b>145.8</b>	117.0
Borrowings	17	<b>0.3</b>	0.4
Current tax liabilities		<b>9.8</b>	15.4
Provisions	16	<b>33.8</b>	31.9
Other liabilities		<b>15.1</b>	3.3
<b>Total current liabilities</b>		<b>204.8</b>	168.0
<b>Non-current liabilities</b>			
Borrowings	17	<b>428.9</b>	309.6
Deferred tax liabilities	7(f)	<b>86.0</b>	89.9
Provisions	16	<b>45.0</b>	39.0
Other non-current liabilities		<b>0.1</b>	0.1
<b>Total non-current liabilities</b>		<b>560.0</b>	438.6
<b>Total liabilities</b>		<b>764.8</b>	606.6
<b>Net assets</b>		<b>1,248.2</b>	1,220.1
<b>Equity</b>			
Share capital	18	<b>733.1</b>	731.4
Reserves	20(a)	<b>1.9</b>	2.9
Retained earnings	20(b)	<b>510.6</b>	483.3
Capital and reserves attributable to owners of the Company		<b>1,245.6</b>	1,217.6
Non-controlling interests		<b>2.6</b>	2.5
<b>Total equity</b>		<b>1,248.2</b>	1,220.1

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2017. The above balance sheet should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017  
Consolidated

(\$ million)	Notes	Attributable to owners of Adelaide Brighton Limited					Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings	Total			
<b>Balance at 1 January 2017</b>		<b>731.4</b>	<b>2.9</b>	<b>483.3</b>	<b>1,217.6</b>	<b>2.5</b>	<b>1,220.1</b>	
Profit for the year		-	-	182.0	182.0	0.1	182.1	
Other comprehensive income		-	0.4	1.3	1.7	-	1.7	
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>0.4</b>	<b>183.3</b>	<b>183.7</b>	<b>0.1</b>	<b>183.8</b>	
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)	
<b>Transactions with owners in their capacity as owners:</b>								
Dividends provided for or paid	19	-	-	(156.0)	(156.0)	-	(156.0)	
Executive performance share plan	18(b)/20(a)	1.7	(0.5)	-	1.2	-	1.2	
		<b>1.7</b>	<b>(0.5)</b>	<b>(156.0)</b>	<b>(154.8)</b>	<b>-</b>	<b>(154.8)</b>	
<b>Balance at 31 December 2017</b>		<b>733.1</b>	<b>1.9</b>	<b>510.6</b>	<b>1,245.6</b>	<b>2.6</b>	<b>1,248.2</b>	
<b>Balance at 1 January 2016</b>		<b>729.2</b>	<b>1.2</b>	<b>474.3</b>	<b>1,204.7</b>	<b>2.6</b>	<b>1,207.3</b>	
Profit for the year		-	-	186.3	186.3	(0.1)	186.2	
Other comprehensive income		-	-	1.2	1.2	-	1.2	
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>187.5</b>	<b>187.5</b>	<b>(0.1)</b>	<b>187.4</b>	
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	
<b>Transactions with owners in their capacity as owners:</b>								
Dividends provided for or paid	19	-	-	(178.5)	(178.5)	-	(178.5)	
Executive performance share plan	18(b)/20(a)	2.2	0.8	-	3.0	-	3.0	
		<b>2.2</b>	<b>0.8</b>	<b>(178.5)</b>	<b>(175.5)</b>	<b>-</b>	<b>(175.5)</b>	
<b>Balance at 31 December 2016</b>		<b>731.4</b>	<b>2.9</b>	<b>483.3</b>	<b>1,217.6</b>	<b>2.5</b>	<b>1,220.1</b>	

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

(\$ million)	Notes	Consolidated	
		2017	2016
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		<b>1,661.3</b>	1,536.1
Payments to suppliers and employees (inclusive of goods and services tax)		<b>(1,379.4)</b>	(1,239.1)
Joint venture distributions received		<b>26.4</b>	18.6
Interest received		<b>1.6</b>	1.5
Interest paid		<b>(13.0)</b>	(12.1)
Other income		<b>8.6</b>	6.2
Income taxes paid		<b>(81.3)</b>	(67.2)
Income taxes refunded		<b>-</b>	4.4
<b>Net cash inflow from operating activities</b>	9(ii)	<b>224.2</b>	248.4
<b>Cash flows from investing activities</b>			
Payments for property, plant, equipment and intangibles		<b>(89.1)</b>	(86.5)
Payments for acquisition of businesses, net of cash acquired		<b>(80.2)</b>	-
Proceeds from sale of property, plant and equipment		<b>17.7</b>	23.2
Loans to joint venture entities		<b>(3.1)</b>	(2.0)
Repayment of loans from other parties		<b>0.6</b>	0.6
<b>Net cash outflow from investing activities</b>		<b>(154.1)</b>	(64.7)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	18	<b>3.5</b>	4.0
Draw down / (repayment) of borrowings	9(iv)	<b>118.5</b>	(21.0)
Dividends paid to Company's shareholders	19	<b>(156.0)</b>	(178.5)
<b>Net cash outflow from financing activities</b>		<b>(34.0)</b>	(195.5)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		<b>21.5</b>	33.3
Effects of exchange rate changes on cash and cash equivalents		<b>-</b>	-
Cash and cash equivalents at the end of the year	9(i)	<b>57.6</b>	21.5

Adelaide Brighton Ltd and its controlled entities for the year ended 31 December 2017. The above statement of cash flows should be read in conjunction with the accompany notes.



# NOTES TO THE FINANCIAL REPORT

## 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 16 March 2018. 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 2017 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 an assessment of the impact of the new standard and based on the results the standard will not have a material impact on the financial statements. The standard is mandatory for financial years commencing on or after 1 January 2018 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. An 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 \$75.9 million and a corresponding liability at 31 December 2017, and reduce 2017 net profit after tax by \$1.2 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 2017 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.

### (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.

## 1 Summary of significant accounting policies *(continued)*

### (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.

### (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.

# FINANCIAL PERFORMANCE OVERVIEW

## 2 Segment reporting

### (a) Description of segments

Management has determined the operating segments based on the reports reviewed by the CEO and Managing Director. These reports 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 and 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:

<b>31 December 2017</b> (\$ million)	<b>Cement, Lime, Concrete and Aggregates</b>	<b>Concrete Products</b>	<b>Unallocated</b>	<b>Total</b>
Total segment operating revenue	1,401.4	147.6	-	1,549.0
Inter-Company revenue	(95.5)	-	-	(95.5)
Revenue from external customers	1,305.9	147.6	-	1,453.5
Depreciation and amortisation	(69.4)	(7.8)	(5.3)	(82.5)
EBIT	286.6	10.2	(30.3)	266.5
Share of net profits of joint venture and associate entities accounted for using the equity method	35.1	-	-	35.1
<b>31 December 2016</b> (\$ million)				
Total segment operating revenue	1,216.6	149.2	-	1,365.8
Inter-Company revenue	(74.9)	-	-	(74.9)
Revenue from external customers	1,141.7	149.2	-	1,290.9
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

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

## 2 Segment reporting (continued)

The operating revenue is 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:

(\$ million)	Consolidated	
	2017	2016
Total segment operating revenue	<b>1,549.0</b>	1,365.8
Inter-Company revenue elimination	<b>(95.5)</b>	(74.9)
Freight revenue	<b>89.5</b>	97.3
Other production revenue	<b>15.1</b>	6.0
Interest revenue	<b>1.5</b>	1.5
Royalties	<b>0.4</b>	0.5
Revenue from continuing operations	<b>1,560.0</b>	1,396.2

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

(\$ million)	Consolidated	
	2017	2016
EBIT	<b>266.5</b>	266.1
Net interest	<b>(12.1)</b>	(11.5)
Profit before income tax	<b>254.4</b>	254.6

### (c) Other segment information

Revenues of \$268.5 million (2016: \$215.3 million) are derived from a single customer. These revenues are attributable to the Cement, Lime, Concrete and Aggregates segment.

## 3 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 15
- > Provisions for close down and restoration costs - Note 16(iv)
- > Defined benefit superannuation plan - Note 26

Detailed information about each of these estimates and assumptions is included in Notes 15, 16(iv) and 26 together with information about the basis of calculation for each affected line item in the financial statements.

## 4 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.



#### 4 Earnings per share (continued)

(cents)	Consolidated	
	2017	2016
Basic earnings per share	28.0	28.7
Diluted earnings per share	27.9	28.6

(number)	Consolidated	
	2017	2016
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	650,067,492	649,395,882
Adjustment for calculation of diluted earnings per share:		
Awards	2,767,452	2,919,824
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	652,834,944	652,315,706

(\$ million)	Consolidated	
	2017	2016
<b>Reconciliation of earnings used in calculating earnings per share</b>		
<i>Basic and diluted earnings per share</i>		
Profit after tax	182.1	186.2
(Profit)/loss 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	182.0	186.3

#### 5 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.

##### Revenue from continuing operations

Sales revenue	1,558.1	1,394.3
Interest from joint ventures	0.7	0.7
Interest from other parties	0.8	0.8
Royalties	0.4	0.4
	1,560.0	1,396.2
<b>Other income</b>		
Net gain on disposal of property, plant and equipment	10.4	8.4
Fair value accounting gain on business acquisition	4.5	-
Rental income	1.2	2.9
Other	3.5	3.2
	19.6	14.5
<b>Total revenue and other income</b>	<b>1,579.6</b>	<b>1,410.7</b>

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 \$11.1 million (2016: \$8.4 million) which is recognised in other income.

## 6 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.

(\$ million)	Notes	Consolidated	
		2017	2016
<b>Profit before income tax includes the following specific expenses:</b>			
Depreciation			
Buildings		4.3	4.4
Plant and equipment		71.4	66.5
Mineral reserves		4.9	5.2
Total depreciation		80.6	76.1
Amortisation of intangibles		1.9	2.0
Other charges			
Employee benefits expense		169.0	156.3
Defined contribution superannuation expense		11.7	11.7
Operating lease rental charge		9.2	6.6
Impairment expense recognised on trade debtors	21(b)	18.3	0.7
Provision for inventory		-	0.7
Finance costs			
Interest and finance charges paid / payable		13.5	12.3
Unwinding of the discount on restoration provisions and retirement benefit obligation		1.1	1.1
Fair value loss/(gain) on forward foreign currency contracts at fair value through profit or loss		-	0.2
Total finance costs		14.6	13.6
Amount capitalised <sup>1</sup>		(1.0)	(0.6)
Finance costs expensed		13.6	13.0

<sup>1</sup> 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 2.8% p.a. (2016: 2.5% p.a.).

## 7 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.

## 7 Income tax (continued)

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.

(\$ million)	<i>Consolidated</i>	
	2017	2016
<b>(a) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit before income tax expense	<b>254.4</b>	254.6
Tax at the Australian tax rate of 30% (2016: 30%)	<b>76.3</b>	76.4
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non allowable expenses	<b>2.6</b>	0.7
Non assessable income	<b>(3.4)</b>	(1.9)
Non assessable capital profits	-	-
Rebateable dividends	<b>(4.6)</b>	(4.0)
Fair value adjustment	-	-
Other deductions	<b>(0.7)</b>	(1.3)
Previously unrecognised capital tax losses offset against capital gains	<b>(0.3)</b>	(1.9)
Under provided in prior years	<b>2.4</b>	0.4
Aggregate income tax expense	<b>72.3</b>	68.4
Aggregate income tax expense comprises:		
Current taxation expense	<b>71.8</b>	69.9
Net deferred tax	<b>(3.5)</b>	(1.7)
Under provided in prior year	<b>4.0</b>	0.2
	<b>72.3</b>	68.4
<b>(b) Amounts recognised directly in equity</b>		
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	<b>(0.8)</b>	(1.1)
Net deferred tax	<b>(0.3)</b>	(0.9)
	<b>(1.1)</b>	(2.0)
<b>(c) Tax expense relating to items of other comprehensive income</b>		
Actuarial gain on retirement benefit obligation (Note 26)	<b>0.6</b>	0.5
Changes in the fair value of cash flow hedges (Note 20(a))	-	0.4
	<b>0.6</b>	0.9
<b>(d) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised:		
Revenue losses	<b>0.5</b>	0.4
Capital losses	<b>11.3</b>	11.6

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.

## 7 Income tax (continued)

(\$ million)	Consolidated	
	2017	2016
<b>(e) Non-current deferred tax assets</b>		
<b>The balance comprises temporary differences attributable to:</b>		
Share based payment reserve	1.4	1.7
Provisions	33.1	24.6
Other assets	3.0	1.7
Tax losses	-	0.9
<b>Deferred tax assets - before offset</b>	<b>37.5</b>	28.9
Offset deferred tax liability (Note 7(f))	<b>(37.5)</b>	(28.9)
<b>Net deferred tax assets - after offset</b>	<b>-</b>	-
<b>Movements:</b>		
Opening balance at 1 January - before offset	28.9	28.1
Recognised in the income statement	7.4	2.3
Recognised in other comprehensive income	(1.1)	(0.9)
Recognised in equity	-	-
Under/(over) provision in prior year	-	(0.6)
Acquired in business combinations	2.3	-
Closing balance at 31 December - before offset	37.5	28.9
<b>(f) Non-current deferred tax liabilities</b>		
<b>The balance comprises temporary differences attributable to:</b>		
Property, plant and equipment	100.5	101.6
Inventories	10.4	9.7
Other	12.6	7.5
<b>Deferred tax liabilities - before offset</b>	<b>123.5</b>	118.8
Offset deferred tax assets (Note 7(e))	<b>(37.5)</b>	(28.9)
<b>Net deferred tax liabilities - after offset</b>	<b>86.0</b>	89.9
<b>Movements:</b>		
Opening balance at 1 January - before offset	118.8	113.5
Recognised in the income statement	4.4	0.6
Recognised in equity	(0.3)	0.4
(Over)/under provision in prior year	(1.6)	4.3
Acquired in business combinations	2.2	-
Closing balance at 31 December - before offset	123.5	118.8



## 8 Business combinations

During 2017, the Company acquired the following businesses:

- > Central Pre-Mix Concrete in Victoria in February 2017.
- > Davalan Concrete in South Australia in June 2017.
- > Holcim's concrete and aggregates operations in the Northern Territory in July 2017.

Each of these businesses is a strategic fit with our existing operations and are in line with Adelaide Brighton Ltd's business strategy of vertical integration.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	<b>Fair value \$ million</b>
Purchase consideration	
Cash paid	80.2
Contingent consideration	-
<b>Total purchase consideration</b>	<b>80.2</b>
Cash and cash equivalents	-
Trade and other receivables	-
Inventories	5.1
Joint arrangements	-
Freehold land	10.6
Buildings	8.7
Property, plant and equipment	21.7
Mineral reserves	8.1
Asset retirement cost	3.6
Intangibles	-
Deferred tax asset	2.3
Trade and other payables	-
Employment benefit liabilities, including superannuation	(1.0)
Provision - restoration liability	(3.6)
Current tax liability	-
Borrowings	-
Deferred tax liability	(2.2)
<b>Net identifiable asset acquired</b>	<b>53.3</b>
Add: goodwill	31.4
Less: gain on bargain purchase	(4.5)
<b>Net assets acquired</b>	<b>80.2</b>

The goodwill is attributable to two acquisitions and relates to the expected synergies expected to arise from the Company's vertical integration strategy and the workforce. None of the goodwill is expected to be deductible for tax purposes.

A gain relating to a bargain purchase of \$4.5 million was recognised on one of the acquisitions within other income in the Income Statement. The gain on acquisition reflects the Group's overall strategy of completing on acquisitions, where negotiating conditions allow, at values approximating the fair value of the tangible assets. Transaction costs associated with the acquisitions of \$5.0 million are included in administration costs in the Income Statement.

The acquired businesses contributed revenues of \$80.3 million and net profit before tax, excluding the gain on acquisitions and acquisition related expenses, of \$2.5 million.

If the acquisitions had occurred on 1 January 2017, the annualised consolidated revenue and net profit before tax for the year ended 31 December 2017 would have been \$108.3 million and \$7.6 million respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the businesses to reflect additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2017, together with the consequential tax effects.

## 9 Note to statement of cashflows

### (i) 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.

(\$ million)	Consolidated	
	2017	2016
<b>Current</b>		
Cash at bank and in hand	<b>56.0</b>	19.8
Term deposits	<b>1.6</b>	1.7
Cash and cash equivalents	<b>57.6</b>	21.5

### (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 2017 was \$nil (2016: \$nil).

### (b) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 21. 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.

### (ii) Reconciliation of profit after income tax to net cash inflow from operating activities

Profit for the year	<b>182.1</b>	186.2
Doubtful debts	<b>18.3</b>	0.7
Depreciation, amortisation and impairment	<b>82.5</b>	78.1
Share based payments	<b>(2.9)</b>	(2.9)
Finance charges on remediation provision	<b>1.1</b>	1.1
(Gain) on sale of non-current assets	<b>(6.4)</b>	(8.4)
Share of profits of joint ventures, net of dividends received	<b>(8.6)</b>	(9.9)
Non-cash retirement benefits expense	<b>0.7</b>	0.2
Non-cash remediation obligation	<b>(4.3)</b>	0.8
Fair value accounting gain on acquisition of business	<b>(4.5)</b>	-
Capitalised interest	<b>(1.0)</b>	(0.6)
Other	<b>(0.8)</b>	0.4
Net cash provided by operating activities before changes in assets and liabilities	<b>256.2</b>	245.7
Changes in operating assets and liabilities, net of effects from purchase of business combinations:		
Increase / (decrease) in inventories	<b>(9.0)</b>	1.3
Increase / (decrease) in prepayments	<b>(1.8)</b>	1.1
Increase / (decrease) in receivables	<b>(53.0)</b>	1.9
Increase / (decrease) in trade creditors	<b>27.6</b>	(2.3)
Increase / (decrease) in provisions	<b>2.3</b>	(0.7)
(Decrease) / increase in taxes payable	<b>(5.5)</b>	0.4
(Decrease) / increase in deferred taxes payable	<b>(4.3)</b>	4.5
Increase / (decrease) in other operating assets and liabilities	<b>11.7</b>	(3.5)
Net cash inflow from operating activities	<b>224.2</b>	248.4

**9 Note to statement of cashflows** (continued)

**(iii) Net debt reconciliation**

(\$ million)	Consolidated	
	2017	2016
Cash and cash equivalents	<b>57.6</b>	21.5
Borrowings - repayable within one year (including overdraft)	<b>(0.3)</b>	(0.4)
Borrowings - repayable after one year	<b>(428.9)</b>	(309.6)
Net debt	<b>(371.6)</b>	(288.5)

**(iv) Reconciliation of movements of liabilities to cash flows arising from financing activities**

(\$ million)	Other assets		Liabilities from financing activities				Total
	Cash/ Bank Overdraft	Liquid Investments	Finance Leases due within 1 year	Finance Leases due After 1 year	Borrowings Due within 1 year	Borrowings Due after 1 year	
<b>Net debt as at 1 January 2016</b>	33.3	-	(1.0)	(0.7)	-	(328.8)	(297.2)
Cash flows	(11.8)	-	0.6	0.4	-	20.0	9.2
Other non-cash movements	-	-	-	-	-	(0.5)	(0.5)
<b>Net debt as at 31 December 2016</b>	<b>21.5</b>	<b>-</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>-</b>	<b>(309.3)</b>	<b>(288.5)</b>
Cash flows	36.1	-	0.1	0.3	-	(118.9)	(82.4)
Other non-cash movements	-	-	-	-	-	(0.7)	(0.7)
<b>Net debt as at 31 December 2017</b>	<b>57.6</b>	<b>-</b>	<b>(0.3)</b>	<b>-</b>	<b>-</b>	<b>(428.9)</b>	<b>(371.6)</b>

## BALANCE SHEET ITEMS

### 10 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 21(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.

(\$ million)	Notes	Consolidated	
		2017	2016
<b>Current</b>			
Trade receivables		<b>200.1</b>	167.2
Loss allowance provision		<b>(19.5)</b>	(1.2)
		<b>180.6</b>	166.0
Amounts receivable from joint ventures		<b>50.3</b>	28.3
Prepayments		<b>6.5</b>	5.1
Other receivables		<b>3.6</b>	5.2
<b>Total current</b>		<b>241.0</b>	204.6
<b>Non-current</b>			
Loans to joint ventures		<b>35.4</b>	32.3
Other non-current receivables		<b>1.9</b>	2.1
<b>Total non-current</b>		<b>37.3</b>	34.4
<b>Movement in loss allowance provision</b>			
Opening balance at 1 January		<b>1.2</b>	1.8
Amounts written off during the year		-	(1.5)
Loss allowance provision recognised during the year	21(b)	<b>18.3</b>	0.9
Closing balance at 31 December		<b>19.5</b>	1.2

#### 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 21.

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



## 11 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.

(\$ million)	Consolidated	
	2017	2016
<b>Current</b>		
Finished goods	<b>73.6</b>	70.6
Raw materials and work in progress	<b>56.9</b>	60.1
Engineering spare parts stores	<b>43.8</b>	29.5
	<b>174.3</b>	160.2

### Inventory expense

Inventories recognised as expense during the year ended 31 December 2017 and included in cost of sales amounted to \$948.5 million (2016: \$808.3 million).

## 12 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 from 2 - 50 years. 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 5 - 10 years.

#### (iii) Leasehold property

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life, whichever is the shorter. Amortisation is over 5 - 30 years.

#### (iv) Other fixed assets

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

- > Buildings 20 - 40 years
- > Plant and equipment 3 - 40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. 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.

## 12 Property, plant and equipment (continued)

### Consolidated at 31 December 2017

(\$ million)	Freehold land	Buildings	Leasehold property	Plant & equipment	Mineral reserves	Asset retirement cost	In course of construction	Total
At cost	178.5	154.4	9.6	1,383.7	218.0	34.1	46.5	2,024.8
Accumulated depreciation	-	(65.4)	(3.8)	(865.8)	(43.7)	(8.9)	-	(987.6)
<b>Net book amount</b>	<b>178.5</b>	<b>89.0</b>	<b>5.8</b>	<b>517.9</b>	<b>174.3</b>	<b>25.2</b>	<b>46.5</b>	<b>1,037.2</b>
<b>Reconciliations</b>								
Carrying amount at								
1 January 2017	167.0	83.8	6.2	495.8	165.2	19.6	40.8	978.4
Additions	1.3	0.6	0.1	42.6	5.9	4.3	38.9	93.7
Disposals	(0.9)	(0.1)	-	(3.2)	-	-	-	(4.2)
Business combinations	10.6	8.7	-	21.7	8.1	3.6	-	52.7
Reclassification	0.5	0.3	-	29.6	-	-	(33.2)	(2.8)
Depreciation/amortisation	-	(4.3)	(0.5)	(68.6)	(4.9)	(2.3)	-	(80.6)
<b>Carrying amount at 31 December 2017</b>	<b>178.5</b>	<b>89.0</b>	<b>5.8</b>	<b>517.9</b>	<b>174.3</b>	<b>25.2</b>	<b>46.5</b>	<b>1,037.2</b>

### Consolidated at 31 December 2016

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)
<b>Net book amount</b>	<b>167.0</b>	<b>83.8</b>	<b>6.2</b>	<b>495.8</b>	<b>165.2</b>	<b>19.6</b>	<b>40.8</b>	<b>978.4</b>
<b>Reconciliations</b>								
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)
<b>Carrying amount at 31 December 2016</b>	<b>167.0</b>	<b>83.8</b>	<b>6.2</b>	<b>495.8</b>	<b>165.2</b>	<b>19.6</b>	<b>40.8</b>	<b>978.4</b>

### Leased assets

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

(\$ million)	Consolidated	
	2017	2016
Cost	1.2	1.6
Accumulated depreciation	(0.5)	(0.5)
<b>Net book amount</b>	<b>0.7</b>	<b>1.1</b>

## 13 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.

### 13 Assets classified as held for sale (continued)

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 contract for sale in the Concrete Products segment.

(\$ million)	Consolidated	
	2017	2016
<b>Current</b>		
Land and buildings	1.6	1.3
Plant and equipment	0.3	2.5
	<b>1.9</b>	<b>3.8</b>

### 14 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) 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
<b>31 December 2017</b>				
Cost	280.1	18.9	12.7	311.7
Accumulated amortisation	-	(10.4)	(1.4)	(11.8)
Carrying amount at 31 December 2017	280.1	8.5	11.3	299.9
Opening balance at 1 January 2017	248.7	9.4	12.2	270.3
Reclassification	-	0.9	(0.8)	0.1
Additions in current year	31.4	-	-	31.4
Amortisation charge	-	(1.8)	(0.1)	(1.9)
<b>Closing balance at 31 December 2017</b>	<b>280.1</b>	<b>8.5</b>	<b>11.3</b>	<b>299.9</b>

## 14 Intangible assets (continued)

(\$ million)	Consolidated			Total
	Goodwill	Software	Other intangibles	
<b>31 December 2016</b>				
Cost	248.7	18.0	13.3	280.0
Accumulated amortisation	-	(8.6)	(1.1)	(9.7)
Carrying amount at 31 December 2016	248.7	9.4	12.2	270.3
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)
<b>Closing balance at 31 December 2016</b>	<b>248.7</b>	<b>9.4</b>	<b>12.2</b>	<b>270.3</b>

## 15 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.

(\$ million)	Consolidated	
	2017	2016
Cement and Lime	<b>134.0</b>	134.0
Concrete and Aggregates	<b>137.3</b>	105.9
Cement, Lime, Concrete and Aggregates segment	<b>271.3</b>	239.9
Concrete Products segment	<b>8.8</b>	8.8
	<b>280.1</b>	248.7

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on 2017 actual results and 2018 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

(\$ million)	Gross margin <sup>1</sup>		Growth rate <sup>2</sup>		Discount rate <sup>3</sup>	
	2017	2016	2017	2016	2017	2016
Cement, Lime, Concrete and Aggregates	<b>35.0</b>	37.5	<b>1.3</b>	1.3	<b>11.3</b>	10.4
Concrete Products	<b>25.8</b>	24.9	<b>1.2</b>	1.2	<b>12.1</b>	10.9

1 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.

#### 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.



## 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.

#### (i) Short 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 \$43.1 million (2016: \$38.1 million).

**16 Provisions (continued)**

(\$ million)	<i>Consolidated</i>	
	<b>2017</b>	2016
<b>Current</b>		
Employee benefits	<b>27.3</b>	25.9
Restoration provisions	<b>5.1</b>	5.2
Workers' compensation	<b>0.8</b>	0.1
Other provisions	<b>0.6</b>	0.7
	<b>33.8</b>	31.9
<b>Non-current</b>		
Employee benefits	<b>7.0</b>	6.1
Restoration provisions	<b>38.0</b>	32.9
	<b>45.0</b>	39.0

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.

(\$ million)	<i>Consolidated</i>	
	<b>2017</b>	2016
Current leave obligations expected to be settled after 12 months	<b>4.0</b>	3.5

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

(\$ million)	<i>Workers'</i>	<i>Restoration</i>	<i>Other</i>
	<i>compensation</i>	<i>provisions</i>	<i>provisions</i>
<b>Opening balance at 1 January 2017</b>	<b>0.1</b>	<b>38.1</b>	<b>0.7</b>
Additional provision recognised - charged to income statement	1.2	-	0.2
Additional provision recognised - business combinations	-	3.6	-
Additional provision recognised - charged to asset retirement cost	-	4.2	-
Charged to income statement - unwind of discount	-	1.1	-
Credited to income statement - reversal of amounts unused	-	(0.7)	-
Payments	(0.5)	(3.2)	(0.3)
<b>Closing balance at 31 December 2017</b>	<b>0.8</b>	<b>43.1</b>	<b>0.6</b>

# CAPITAL STRUCTURE AND RISK MANAGEMENT

## 17 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.

(\$ million)	Consolidated	
	2017	2016
<b>Current</b>		
Finance lease	<b>0.3</b>	0.4
<b>Non-current</b>		
Bank loans - unsecured	<b>428.9</b>	309.3
Finance lease	-	0.3
	<b>428.9</b>	309.6

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 21. 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	<b>0.3</b>	0.4
Later than one year but not later than five years	-	0.4
Minimum lease payments	<b>0.3</b>	0.8
Future finance charges	-	(0.1)
Total lease liabilities	<b>0.3</b>	0.7

The present value of finance lease liabilities is as follows:

Within one year	<b>0.3</b>	0.4
Later than one year but not later than five years	-	0.3
Minimum lease payments	<b>0.3</b>	0.7

### 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	<b>4.9</b>	4.8
Later than one year but not later than five years	<b>14.9</b>	12.9
Later than five years	<b>128.9</b>	130.2
	<b>148.7</b>	147.9

## 17 Borrowings and lease commitments (continued)

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.

## 18 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.

(\$ million)	Consolidated	
	2017	2016
<b>(a) Share capital</b>		
Issued and paid up capital 650,272,495 (2016: 649,654,099) ordinary shares, fully paid	<b>733.1</b>	731.4
<b>(b) Movements in ordinary share capital</b>		
Opening balance at 1 January	<b>731.4</b>	729.2
618,396 shares issued under Executive Performance Share Plan (2016: 768,352) <sup>(i)</sup>	<b>1.7</b>	2.2
Closing balance at 31 December	<b>733.1</b>	731.4

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

### (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%.

Total borrowings	<b>429.2</b>	310.0
Less: cash and cash equivalents	<b>(57.6)</b>	(21.5)
Net debt	<b>371.6</b>	288.5
Total equity	<b>1,248.2</b>	1,220.1
Gearing ratio	<b>29.8%</b>	23.6%

### (f) Employee share scheme and options

Information relating to the employee share schemes, including details of shares issued under the schemes is set out in Note 27.



## 19 Dividends

The Company

(\$ million)	2017	2016
<b>Dividends paid during the year</b>		
2016 final dividend of 15.5 cents (2015 - 15.0 cents) per fully paid ordinary share, franked at 100% (2015 - 100%) paid on 12 April 2017	100.7	97.3
2017 interim dividend of 8.5 cents (2016 - 12.5 cents) per fully paid ordinary share, franked at 100% (2016 - 100%) paid on 5 October 2017	55.3	81.2
Total dividends - paid in cash	156.0	178.5

### Dividend not recognised at year end

Since the end of the year the Directors have recommended the payment of a final dividend of 16 cents (2016 15.5 cents) per fully paid share, franked at 100% (2016: 100%).

The aggregate amount of the proposed final dividend to be paid on 13 April 2018, not recognised as a liability at the end of the reporting period, is

104.0	100.7
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### Franked dividend

The franked portion of the dividend proposed as at 31 December 2017 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 2018.

Consolidated

(\$ million)	2017	2016
Franking credits available for subsequent financial years based on a tax rate of 30% (2016: 30%)	136.4	120.8

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

- franking credits that will arise from the payment of any current tax liability;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- 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 \$46.0 million (2016: \$43.2 million).

## 20 Reserves and retained earnings

### (a) Reserves

Foreign currency translation reserve	(0.3)	(0.7)
Share-based payment reserve	2.2	2.7
Cash flow hedge reserve	-	0.9
	1.9	2.9
<b>Foreign currency translation reserve</b>		
Opening balance at 1 January	(0.7)	0.2
Currency translation differences arising during the year	0.4	(0.9)
Closing balance at 31 December	(0.3)	(0.7)
<b>Share-based payment reserve</b>		
Opening balance at 1 January	2.7	1.9
Awards expense	0.6	1.0
Deferred tax	(0.2)	0.9
Issue of shares to employees	(0.9)	(1.1)
Closing balance at 31 December	2.2	2.7
<b>Cash flow hedge reserve</b>		
Opening balance at 1 January	0.9	(0.9)
Revaluation - gross	-	1.3
Reclassified to the carrying amount of inventory	(1.3)	1.3
Deferred tax on movement in reserve	0.4	(0.8)
Closing balance at 31 December	-	0.9

## 20 Reserves and retained earnings (continued)

### Nature and purpose of reserves

#### Foreign currency translation

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

#### Share-based payment

The share-based payment reserve is used to recognise the fair value of awards issued but not exercised. Refer Note 27.

#### Cash flow hedge reserve

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

## (b) Retained earnings

(\$ million)	Consolidated	
	2017	2016
Opening balance at 1 January	483.3	474.3
Net profit for the year	182.0	186.3
Actuarial gain / (loss) on defined benefit obligation net of tax	1.3	1.2
Dividends	(156.0)	(178.5)
Closing balance at 31 December	510.6	483.3

## 21 Financial risk management

### 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	
	2017	2016
Forward foreign exchange contracts:		
Buy foreign currency	24.2	35.4
Sell Australian dollar (cash flow hedges)	(24.2)	(36.7)
Net exposure	-	(1.3)

## 21 Financial risk management (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 2017 and 2016, 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			
	2017		2016	
	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%	57.6	2.0%	21.5
Bank facilities	2.83%	428.9	2.93%	309.3
Fixed rate instruments:				
Finance leases	5.51%	0.3	5.51%	0.7

### (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			
	2017		2016	
	Impact on post-tax profit	Impact on equity	Impact on post-tax profit	Impact on equity
Interest rates - increase by 1%	(3.0)	(3.0)	(2.2)	(2.2)
Interest rates - decrease by 1%	3.0	3.0	2.2	2.2

### (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.

## 21 Financial risk management (continued)

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 1 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 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 2017 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.

	<i>Consolidated</i>					
	<b>2017</b>			2016		
	<i>Expected</i>	<i>Gross</i>	<i>Provision</i>	<i>Expected</i>	<i>Gross</i>	<i>Provision</i>
	<i>loss rate</i>	<i>Carrying</i>		<i>loss rate</i>	<i>Carrying</i>	
%	\$million	\$million	%	\$million	\$million	
Current	<b>0.11</b>	<b>125.7</b>	<b>0.1</b>	0.12	112.9	0.1
More than 30 days past due	<b>0.22</b>	<b>85.8</b>	<b>0.2</b>	0.24	72.5	0.2
More than 60 days past due	<b>2.09</b>	<b>13.1</b>	<b>0.3</b>	2.35	7.9	0.2
More than 90 days past due	<b>73.26</b>	<b>25.8</b>	<b>18.9</b>	31.86	2.2	0.7
Total		<b>250.4</b>	<b>19.5</b>		195.5	1.2

The gross carrying amount includes external receivables of \$200.1 million (2016: \$167.2 million) and joint venture receivables of \$50.3 million (2016: \$28.3 million).

In late 2017 the Group became aware of certain financial discrepancies which relate to transactions whereby it has been underpaid for products supplied to customers. The Group has now completed analysis with the assistance of forensic accountants KPMG and as a result an additional provision of \$17.1 million for the impairment of trade receivables was recognised in the balance sheet as at 31 December 2017.

While the financial impact of the discrepancies has been quantified, investigations are continuing. The Company is also continuing its efforts to recover amounts due.

### (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.



## 21 Financial risk management (continued)

Financing arrangements (\$ million)	Consolidated	
	2017	2016
Unrestricted access was available at balance date to the following lines of credit:		
<b>Credit standby arrangements</b>		
Total facilities		
Bank overdrafts	4.0	4.0
Bank facilities	540.0	540.0
	<b>544.0</b>	544.0
Used at balance date		
Bank overdrafts	-	-
Bank facilities	430.0	310.0
	<b>430.0</b>	310.0
Unused at balance date		
Bank overdrafts	4.0	4.0
Bank facilities	110.0	230.0
	<b>114.0</b>	234.0
Maturity profile of bank facilities. Maturing on:		
5 January 2018	-	330.0
4 January 2019	210.0	210.0
6 January 2021	330.0	-
	<b>540.0</b>	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 (\$ million)	< 6 months	6-12 months	1-2 years	> 2 years	Total	Carrying Amount (Assets)/Liabilities
<b>31 December 2017</b>						
Non-derivatives						
Trade payables	145.9	-	-	-	145.9	145.8
Bank facilities	6.4	6.4	195.1	250.1	458.0	428.9
Finance leases	0.3	-	-	-	0.3	0.3
Bank guarantees	6.0	6.3	-	23.2	35.5	-
	<b>158.6</b>	<b>12.7</b>	<b>195.1</b>	<b>273.3</b>	<b>639.7</b>	<b>575.0</b>
Derivatives						
Gross settled forward foreign exchange contracts (cash flow hedges):						
- (inflow)	(23.8)	(0.4)	-	-	(24.2)	-
- outflow	23.8	0.4	-	-	24.2	-
	-	-	-	-	-	-
<b>31 December 2016</b>						
Non-derivatives						
Trade payables	117.0	-	-	-	117.0	117.0
Bank facilities	4.2	4.3	310.1	-	318.6	309.3
Finance leases	0.4	0.3	0.3	-	1.0	0.7
Bank guarantees	24.1	-	-	-	24.1	-
	145.7	4.6	310.4	-	460.7	427.0
Derivatives						
Gross settled forward foreign exchange contracts (cash flow hedges):						
- (inflow)	(27.5)	(7.9)	-	-	(35.4)	(1.3)
- outflow	28.4	8.3	-	-	36.7	-
	0.9	0.4	-	-	1.3	(1.3)

## **21 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 10 for details relating to trade receivables.

##### *(ii) Financial assets through profit or loss*

Forward foreign exchange contracts are derivative instruments entered into by the Group for the purpose of managing foreign currency risk prior to late August 2015 which do not qualify for hedge accounting. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in finance costs.

##### *(iii) Hedging instruments*

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

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

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

## 21 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	
	2017	2016
Hedging instrument - forward foreign exchange contracts		
Carrying amount - \$Million	-	1.3
Notional amount US Dollars - \$Million	20.6	32.7
Notional amount Yen - \$ million	1.7	2.7
Notional amount EURO - \$ million	1.9	-
Maturity date	Jan - Aug 2018	Jan - Sep 2017
Hedge ratio	1:1	1:1
Change in value of outstanding hedge instruments since 1 January - \$Million	-	1.3
Change in value of hedge item used to determine hedge effectiveness - \$Million	-	(1.3)
Weighted average hedge rate - US Dollars	A\$1 : US\$0.7769	A\$1 : US\$0.7511
- Yen	A\$1 : Yen 87.9	A\$1 : Yen 84.3
- Euro	A\$1 : EURO\$0.6581	-

### 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 liabilities in relation to forward exchange contracts of \$0.2 million and assets of \$0.2 million (2016: assets of \$1.3 million) at the end of the reporting period. There were no electricity price caps in place at 31 December 2017 or 31 December 2016. 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).

#### (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).

# GROUP STRUCTURE

## 22 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.

(\$ million)	<i>Total</i>					
	<i>Joint ventures</i>		<i>Associate</i>		<i>Consolidated</i>	
	<b>2017</b>	2016	<b>2017</b>	2016	<b>2017</b>	2016
Investment in joint ventures and associate	<b>121.3</b>	114.2	<b>39.0</b>	37.0	<b>160.3</b>	151.2
Profit from continuing operations	<b>33.6</b>	25.6	<b>1.5</b>	2.9	<b>35.1</b>	28.5
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	<b>33.6</b>	25.6	<b>1.5</b>	2.9	<b>35.1</b>	28.5



## 22 Joint arrangements and associate (continued)

### (b) Interests in joint arrangements and associate

Name	Principal place of business	Ownership interest		Activities
		2017 %	2016 %	
Aalborg Portland Malaysia Sdn. Bhd. <sup>(1)</sup>	Malaysia	30	30	White clinker and cement manufacture
Batesford Quarry <sup>(2)</sup>	Victoria	50	50	Limestone products
Burrell Mining Services JV <sup>(2)</sup>	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 <sup>(3)</sup>	New South Wales and Victoria	50	50	Premixed concrete and quarry products
Independent Cement and Lime Pty Ltd <sup>(3)</sup>	New South Wales and Victoria	50	50	Cementitious product distribution
Peninsula Concrete Pty Ltd <sup>(3)</sup>	South Australia	50	50	Premixed concrete
Sunstate Cement Ltd <sup>(3)</sup>	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 \$31.3 million (2016: \$30.8 million).

## 23 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	
			2017 %	2016 %
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

## 24 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, Southern Quarries Pty Ltd and Central Pre-Mix Concrete 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 ASIC Corporations (Wholly-owned companies) Instrument 2016/785 (formerly 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 Instrument.

Central Pre-Mix Concrete Pty Ltd was added to the "Closed Group" during 2017.

Set out below is a consolidated balance sheet as at 31 December 2017 of the Closed Group.

(\$ million)	2017	2016
<b>Current assets</b>		
Cash and cash equivalents	50.4	17.4
Trade and other receivables	242.6	203.7
Inventories	166.4	159.8
Assets classified as held for sale	1.9	3.8
<b>Total current assets</b>	<b>461.3</b>	<b>384.7</b>
<b>Non-current assets</b>		
Receivables	37.3	34.3
Retirement benefit asset	3.5	2.3
Joint arrangements and associate	91.7	90.3
Other financial assets	21.4	21.4
Property, plant and equipment	997.4	962.5
Intangible assets	293.6	268.2
<b>Total non-current assets</b>	<b>1,444.9</b>	<b>1,379.0</b>
<b>Total assets</b>	<b>1,906.2</b>	<b>1,763.7</b>
<b>Current liabilities</b>		
Trade and other payables	140.9	140.2
Borrowings	0.1	0.1
Current tax liabilities	9.9	15.4
Provisions	33	31.8
Other liabilities	14.9	3.3
<b>Total current liabilities</b>	<b>198.8</b>	<b>190.8</b>
<b>Non-current liabilities</b>		
Borrowings	428.9	309.4
Deferred tax liabilities	85	88.9
Provisions	42.4	38.9
Other non-current liabilities	0.1	0.1
<b>Total non-current liabilities</b>	<b>556.4</b>	<b>437.3</b>
<b>Total liabilities</b>	<b>755.2</b>	<b>628.1</b>
<b>Net assets</b>	<b>1,151.0</b>	<b>1,135.6</b>
<b>Equity</b>		
Contributed equity	733.1	731.4
Reserves	1.4	2.9
Retained earnings	416.5	401.3
<b>Total equity</b>	<b>1,151.0</b>	<b>1,135.6</b>

## 24 Deed of cross guarantee (continued)

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 2017 of the Closed Group.

(\$ million)	2017	2016
<b>Profit before income tax</b>	<b>240.9</b>	247.1
Income tax expense	<b>(71.0)</b>	(69.4)
<b>Profit for the year</b>	<b>169.9</b>	177.7
<b>Retained earnings 1 January</b>	<b>401.3</b>	400.9
Profit for the year	<b>169.9</b>	177.7
Other comprehensive income	<b>1.3</b>	1.2
Dividends paid	<b>(156.0)</b>	(178.5)
<b>Retained earnings 31 December</b>	<b>416.5</b>	401.3

## 25 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.

## 25 Parent entity financial information (continued)

### (a) Summary financial information

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

(\$ million)	2017	2016
<b>Balance sheet</b>		
Current assets	2,277.1	1,975.2
Total assets	2,674.6	2,372.8
Current liabilities	1,298.8	1,130.7
Total liabilities	1,762.7	1,475.1
<b>Net assets</b>	<b>911.9</b>	897.7
Shareholders' equity		
Share capital	725.9	724.3
Reserves		
Share-based payments	2.2	2.7
Retained earnings	183.8	170.7
<b>Total shareholders' equity</b>	<b>911.9</b>	897.7
<b>Profit for the year</b>	<b>169.1</b>	200.5
<b>Total comprehensive income</b>	<b>169.1</b>	200.5

### (b) Guarantees entered into by the parent entity

(\$ million)	2017	2016
Bank guarantees	7.4	10.3

### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2017 or 31 December 2016 other than the bank guarantees detailed above.

## 26 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.



## 26 Retirement benefit obligations (continued)

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### *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 26(d).

### **(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 2017, 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.

## 26 Retirement benefit obligations (continued)

### (b) Balance sheet amounts

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

(\$ million)	<i>Present value of obligation</i>	<i>Fair value of plan assets</i>	<i>Net obligation/ (asset)</i>
<b>At 1 January 2017</b>	<b>51.4</b>	<b>(53.7)</b>	<b>(2.3)</b>
Current service cost	1.7	-	1.7
Interest expense/(income)	1.7	(1.8)	(0.1)
Transfers in	0.2	(0.2)	-
	<b>3.6</b>	<b>(2.0)</b>	<b>1.6</b>
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(2.5)	(2.5)
(Gain) from change in financial assumptions	(0.3)	-	(0.3)
Experience (gain)	0.9	-	0.9
	<b>0.6</b>	<b>(2.5)</b>	<b>(1.9)</b>
Contributions:			
Employers	-	(0.9)	(0.9)
Plan participants	0.9	(0.9)	-
Payments from Plan:			
Benefit payments	(11.7)	11.7	-
<b>At 31 December 2017</b>	<b>44.8</b>	<b>(48.3)</b>	<b>(3.5)</b>
<b>At 1 January 2016</b>	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)	-
	<b>3.8</b>	<b>(2.1)</b>	<b>1.7</b>
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)	-	-	-
	<b>(0.1)</b>	<b>(1.6)</b>	<b>(1.7)</b>
Contributions:			
Employers	-	(1.0)	(1.0)
Plan participants	1.0	(1.0)	-
Payments from Plan:			
Benefit payments	(5.7)	5.7	-
<b>At 31 December 2016</b>	<b>51.4</b>	<b>(53.7)</b>	<b>(2.3)</b>

## 26 Retirement benefit obligations (continued)

### (c) Categories of plan assets

The major categories of plan assets are as follows:

	31 December 2017		31 December 2016	
	Unquoted		Unquoted	
	\$ million	in %	\$ million	in %
Australian equity	12.6	26%	13.4	25%
International equity	15.4	32%	16.1	30%
Fixed income	10.1	21%	10.8	20%
Property	6.3	13%	6.4	12%
Cash	1.0	2%	3.8	7%
Other	2.9	6%	3.2	6%
<b>Total</b>	<b>48.3</b>	<b>100%</b>	<b>53.7</b>	<b>100%</b>

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

### (d) Actuarial assumptions and sensitivity

The significant actuarial assumptions used were as follows:

	Consolidated	
	2017	2016
	%	%
Discount rate - % p.a.	3.3	3.7
Future salary increases - % p.a. - first year	2.0	2.0
Future salary increases - % p.a. - second year	3.5	3.5
Future salary increases - % p.a. - thereafter	3.0	3.8

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
<b>31 December 2017</b>			
Discount rate	0.50 ppts	Decrease by 1.6%	Increase by 1.7%
Future salary increases	0.50 ppts	Increase by 1.2%	Decrease by 1.1%
<b>31 December 2016</b>			
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%

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 2018 are \$0.7 million (2017: \$0.8 million).

The weighted average duration of the defined benefit obligation is 6 years (2016: 6 years).

## 27 Share-based payment plans

### Accounting policy - share-based payments

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

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

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

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

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

### (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 (2016 - 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 50 to 69.

The exercise price for each Award is \$nil.

### Movement in number of Awards outstanding

	<i>Consolidated</i>	
	2017	2016
Outstanding at beginning of the year	2,919,824	2,986,287
Granted	593,583	701,889
Forfeited	-	-
Exercised	(618,396)	(768,352)
Expired	(127,559)	-
Outstanding at the end of the year	2,767,452	2,919,824
Exercisable at the end of the year	-	-

The average value per share at the earliest exercise date during the year was \$5.76 (2016: \$5.08). 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.

## 27 Share-based payment plans (continued)

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.

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 2017 - weighted average pricing model inputs

	2017 Awards
Share price at grant date - per share	\$5.62
Expected future dividends - per share	\$0.79
Risk-free interest rate - % p.a.	1.97
Lack of marketability discount - % p.a.	2.25
TSR condition discount	50%
Earliest exercise date	1-May-21

### Awards granted in 2016 - weighted average pricing model inputs

	2016 Awards	2015 Awards	2014 Awards	2013 Awards	2012 Awards - Tranche 2
Share price at grant date - per share	\$5.68	\$4.43	\$3.84	\$3.84	\$3.84
Expected future dividends - per share	\$1.04	\$0.71	\$0.66	\$0.60	\$0.35
Risk-free interest rate - % p.a.	1.58	2.35	1.87	1.87	1.88
Lack of marketability discount - % p.a.	2.75	2.50	2.50	2.50	2.50
TSR condition discount	50%	50%	50%	50%	50%
Earliest exercise date	1-May-20	1-May-19	1-May-18	1-May-17	1-May-16

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 \$619,965 during the year (2016: \$1,149,092).

The weighted average remaining contractual life of Awards outstanding at the end of the period was 1.8 years (2016: 1.8 years).



## OTHER

### 28 Related parties

#### (a) Compensation of Key Management Personnel

(\$ million)	Consolidated	
	2017	2016
Short-term employee benefits	5.3	6.6
Post employment benefits	0.1	0.1
Share-based payments	0.5	1.0
	<b>5.9</b>	7.7

#### (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 Sdn. Bhd. were conducted on standard commercial terms.

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

	Consolidated	
	2017	2016
	\$	\$
Aggregate amounts of the above transactions by subsidiaries and joint ventures with the Directors and their related parties:		
Sales to Director related parties	80,951,994	71,983,392
Purchases from Director related parties	18,967,244	20,818,254

Details of interests in controlled entities are set out in Note 23. 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.

## 28 Related parties (continued)

### (e) Transactions with related parties

The following transactions occurred with related parties:

(\$'000)	Consolidated	
	2017	2016
Sales of goods		
Joint venture entities	<b>307,037</b>	242,702
Purchases of materials and goods		
Joint venture entities	<b>115,210</b>	84,375
Associate entities	<b>6,597</b>	8,142
Interest revenue		
Joint venture entities	<b>659</b>	719
Dividend and distribution income		
Joint venture entities	<b>26,413</b>	18,582
Superannuation contributions		
Contributions to superannuation funds on behalf of employees	<b>12,628</b>	12,707
Loans advanced to:		
Joint venture entities	<b>3,125</b>	2,046

### (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:

(\$'000)	Consolidated	
	2017	2016
Current receivables		
Joint venture entities (interest)	<b>313</b>	338
Joint venture entities (trade)	<b>49,977</b>	28,041
Non-current receivables		
Joint venture entities (loans)	<b>35,049</b>	31,917
Current payables		
Joint venture entities (trade)	<b>7,997</b>	3,686

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 \$659,420 (2016: \$718,972).

## 29 Events occurring after the balance sheet date

No matter or circumstance has arisen since 31 December 2017 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.

## 30 Commitments for capital expenditure

(\$ million)	Consolidated	
	2017	2016
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Within one year	<b>15.0</b>	12.6

### 31 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:

(\$)	<i>Consolidated</i>	
	2017	2016
<b>(a) Audit services</b>		
PricewaterhouseCoopers Australian firm		
Audit and review of financial statements	<b>855,313</b>	748,359
<b>(b) Non-audit services</b>		
PricewaterhouseCoopers Australian firm		
Other assurance services	<b>20,550</b>	40,949

### 32 Contingencies

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

(\$ million)	<i>Consolidated</i>	
	2017	2016
<b>(a) Guarantees</b>		
Bank guarantees	<b>35.4</b>	24.1

#### (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.

## DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 70 to 114 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 2017 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 24 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 24.

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 CEO 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 16 March 2018

## AUDITOR'S INDEPENDENCE DECLARATION



### Auditor's Independence Declaration

As lead auditor for the audit of Adelaide Brighton Limited for the year ended 31 December 2017, 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.



MT Lojszczyk  
Partner  
PricewaterhouseCoopers  
Adelaide 16 March 2018

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADELAIDE BRIGHTON LTD

### 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 2017 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 financial report comprises:

- > the consolidated balance sheet as at 31 December 2017
- > 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.

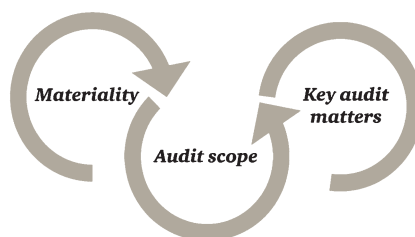
#### Independence

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.

#### 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.



#### Materiality

- > For the purpose of our audit we used overall Group materiality of \$9.7 million, which represents approximately 5% of the Group's profit before tax after excluding current year gains 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 reported profit before tax as the appropriate metric because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. It is also a generally accepted benchmark in practice. Property profits were 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 also within the range of commonly acceptable profit related thresholds in the industry.

#### Audit scope

- > Our audit focused on where the Group 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) 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 component in the Northern Territory, Concrete and Aggregates components in Sydney and Queensland and Concrete Products. Audit procedures were also performed over acquisition of the Central Pre-Mix Concrete, Davalan Concrete Pty Ltd and Holcim Northern Territory concrete and aggregates businesses.



> 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. Other auditors audited the financial reports for Independent Cement and Lime Pty Ltd and Sunstate Cement Ltd for the year ended 30 June 2017. 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 2017 to (and as at) 31 December 2017, 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 2017 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:

- Accounts receivable;
- Recoverability of goodwill and property, plant and equipment;
- Estimation of restoration provisions;
- Business combination accounting; and
- Measurement of inventory quantities.

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

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

##### **Accounts receivable (Refer to notes 10 & 21)**

The financial report of the Group included trade and other receivables of \$241.0 million as at 31 December 2017.

During the year, the Group identified discrepancies whereby it has been underpaid for products supplied.

The Group engaged an external expert to assist in analysing the discrepancies. As a result, the Group identified that \$17.1 million of its accounts receivable was impaired as at 31 December 2017, which has been recognised as a bad debt for the year ended 31 December 2017.

This was a key audit matter as the identification of discrepancies meant there was a higher assessed risk of material misstatement, resulting in greater audit effort to address the matter, particularly over the recoverability of accounts receivable.

#### How our audit addressed the key audit matter

Our procedures included, amongst others, considering the expert's methods, competency objectivity and results of their work. Having done so, we were satisfied that we could use the work of the Group's expert for the purpose of our audit.

We requested confirmation of the outstanding balance directly from selected customers on interim and year end accounts receivable balances. Where confirmation requests were not responded to by customers, we performed alternative procedures including testing the balance to proof of delivery and subsequent cash received from the customers.

To test the recoverability of accounts receivable, we assessed the Group systems' calculation of the age of the individual balances through comparison to a sample of invoices. Based on our assessment of risk and financial significance, we examined cash received from customers after year end over aged receivables for the purpose of assessing recoverability. We assessed the Group's proposed accounting treatment of the provision for doubtful debts. Where aged balances had not yet been paid by customers and had not been provided for, we made further enquiries to assess recoverability.

We assessed the impact of the discrepancies on our broader fraud risk assessment and response across other key transactions. We also performed journals testing based on specific risk criteria identified.

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**Key audit matter*****Recoverability of goodwill and property, plant and equipment  
(Refer to notes 12, 14 & 15)***

The financial report of the Group includes goodwill of \$280.1 million and property, plant and equipment of \$1,037.2 million as at 31 December 2017.

In order to assess recoverability of these assets, the Group prepared financial models (hereafter, “the models”) as at 31 December 2017 to determine if the carrying values of goodwill and property, plant and equipment were supported by forecast future cash flows, discounted to present value.

Given the significance of the Group’s recorded goodwill and property, plant and equipment balances to the financial position of the Group, and the judgments and assumptions required in preparing a discounted cash flow model (including budgeted cash flows, growth rates and discount rates), the recoverability of these assets was a key audit matter.

**How our audit addressed the key audit matter**

We evaluated the Group’s cash flow forecasts and the process by which they were developed. We compared the 2018 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.

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.

We performed a sensitivity analysis of the discount rate and growth rate assumptions. No material impairment was identified through this analysis.

The Group engaged an expert to assist them in determining the discount rates applied in the impairment models. We assessed them as Group experts, and considered their methods, competency, and objectivity. Having done so, we were satisfied that we could rely on the work of the Group’s expert for the purpose of our audit. We have assessed that the WACC employed in the cash flow forecasts are consistent with those recommended by Group’s expert.

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**Key audit matter*****Estimation of restoration provisions  
(Refer to note 16)***

The Group recognised restoration provisions of \$43.1 million in relation to the rehabilitation of presently operating quarries and concrete plants.

The estimation of rehabilitation provisions was a key audit matter because the estimation of rehabilitation provisions involves significant judgement to estimate future costs and to assess rehabilitation requirements.

The rehabilitation provision for sites being actively remediated is material and reflected tendered cost estimates for future stages of rehabilitation, as well as costs to complete the current stage of rehabilitation.

For other quarries not currently being actively remediated, the provision was determined via the cost estimate process completed annually by operational staff. The Group estimates future costs to rehabilitate each site (nominal cost) based on rehabilitation requirements, current costs, and forecast cost inflation factors. These are then discounted in order to estimate the net present value of the provision. Cost inflation and discount rates are based on published government rates.

**How our audit addressed the key audit matter**

We assessed whether a provision was included for all sites that required rehabilitation based on our knowledge of the Group’s operations, review of new lease contract agreements, review of meeting minutes, and discussions with management. We did not identify any omissions from our procedures.

We focussed our attention on sites where there had been a material change to the nominal cost from the previous period, or where we would have expected there to be a material change based on our knowledge of the business. There were no sites that had a material change to nominal cost to rehabilitate in the current year.

For sites where there was no material change in the nominal cost to rehabilitate, our procedures were limited to assessing whether the provisions had been updated to reflect any new knowledge gained from rehabilitation planned in other areas or changes in rehabilitation requirements. The provisions for these sites were tested on initial recognition, or since the last significant change to nominal cost.

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.

**Key audit matter**

**Accounting for business combinations  
(Refer to note 8)**

The Group has made three acquisitions in the current year being Central Pre-Mix Concrete (Central), Davalan Concrete and Holcim Northern Territory's concrete and aggregates business (Holcim).

Accounting for this business combinations was a key audit matter given that this involved significant judgements to be made.

Under Australian Accounting Standards, the Group was required to estimate the fair value of assets and liabilities acquired. This estimate particularly involved making judgements regarding the fair value of the assets acquired and the period over which they are expected to provide benefits to the Group. The Group was assisted by independent valuations experts to determine the fair value of the assets acquired.

**How our audit addressed the key audit matter**

We performed the following procedures over the acquisitions, based on size and risk:

- > assessed the independent valuations experts as Group experts, and for each expert considered the valuer's method, competency and objectivity.
- > agreed the fair value of assets and liabilities acquired to valuation reports prepared by the Group's independent valuation experts.
- > assessed the appropriateness and completeness of liabilities recognised on acquisition.

Where there were costs incurred which were related to acquisitions, we performed audit work to test that such costs were expensed and not capitalised, or included in, purchase consideration as required by Australian Accounting Standards.

**Key audit matter**

**Measurement of inventory quantities for raw materials and work in progress  
(Refer to note 11)**

Of the Group's \$174.3 million of recorded inventory on hand at 31 December 2017, \$56.9 million comprised raw materials and work in progress.

Raw materials and work in progress inventory is typically stockpiled prior to consumption or sale. The measurement of these inventories is a key audit matter as the measurement of inventory quantities for stockpiled inventory is complex. The Group relies on independent surveyors to perform volumetric surveys to estimate the quantity stockpiled for these inventory types. Survey quantity results, which are reported in cubic metres, are converted to tonnages using density factors.

**How our audit addressed the key audit matter**

We assessed the independent surveyors as Group experts, and for each expert considered the surveyor's method, competency and objectivity. We were satisfied that we could use their work for the purpose of our audit.

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.

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.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Director's Report and Diversity Report.

We expect the remaining other information to be made available to us after the date of this auditor's report, including 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.

Our opinion on the financial report does not cover the other information and accordingly we do 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\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

#### **Report on the remuneration report**

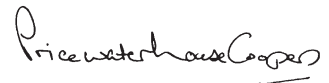
##### ***Our opinion on the remuneration report***

We have audited the remuneration report included in pages 50 to 69 of the directors' report for the year ended 31 December 2017.

In our opinion, the remuneration report of Adelaide Brighton Limited for the year ended 31 December 2017 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



MT Lojszczyk  
Partner  
Adelaide 16 March 2018

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# FINANCIAL HISTORY

Year Ended	Dec	Dec	Dec	Dec <sup>1</sup>	Dec	Dec <sup>2</sup>	Dec	Dec	Dec	Dec	Dec	Dec	Dec
(A\$ million unless stated)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Statements of financial performance</b>													
Sales revenue	1,560.0	1,396.2	1,413.1	1,337.8	1,228.0	1,183.1	1,100.4	1,072.9	987.2	1,022.4	888.4	794.7	717.3
Depreciation, amortisation and impairments	(82.5)	(78.1)	(77.8)	(75.0)	(70.6)	(65.2)	(57.8)	(52.8)	(56.8)	(56.8)	(52.4)	(51.8)	(47.0)
Earnings before interest and tax	266.5	266.1	298.6	247.5	222.7	222.1	219.8 <sup>2</sup>	216.2	185.3	189.1	171.3	148.8	134.1
Net interest earned (paid)	(12.1)	(11.5)	(13.0)	(15.0)	(14.1)	(14.6)	(17.0)	(14.0)	(16.7)	(33.8)	(21.7)	(15.2)	(14.0)
<b>Profit before tax, abnormal and extraordinary items</b>													
	254.4	254.6	285.6	232.5	208.6	207.5	206.4	202.2	168.6	155.3	149.6	133.6	120.1
Tax expense	(72.3)	(68.4)	(77.8)	(59.9)	(57.5)	(54.6)	(58.0)	(50.8)	(45.4)	(34.5)	(35.7)	(31.0)	(29.2)
Non-controlling interests	0.1	(0.1)	0.1	0.1	-	0.1	-	0.1	(0.1)	-	-	(0.5)	-
<b>Net profit after tax attributable to members</b>													
	182.0	186.3	207.9	172.7	151.1	153.0	148.4	151.5	123.1	120.8	113.9	102.1	90.9
<b>Group balance sheet</b>													
Current assets	474.8	390.1	403.1	387.4	390.2	363.7	307.8	274.1	308.8	290.8	233.1	224.7	211.0
Property, plant and equipment	1,037.2	978.4	986.1	994.2	889.7	902.5	851.0	760.6	774.3	801.9	742.5	694.2	665.6
Receivables	37.3	34.4	32.9	32.7	31.4	29.6	27.2	30.4	30.4	28.4	29.5	27.5	23.3
Investments	160.3	151.2	142.2	139.9	138.5	129.0	97.2	87.7	72.5	67.6	66.9	40.8	38.1
Intangibles	299.9	270.3	272.9	266.4	183.9	184.8	183.0	179.1	169.0	169.4	164.4	164.6	165.0
Other non-current assets	3.5	2.3	1.3	0.0	0.0	3.5	0.0	0.0	0.0	0.0	2.7	22.9	19.0
<b>Total assets</b>	<b>2,013.0</b>	<b>1,826.7</b>	<b>1,838.5</b>	<b>1,820.6</b>	<b>1,633.7</b>	<b>1,613.1</b>	<b>1,466.2</b>	<b>1,331.9</b>	<b>1,355.0</b>	<b>1,358.1</b>	<b>1,239.1</b>	<b>1,174.7</b>	<b>1,122.0</b>
Current borrowings and creditors	146.1	117.4	123.9	122.7	105.4	115.0	99.2	106.4	106.5	98.4	145.5	125.8	323.5
Current provisions	58.7	50.6	55.4	44.2	105.8	78.5	34.5	52.6	55.4	44.5	49.5	54.1	58.2
Non-current borrowings	428.9	309.6	329.5	390.1	259.1	299.3	258.7	150.2	200.5	410.5	281.9	210.7	1.0
Deferred income tax and other non-current provisions	131.1	129.0	122.4	126.9	101.6	114.4	116.7	88.4	95.6	102.8	94.3	109.1	105.3
<b>Total liabilities</b>	<b>764.8</b>	<b>606.6</b>	<b>631.2</b>	<b>683.9</b>	<b>571.9</b>	<b>607.2</b>	<b>509.1</b>	<b>397.6</b>	<b>458.0</b>	<b>656.2</b>	<b>571.2</b>	<b>499.7</b>	<b>488.0</b>
<b>Net assets</b>	<b>1,248.2</b>	<b>1,220.1</b>	<b>1,207.3</b>	<b>1,136.7</b>	<b>1,061.8</b>	<b>1,005.9</b>	<b>957.1</b>	<b>934.3</b>	<b>897.0</b>	<b>701.9</b>	<b>667.9</b>	<b>675.0</b>	<b>634.0</b>
Share capital	733.1	731.4	729.2	727.9	699.1	696.6	694.6	692.7	690.4	540.4	514.0	513.3	513.3
Reserves	1.9	2.9	1.2	3.3	4.3	2.1	2.3	2.6	2.9	3.5	14.5	13.3	14.0
Retained profits	510.6	483.3	474.3	402.8	355.6	304.4	257.3	236.0	200.6	155.0	136.4	139.8	98.4
Shareholders' equity attributable to members of the Company	1,245.6	1,217.6	1,204.7	1,134.0	1,059.0	1,003.1	954.2	931.3	893.9	698.9	664.9	666.4	625.7
Non-controlling interests	2.6	2.5	2.6	2.7	2.8	2.8	2.9	3.0	3.1	3.0	3.0	8.6	8.3
<b>Total shareholders' funds</b>	<b>1,248.2</b>	<b>1,220.1</b>	<b>1,207.3</b>	<b>1,136.7</b>	<b>1,061.8</b>	<b>1,005.9</b>	<b>957.1</b>	<b>934.3</b>	<b>897.0</b>	<b>701.9</b>	<b>667.9</b>	<b>675.0</b>	<b>634.0</b>
<b>Share information</b>													
Net Tangible Asset Backing (\$/share)	1.46	1.46	1.44	1.34	1.38	1.29	1.22	1.19	1.15	0.97	0.93	0.94	0.87
Return on funds employed	16.7%	17.5%	19.8%	17.7%	17.0%	18.0%	19.4%	20.0%	17.3%	18.0%	18.1%	16.7%	15.9%
Basic earnings per share (¢/share)	28.0	28.7	32.0	26.9	23.7	24.0	23.3	23.9	20.4	22.2	21.0	18.8	16.8
Diluted earnings per share (¢/share)	27.9	28.6	31.9	26.8	23.4	23.8	23.2	23.7	20.3	22.0	20.8	16.4	16.2
Total dividend (¢/share) <sup>3</sup>	24.5	28.0	27.0	17.0	19.5	16.5	16.5	21.5	13.5	15.0	18.5	18.5	10.5
Interim dividend (¢/share) <sup>3</sup>	8.5	8.5	8.0	7.5	7.5	7.5	7.5	7.5	5.5	6.5	6.0	5.0	4.25
Final dividend (¢/share) <sup>3</sup>	12.0	11.5	11.0	9.5	9.0	9.0	9.0	9.0	8.0	8.5	9.0	7.5	6.25
Special dividend (¢/share) <sup>3</sup>	4.0	8.0	8.0	-	3.0	-	-	5.0	-	-	3.5	6.0	-
Gearing	29.8%	23.6%	24.6%	31.6%	23.4%	30.9%	26.0%	15.9%	19.6%	55.3%	48.4%	33.6%	35.8%

1 Restated for final acquisition accounting values for businesses purchased in 2014

2 Restated for changes to accounting policies (Note 42 to the 2013 Financial Statements)

3 Fully franked





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